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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 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.

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

UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

For the three months ended 30 September 2016

		Three months ended	
		30 September	
	<i>Notes</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	71,488	61,704
Cost of services		(60,904)	(55,293)
Gross profit		10,584	6,411
Other incomes and other gains and losses	4	(545)	899
Selling and marketing expenses		(887)	(631)
Administrative expenses		(9,669)	(9,111)
Finance costs	5	(225)	(258)
Loss before taxation	6	(742)	(2,690)
Income tax expenses	7	(673)	(265)
Loss for the period		(1,415)	(2,955)

	Three months ended	
	30 September	
	2016	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	<u>(15)</u>	<u>(486)</u>
Total comprehensive loss for the period	<u>(1,430)</u>	<u>(3,441)</u>
Loss for the period attributable to:		
Owners of the Company	(1,358)	(2,919)
Non-controlling interests	<u>(57)</u>	<u>(36)</u>
	(1,415)	(2,955)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(1,373)	(3,405)
Non-controlling interests	<u>(57)</u>	<u>(36)</u>
	<u>(1,430)</u>	<u>(3,441)</u>
		(restated)
Loss per share		
– Basic and diluted (HK cents)	9	
	<u>(0.075)</u>	<u>(0.235)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 September 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's principal activity is investment holding and the principal activity of its principal subsidiaries is the provision of environmental cleaning services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited condensed consolidated results are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 July 2016, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

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

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

3. SEGMENT INFORMATION

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

The Group's operating and reportable segments 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:

	Three months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service income from Environmental and Cleaning	65,516	60,065
Service income from AUTO	1,726	1,639
Service income from Management Services	4,246	—
	71,488	61,704

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

Segment revenue and results

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

Three months ended 30 September 2016

	Environmental and Cleaning	AUTO	Management Services	Investments	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
Revenue from external customers	<u>65,516</u>	<u>1,726</u>	<u>4,246</u>	<u>–</u>	<u>71,488</u>
Result					
Segment profit/(loss)	<u>2,426</u>	<u>(332)</u>	<u>940</u>	<u>(638)</u>	<u>2,396</u>
Other incomes and other gains					37
Central administrative costs					(2,976)
Finance costs					<u>(199)</u>
Loss before taxation					<u><u>(742)</u></u>

Three months ended 30 September 2015

	Environmental and Cleaning	AUTO	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Revenue from external customers	<u>60,065</u>	<u>1,639</u>	<u>61,704</u>
Result			
Segment profit/(loss)	<u>2,060</u>	<u>(1,678)</u>	<u>382</u>
Other incomes and other gains			1
Central administrative costs			(2,876)
Finance costs			<u>(197)</u>
Loss before taxation			<u><u>(2,690)</u></u>

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended 30 September 2016 (three months ended 30 September 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.

4. OTHER INCOMES AND OTHER GAINS AND LOSSES

	Three months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other incomes:		
Interest income	26	1
Sundry income	2	159
	<u>28</u>	<u>160</u>
Other gains:		
Gain on disposals of property, plant and equipment, net	41	739
Realised gain on disposals of financial assets at FVTPL	341	–
	<u>382</u>	<u>739</u>
Other losses:		
Unrealised loss on financial assets at FVTPL	(955)	–
	<u>(955)</u>	<u>–</u>
	<u>(545)</u>	<u>899</u>

5. FINANCE COSTS

	Three months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	–	3
Finance lease charges	9	58
Effective interest on bond	199	197
Interest on other borrowings	17	–
	<u>225</u>	<u>258</u>

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	945	1,766
Loss on written off of property, plant and equipment	5	129
Amortisation of intangible assets	28	56
Cost of consumable goods	351	1,188
Staff costs including directors' emoluments:		
Salaries and wages	40,711	37,411
Long service payment	–	33
Allowances and others	89	67
Contributions to defined contribution retirement plans	1,558	1,383
	<u>42,358</u>	<u>38,894</u>
Minimum lease payments under operating leases	<u>1,790</u>	<u>1,807</u>

7. INCOME TAX EXPENSES

	Three months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax		
– Current year provision	467	313
– Over provision in prior years	–	(48)
	<u>467</u>	<u>265</u>
Current tax:		
PRC-EIT		
– Current year provision	236	–
	<u>236</u>	<u>–</u>
Deferred tax	<u>(30)</u>	<u>–</u>
Income tax expenses	<u>673</u>	<u>265</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Hong Kong subsidiaries of the Group for the three months ended 30 September 2016 and 2015.

PRC Enterprise Income Tax (“EIT”) is calculated at 25% of the estimated assessable profits of PRC subsidiaries of the Group for the three months ended 30 September 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 three months ended 30 September 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.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 September 2016 (three months ended 30 September 2015: HK\$Nil).

9. LOSS PER SHARE

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

	Three months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(1,358)	(2,919)
	<i>000</i>	<i>000</i>
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,800,000	1,240,000

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the three months ended 30 September 2015 has been adjusted for the issuance of shares upon the open offer completed on 9 December 2015 and the share consolidation made on 15 March 2016.

The outstanding 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 three months ended 30 September 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 three months ended 30 September 2016.

10. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Contribution surplus	Foreign currency translation reserve	Warrant reserve	Share option reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2015	1,000	22,360	1,000	21,400	(23)	39,500	-	(8,498)	64,467	(99)	76,640
Loss for the period	-	-	-	-	-	-	-	(2,919)	(2,919)	(36)	(2,955)
Exchange differences arising on translation foreign operations	-	-	-	-	(486)	-	-	-	(486)	-	(486)
Total comprehensive loss for the period	-	-	-	-	(486)	-	-	(2,919)	(3,405)	(36)	(3,441)
As at 30 September 2015	1,000	22,360	1,000	21,400	(509)	39,500	-	(11,417)	73,334	(135)	73,199
As at 1 July 2016	1,800	108,514	1,000	214,000	(600)	-	6,459	(19,890)	118,683	(260)	118,423
Loss for the period	-	-	-	-	-	-	-	(1,358)	(1,358)	(57)	(1,415)
Exchange differences arising on translation foreign operations	-	-	-	-	(15)	-	-	-	(15)	-	(15)
Total comprehensive loss for the period	-	-	-	-	(15)	-	-	(1,358)	(1,373)	(57)	(1,430)
Release upon lapse of share options	-	-	-	-	-	-	(1,325)	1,325	-	-	-
As at 30 September 2016	<u>1,800</u>	<u>108,514</u>	<u>1,000</u>	<u>214,000</u>	<u>(615)</u>	<u>-</u>	<u>5,134</u>	<u>(19,923)</u>	<u>117,310</u>	<u>(317)</u>	<u>116,993</u>

Notes:

- (a) The amount represents the difference between the nominal amount of shares issued by the Company and the aggregate amount of share capital of subsidiaries acquired under common control pursuant to the group reorganisation (the “Reorganisation”) in preparation of the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 June 2013.
- (b) The amount represents the amounts due to shareholders capitalised before the listing of the Company’s shares on the GEM of the Stock Exchange.

- (c) The amount represented the net proceeds received from the issue of the unlisted warrants of the Company. This reserve will be transferred to the share capital and the share premium account upon exercise of the unlisted warrants, where the unlisted warrants remain unexercised at the expiry date, the amount recognised in the warrant reserve will be released to the accumulated losses. The balance of this reserve was transferred to the accumulated losses account upon expiry of the unlisted warrants on 26 January 2016.
- (d) The amount represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for the equity-settled share-based payments.

11. EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company's joint announcements dated 3 October 2016 and 24 October 2016 and the Company's composite offer and response document dated 28 October 2016 (collectively referred to as the "Offer Documents") in connection with the mandatory conditional cash offer by Wui Wo Enterprise Limited (the "Offeror") to acquire all the issued Shares and the cancellation of all outstanding Share Options. Unless stated otherwise, capitalized terms used herein shall have the same meanings as those defined in the Offer Documents.

The Offeror and the Seller entered into a bought and sold note on 26 September 2016 in respect of the transfer of 269,165,000 Shares, representing approximately 14.95% of the total issued Shares, from the Seller to the Offeror.

Upon the completion of the Share Acquisition on 27 September 2016, the number of Shares held by the Offeror and parties acting in concert with it, directly and indirectly, had increased from 378,976,000 Shares to 648,141,000 Shares, representing an increase from approximately 21.05% to approximately 36.01% of the total issued share capital of the Company. Accordingly, the Offeror is required to make a conditional mandatory cash offer to acquire all issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price of HK\$0.13 per Offer Share and to cancel all outstanding Share Options pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code respectively.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise and make recommendation to the Independent Shareholders and the Option holders in respect of the Offers. An independent financial adviser has been appointed to advise the Independent Board Committee in respect of the Offers, in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

The Offers are subject to valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Offers Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with the Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. In the event that after the completion of the Offers, the public float of the Company falls below 25%, The director of the Offeror and the new director to be appointed to the Board of the Company will jointly and severally undertake to the Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Further announcement(s) will be made by the Offeror and the Company in relation to the status and results of the Offers as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Environmental and Cleaning Services

The Group is principally engaged in the provision of environmental services 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) stonefloor 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

The Group is 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 September 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 autobody 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 period, 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 revenue of approximately HK\$60.1 million for the three months ended 30 September 2015, the Group's revenue from the environmental and cleaning services in Hong Kong increased by approximately HK\$3.9 million to approximately HK\$64.0 million for three months ended 30 September 2016 mainly due to (i) additional contracts secured in the transportation sector 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 (ii) commencement of several new contracts in the commercial and residential sector in which the Company provides public and tenanted area cleaning services; (iii) provision of overnight public area cleaning service in a hotel above Kowloon station; and (iv) 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 net profit of approximately HK\$2.3 million (three months ended 30 September 2015: approximately HK\$1.7 million) for the period.

Environmental and Cleaning Services in Shanghai, the PRC

During the three months ended 30 September 2016, PPS Shanghai contributed revenue of approximately HK\$1.5 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 losses during the period.

Auto Beauty Services

During the three months ended 30 September 2016, E-Car contributed revenue of approximately HK\$1.7 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 8 auto beauty centres at the acquisition date on 31 March 2015 to 6 auto beauty centres as at 30 September 2016. As of 30 September 2016, the Group operates 4 car parking facilities and 2 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 three months ended 30 September 2016, the Logon Group contributed revenue of approximately HK\$4.2 million to the Group’s total revenue and profit before tax of approximately HK\$0.9 million to the Group’s total profit before tax.

Investments in Financial Assets

Information on the Group’s financial assets at fair value through profit or loss which amounted to approximately HK\$11.7 million as at 30 September 2016 is set out as below:

Name of stock (Stock code)	Principal business	Number of shares held as at 30 September 2016	Percentage of shareholding in the investee company as at 30 September 2016	Investment cost (HK\$'000)	Market value as at 30 September 2016 (HK\$'000)	Percentage to net assets value of the Group as at 30 September 2016
Mega Medical Technology Limited (876)	Providing electronic manufacturing services and engaging in trading of dental prosthetics business	15,800,000	0.41%	6,952	5,293	4.52%
Prosten Technology Holdings Limited (8026)	Providing wireless value-added services and engaging in lending business and trading and retailing of jewelry business	18,800,000	1.72%	6,956	6,392	5.46%

Information on the performance of the Group's financial assets at fair value through profit or loss during the three months ended 30 September 2016 is set out as below:

Name of stock (Stock code)	Unrealised gain/(loss) for the three months ended 30 September 2016 (HK\$'000)	Realised gain on disposal for the three months ended 30 September 2016 (HK\$'000)
Mega Medical Technology Limited (876)	79	Nil
Prosten Technology Holdings Limited (8026)	(1,034)	Nil
CK Hutchison Holdings Limited (1)	Nil	213
Hong Kong Exchanges and Clearing Limited (388)	Nil	128

The Group's investment strategy is to review the investment portfolio continuously and make appropriate adjustments (by acquisition or disposal) according to the market situation, with an aim to generate reasonable returns. During the three months ended 30 September 2016, the Group determined to fully dispose of two investments when their market prices were favorable to their investment costs resulting in the net realised gain of HK\$0.3 million. During the three months ended 30 September 2016, the net unrealised loss of approximately HK\$1 million arising on the revaluation of the financial assets on hand were recognised based on the market prices quoted on the stock market of the Stock Exchange.

OUTLOOK

Environmental and Cleaning Services in Hong Kong

The Group was successful in renewing and securing a number of new material representative environmental services contracts we believe that these contracts shall be used as the backbone to support our Group's business growth. We have secured several new contracts in the transportation sector in which the Group provides 24 hours environmental and cleaning services. 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 Statutory Minimum Wage (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 explore other new environmental and cleaning services to expand our service scope to enable customers to use the Group as a one-stop cleaning contractor. 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. The Group would prudently assess the profitability of our existing centres during each centre's tenancy renewal evaluation process. We would close down any loss making centres if this would improve the profitability of the auto beauty services business.

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 is closely monitoring the performance of the investments on hand and shall make appropriate adjustments (by acquisition or disposal) according to the market situation to maximise the returns on the investments. Besides, a cautious and prudent approach is continued to be the key direction of 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 three months ended 30 September 2016, the Group reported a revenue of approximately HK\$71.5 million (three months ended 30 September 2015: approximately HK\$61.7 million), representing an increase of approximately 15.9% mainly due to (i) increase in the revenue from the environmental and cleaning services business in Hong Kong by approximately HK\$3.9 million to approximately HK\$64.0 million for the three months ended 30 September 2016 (three months ended 30 September 2015: approximately HK\$60.1 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 in Hong Kong; (ii) contribution of the revenue of approximately HK\$1.5 million from the newly acquired environmental and cleaning services business in Shanghai, the PRC in May 2016; and (iii) contribution of the additional revenue of approximately HK\$4.2 million from the newly acquired property and car park management services business in Shenzhen, the PRC in April 2016.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the three months ended 30 September 2016 increased by approximately HK\$4.2 million to approximately HK\$10.6 million (three months ended 30 September 2015: approximately HK\$6.4 million) was mainly due to (i) increase in the gross profit by approximately HK\$2.0 million generated from the environmental and cleaning services business in Hong Kong; (ii) additional gross profit of approximately HK\$0.4 million from the newly acquired environmental and cleaning services business in Shanghai, the PRC in May 2016; and (iii) additional gross profit of approximately HK\$1.5 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 three months ended 30 September 2016 increased by approximately 4.4% to approximately 14.8% (three months ended 30 September 2015: approximately 10.4%).

The increase in gross profit margin of the Group for the year was mainly due to the improvement in the gross profit margin from the environmental and cleaning services business in Hong Kong by approximately 2.7% to approximately 11.5% (three months ended 30 September 2015: approximately 8.8%) for the three months ended 30 September 2016 as a result of (i) the reduction in direct labor and manpower services costs as a result of the implementation of more efficient working flows procedures as well as stringent cost control procedures by the Group; and (ii) early termination of some loss making service contracts during the period.

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\$1.8 million to approximately HK\$11.5 million (three months ended 30 September 2015: approximately HK\$9.7 million) for the three months ended 30 September 2016. The increase was mainly due to (i) recognition of unrealized loss of HK\$1.0 million on the revaluation of the financial assets for the period; and (ii) additional general selling marketing expenses and administrative expenses of approximately HK\$1.4 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 September 2016 (three months ended 30 September 2015: HK\$Nil).

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

Executive Directors

Mr. Yu Shaoheng – appointed on 28 October 2016 for a director fee of HK\$600,000 per annum

Ms. Mui Fong – appointed on 28 October 2016 for a director fee of HK\$600,000 per annum

All newly appointed executive Directors are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the articles of association of the Company.

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

As at 30 September 2016, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within of the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant

to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2016, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Name of the company in which interest is held	Capacity	Total number of ordinary shares	Long/short position	Percentage of total issued share capital in the Company
Yu Weiye (<i>Note 1</i>)	The Company	Beneficial owner	378,976,000	Long	21.05%
		Interested in controlled corporation	269,165,000	Long	14.95%
Wui Wo Enterprise Limited (<i>Note 1</i>)	The Company	Beneficial owner	269,165,000	Long	14.95%
Mui Fong (<i>Note 1</i>)	The Company	Interests of spouse	648,141,000	Long	36.01%
Zhao Han (<i>Note 2</i>)	The Company	Beneficial owner	120,000,000	Long	6.07%
Gao Lili (<i>Note 2</i>)	The Company	Interests of spouse	120,000,000	Long	6.07%

Notes:

1. Mr. Yu Weiye beneficially owned 648,141,000 shares of the Company of which 269,165,000 shares of the Company were owned by Wui Wo Enterprise Limited, a Company wholly owned by Mr. Yu Weiye. Ms. Mui Fong was appointed as the executive Director on 28 October 2016 and is the wife of Mr. Yu Weiye. Ms. Mui Fong is deemed to be interested in 648,141,000 shares of the Company held by Mr. Yu Weiye under the SFO.
2. Ms. Gao Lili is the spouse of Mr. Zhao Han. Ms. Gao Lili is deemed to be interested in 6.07% interests in the share capital of the Company under the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any noncompliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the three months ended 30 September 2016.

COMPETING INTERESTS

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

SHARE OPTION

(1) Share Option Scheme

The share option scheme was adopted and approved by shareholders of the Company on 28 May 2013 and shall be valid and effective for a period of ten years commencing from the date of adoption.

The movements in the share options granted under the share option scheme during the period are shown as below:

Category of participants	Date of grant of share options	Exercisable period (Note 2)	Exercise					
			price (HK\$) (Note 1)	Outstanding as at 01.07.2016	Granted during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.09.2016
Directors								
Mr. Chan Wai Kit (Note 3)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	–	10,000,000
Ms. Wong Chi Yan (Note 4)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	–	10,000,000

Category of participants	Date of grant of share options	Exercisable period (Note 2)	Exercise					Outstanding as at 30.09.2016
			price (HK\$) (Note 1)	Outstanding as at 01.07.2016	Granted during the period	Cancelled during the period	Lapsed during the period	
Mr. Zhang Xiaozheng (Note 5)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	(10,000,000)	–
Ms. Wang Jun (Note 6)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	–	10,000,000
Ms. Li Qingchen (Note 7)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	(10,000,000)	–
Mr. Xu Xiaoping (Note 8)	11.12.2015	14.12.2015 – 10.12.2025	0.23	10,000,000	–	–	–	10,000,000
Sub-total				60,000,000	–	–	(20,000,000)	40,000,000
Employees								
In aggregate	11.12.2015	16.12.2015 – 10.12.2025	0.23	37,500,000	–	–	–	37,500,000
Total				97,500,000	–	–	(20,000,000)	77,500,000
Weighted average exercise price								<u>HK\$0.23</u>
Weighted average remaining contractual life								<u>10.3 years</u>

Notes:

- Number of the Shares that can be subscribed for upon exercise of the outstanding share options stated in table above and exercise price are restated taking into adjustments as a result of the Share Consolidation which took place on 15 March 2016.
- The option period of the share options granted on 11 December 2015 is 10 years without the vesting period being attached.
- Mr. Chan Wai Kit resigned as an executive Director on 11 July 2016.
- Ms. Wong Chi Yan resigned as an executive Director on 18 July 2016.
- Mr. Zhang Xiaozheng resigned as an executive Director on 18 May 2016.
- Ms. Wang Jun resigned as an executive Director on 19 September 2016.
- Ms. Li Qingchen resigned as a non-executive Director on 20 June 2016.
- Mr. Xu Xiaoping resigned as a non-executive Director on 4 July 2016.

(2) 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.

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Board, the Company has complied with the Code and the GEM Listing Rules for the three months ended 30 September 2016 and up to the date of this announcement, except for the deviations of the following Codes and 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 period 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) 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.

(iii) 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 did 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 up to 3 October 2016. On 3 October 2016, Mr. Chan Woon Wing, a certified public accountant was appointed by the Board 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.

REVIEW BY THE AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Chui Chi Yun, Robert, (chairman of the audit committee), Mr. Huang Ke and Mr. Kwong Tsz Ching, Jack, all being independent non-executive Directors.

The audit committee has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls, risks management and financial reporting matters and the above unaudited condensed consolidated results of the Group for the three months ended 30 September 2016; and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
PPS International (Holdings) Limited
Ye Jingyuan
Chief Executive Officer and Executive Director

Hong Kong, 9 November 2016

As at the date of this announcement, the Board of the Company comprises five executive Directors, Mr. Ye Jingyuan, Mr. Yu Shaoheng, Ms. Mui Fong, Mr. Tse Man Yiu and Ms. Ding Pingying and three independent non-executive Directors, Mr. Chui Chi Yun, Robert, Mr. Huang Ke and Mr. Kwong Tsz Ching, Jack.