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## **PPS INTERNATIONAL (HOLDINGS) LIMITED**

**寶聯控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8201)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2018**

#### **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.*

## UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the nine months ended 31 March 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

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

*For the three months and the nine months ended 31 March 2018*

	Notes	Nine months ended 31 March		Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Continuing operations</b>					
Revenue	3	237,625	198,575	84,213	67,691
Cost of services		(201,525)	(177,293)	(71,442)	(61,730)
Gross profit		36,100	21,282	12,771	5,961
Other income and gains	4	309	957	139	14
Selling and marketing expenses		(1,832)	(1,761)	(686)	(833)
Administrative expenses		(36,321)	(25,739)	(10,953)	(12,029)
Finance costs	5	(4,692)	(631)	(1,859)	(211)
Loss before taxation	6	(6,436)	(5,892)	(588)	(7,098)
Income tax expenses	7	(3,740)	(833)	(1,122)	(15)
<b>Loss for the period from continuing operations</b>		<b>(10,176)</b>	<b>(6,725)</b>	<b>(1,710)</b>	<b>(7,113)</b>
<b>Discontinued operations</b>					
Profit for the period from discontinued operations	9(c)	–	2,118	–	7,067
<b>Loss for the period</b>		<b>(10,176)</b>	<b>(4,607)</b>	<b>(1,710)</b>	<b>(46)</b>

	Notes	Nine months ended 31 March		Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Other comprehensive loss</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translating foreign operations		1,261	(146)	629	3
Reclassification of cumulative exchange reserve from equity to profit or loss upon disposal of subsidiaries		–	(884)	–	(884)
<b>Total comprehensive loss for the period</b>		<b>(8,915)</b>	<b>(5,637)</b>	<b>(1,081)</b>	<b>(927)</b>
Loss for the period attributable to:					
Owners of the Company		(10,672)	(4,516)	(2,172)	(24)
Non-controlling interests		496	(91)	462	(22)
		<b>(10,176)</b>	<b>(4,607)</b>	<b>(1,710)</b>	<b>(46)</b>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(9,411)	(5,546)	(1,543)	(905)
Non-controlling interests		496	(91)	462	(22)
		<b>(8,915)</b>	<b>(5,637)</b>	<b>(1,081)</b>	<b>(927)</b>
			(restated)		(restated)
(Loss)/earnings per share					
From continuing and discontinuing operations					
– Basic and diluted (HK cents)	10	<b>(3.95)</b>	(2.24)	<b>(0.80)</b>	(0.01)
From continuing operations					
– Basic and diluted (HK cents)	10	<b>(3.95)</b>	(3.32)	<b>(0.80)</b>	(3.52)
From discontinued operations					
– Basic and diluted (HK cents)	10	–	1.08	–	3.51

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the nine months ended 31 March 2018*

## 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 May 2012. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at 24/F., SUP Tower, 75–83 King’s Road, North Point, Hong Kong.

The Company had its primary listing on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 June 2013. The Company’s principal activity is investment holding and the principal activity of its principal subsidiaries is the provision of environmental cleaning services and money lending services.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited condensed consolidated results are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30 June 2017.

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 2017, 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:

#### Continuing operations

Environmental and Cleaning	Provision of environmental and cleaning services in Hong Kong and Shanghai, the People's Republic of China (the "PRC")
Investments	Investments in financial assets
Money Lending	Provision of money lending business in Hong Kong under the Money Lenders Ordinance in Hong Kong

#### Discontinued operations

AUTO	Provision of car beauty services in Hong Kong
Management Services	Provision of property and car park management services in Shenzhen, the PRC

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

#### Revenue

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

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

	Nine months ended		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Service income from Environmental and Cleaning	224,591	197,097	79,644	66,363
Interest income from Money Lending	13,034	1,478	4,569	1,328
	<u>237,625</u>	<u>198,575</u>	<u>84,213</u>	<u>67,691</u>
<b>Discontinued operations</b>				
Services income from AUTO	–	3,122	–	–
Services income from Management Services	–	8,658	–	1,652
	<u>–</u>	<u>11,780</u>	<u>–</u>	<u>1,652</u>

#### 4. OTHER INCOME AND OTHER GAINS

	Nine months ended 31 March		Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Continuing operations</b>				
<b>Other income:</b>				
Interest income	15	42	6	10
Sundry income	284	422	133	–
	<u>299</u>	<u>464</u>	<u>139</u>	<u>10</u>
<b>Other gains:</b>				
Gain on disposals of property, plant and equipment, net	10	4	–	4
Realised gain on financial assets of FVTPL	–	489	–	–
	<u>10</u>	<u>493</u>	<u>–</u>	<u>4</u>
	<u>309</u>	<u>957</u>	<u>139</u>	<u>14</u>

#### 5. FINANCE COSTS

	Nine months ended 31 March		Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Effective interest on the bond	606	599	202	202
Effective interest on the Convertible bonds	4,062	–	1,650	–
Finance charges on obligations under finance leases	24	32	7	7
	<u>4,692</u>	<u>631</u>	<u>1,859</u>	<u>1,903</u>

## 6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Nine months ended		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Amortisation of intangible assets	83	167	28	56
Depreciation of property, plant and equipment	2,321	2,324	664	744
Cost of consumable goods	3,481	2,301	1,434	1,149
Gain on disposals of property, plant and equipment	10	4	–	4
Loss on written off of property, plant and equipment	–	10	–	–
Staff costs including Directors' emoluments:				
Salaries and wages	128,164	121,274	43,748	41,788
Long service payment	73	453	–	300
Allowances and others	148	142	85	52
Contributions to defined contribution retirement plans	4,337	4,379	1,393	1,472
Share-based payment expenses	–	–	–	–
	<u>138,617</u>	<u>126,248</u>	<u>47,352</u>	<u>43,612</u>
Minimum lease payments under operating leases	<u>5,254</u>	<u>3,393</u>	<u>1,001</u>	<u>1,542</u>

## 7. INCOME TAX EXPENSES

	Nine months ended		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations:</b>				
Current tax:				
Hong Kong Profits Tax				
– Current year provision	3,944	1,042	1,178	89
PRC-EIT				
– Over provision in prior years	–	(45)	–	(17)
	<u>3,944</u>	<u>997</u>	<u>1,178</u>	<u>72</u>
Deferred tax	<u>(204)</u>	<u>(164)</u>	<u>(56)</u>	<u>(57)</u>
Income tax expenses	<u>3,740</u>	<u>833</u>	<u>1,122</u>	<u>15</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 nine months ended 31 March 2018 and 2017 and three months ended 31 March 2018 and 2017.

PRC Enterprise Income Tax (“EIT”) is calculated at 25% of the estimated assessable profits of PRC subsidiaries of the Group. No provision for PRC EIT had been made as (i) the PRC subsidiaries of the Group did not generate any assessable profits in the PRC for the nine months ended 31 March 2017 and the three months ended 31 March 2017; and (ii) the PRC subsidiaries of the Group has tax loss brought forward to set-off the estimated assessable profits for the nine months ended 31 March 2018 and the three months ended 31 March 2018.

Under the PRC tax law, profits of the Group’s subsidiaries in the PRC (the “PRC subsidiaries”) derived since 1 January 2008 is subject to withholding income tax at rates of 5% or 10% upon the distribution of such profits to foreign investors or companies incorporated in Hong Kong or for other foreign investors, respectively.

At 31 March 2018 and 31 March 2017, no deferred tax liabilities have been recognised in respect of tax that would be payable on the unremitted profits of the PRC subsidiaries derived since 1 January 2008 as the directors of the Company is in a position to control the dividend policies of the PRC subsidiaries and no distribution of such profits is expected to be declared from the PRC subsidiaries in the foreseeable future.

## **8. DIVIDENDS**

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2018 (nine months ended 31 March 2017: HK\$Nil).

## **9. PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS**

### **(a) Disposal of Elite Car Services Limited**

On 11 January 2017, Go Million Limited (“Go Million”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party purchaser, pursuant to which Go Million agreed to sell and the purchaser agreed to acquire the entire issued share capital of Elite Car Services Limited at a cash consideration of HK\$1 (the “AUTO Disposal”). Elite Car Services Limited, through its subsidiaries, is principally engaged in the provision of auto beauty services in Hong Kong.

### **(b) Disposal of Logon Clean Energy Group Limited**

On 3 March 2017, the Company entered into a sale and purchase agreement with an independent third party purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to acquire the entire issued share capital of Logon Clean Energy Group Limited at a cash consideration of HK\$32,000,000 (the “Logon Disposal”). Logon Clean Energy Group Limited, through its subsidiaries, is principally engaged in the provision of property and car park management services in Shenzhen, the People’s Republic of China (the “PRC”).



(c) The results from the discontinued operations included in for the period are set out as below:

	Notes	Nine months ended 31 March		Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	–	11,780	–	1,652
Cost of services		–	(6,842)	–	(1,432)
Gross profit		–	4,938	–	220
Other income and gains		–	25	–	7
Selling and marketing expenses		–	(1,127)	–	(110)
Administrative expenses		–	(5,030)	–	(264)
Finance costs		–	(98)	–	(32)
Impairment loss on goodwill		–	(3,763)	–	–
Gain on disposals of subsidiaries	9(e)	–	7,178	–	7,178
Profit before taxation		–	2,123	–	6,999
Income tax credit/ (expenses)		–	(5)	–	68
<b>Profit for the period</b>		–	2,118	–	7,067
Profit/(loss) for the period attributable to:					
Owners of the Company		–	2,166	–	7,067
Non-controlling interests		–	(48)	–	–
		–	2,118	–	7,067

(d) The assets and liabilities disposed of at the completion dates are set out as below:

	AUTO Disposal HK\$'000	Logon Disposal HK\$'000	Total HK\$'000
Property, plant and equipment	384	706	1,090
Goodwill	–	36,984	36,984
Trade and other receivables	1,073	2,904	3,977
Cash and cash equivalents	467	720	1,187
Current tax recoverable	–	–	–
Trade and other payables	(245)	(5,141)	(5,386)
Deferred income	(4,989)	(1,270)	(6,259)
Current tax payable	–	(4,504)	(4,504)
Other borrowings	–	(1,668)	(1,668)
Non-controlling interests	285	–	285
<b>Net assets/(liabilities) disposed of</b>	<b>(3,025)</b>	<b>28,731</b>	<b>25,706</b>

(e) **Gain on disposals of subsidiaries is calculated as below:**

	<i>Note</i>	<b>AUTO Disposal HK\$'000</b>	<b>Logon Disposal HK\$'000</b>	<b>Total HK\$'000</b>
Consideration settled in cash and cash equivalents		–*	32,000	32,000
Cumulative exchange gain reclassified from equity to profit or loss upon disposal of subsidiaries		–	884	884
		–	32,884	32,884
Less: Net assets/(liabilities) disposed of	8(d)	(3,025)	(3,025)	28,731
Gain on disposal		<u>3,025</u>	<u>4,153</u>	<u>7,178</u>

\* The sale consideration is HK\$1.

The gain on disposals from the AUTO Disposal and the Logon Disposal is included in the loss for the period from discontinued operations.

The actual gain on disposals is subject to the review by the Company's independent auditors and will be reflected in the annual results of the Company for the financial year ended 30 June 2017.

**10. (LOSS)/EARNINGS PER SHARE**

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

	<b>Nine months ended 31 March</b>		<b>Three months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/earnings</b>				
Loss for the period attributable to owners of the Company from the continuing operations for the purposes of basic and diluted loss per share	<b>(10,672)</b>	(6,682)	<b>(2,172)</b>	(7,091)
Profit for the period attributable to owners of the Company from the discontinued operations for the purposes of basic and diluted earnings/(loss) per share	–	2,166	–	7,067
Loss for the period attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	<u><b>(10,672)</b></u>	<u>(4,516)</u>	<u><b>(2,172)</b></u>	<u>(24)</u>

	'000	'000 (Restated)	'000	'000 (Restated)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>270,000</b>	221,865	<b>270,000</b>	264,533

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the three months ended 31 March 2017 and the nine months ended 31 March 2017 has been adjusted for the issuance of shares upon the rights issue made on 13 February 2017 and the share consolidation made on 27 July 2017.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the three months ended 31 March 2018 and the nine months ended 31 March 2018 has been adjusted for the share consolidation made on 27 July 2017.

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 31 March 2017 and the nine months ended 31 March 2017.

The outstanding convertible bonds are not included in the calculation of the diluted loss per share as they have anti-dilutive effect on the basic loss per share for the three months ended 31 March 2018 and the nine months ended 31 March 2018.

## 11. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2018

	Attributable to owners of the Company							Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Contribution surplus	Foreign currency translation reserve	Convertible bonds equity reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000 (Note (d))	HK\$'000	HK\$'000	HK\$'000	
As at 1 July 2017 (audited)	2,700	154,500	1,000	21,400	(1,281)	-	(26,817)	151,502	(77)	151,425
Loss for the period	-	-	-	-	-	-	(10,672)	(10,672)	496	(10,176)
Exchange differences arising on translation of foreign operations	-	-	-	-	1,261	-	-	1,261	-	1,261
Total comprehensive income/(loss) for the period	-	-	-	-	1,261	-	(10,672)	(9,411)	496	(8,915)
Recognition of equity component of the convertible bonds	-	-	-	-	-	6,129	-	6,129	-	6,129
As at 31 March 2018 (unaudited)	<b>2,700</b>	<b>154,500</b>	<b>1,000</b>	<b>21,400</b>	<b>(20)</b>	<b>6,129</b>	<b>(37,489)</b>	<b>148,220</b>	<b>419</b>	<b>148,639</b>

For the nine months ended 31 March 2017

	Attributable to owners of the Company							Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Contribution surplus HK\$'000 (Note (b))	Foreign currency translation reserve HK\$'000	Option reserve HK\$'000 (Note (c))	Accumulated losses HK\$'000			
As at 1 July 2016 (audited)	1,800	108,514	1,000	21,400	(600)	6,459	(19,890)	118,683	(260)	118,423
Loss for the period	-	-	-	-	-	-	(4,516)	(4,516)	(91)	(4,067)
Exchange differences arising on translation of foreign operations	-	-	-	-	(146)	-	-	(146)	-	(146)
Exchange differences reclassification upon disposals of subsidiaries	-	-	-	-	(884)	-	-	(884)	-	(884)
Total comprehensive loss for the period	-	-	-	-	(1,030)	-	(4,516)	(5,546)	(91)	(5,637)
Release upon lapse and cancellation of share options	-	-	-	-	-	(6,459)	6,459	-	-	-
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	285	285
Issue of shares pursuant to rights issue	900	47,700	-	-	-	-	-	48,600	-	48,600
Shares issue expenses	-	(1,554)	-	-	-	-	-	(1,554)	-	(1,554)
<b>As at 31 March 2017 (unaudited)</b>	<b>2,700</b>	<b>154,660</b>	<b>1,000</b>	<b>21,400</b>	<b>(1,630)</b>	<b>-</b>	<b>(17,947)</b>	<b>160,183</b>	<b>(66)</b>	<b>160,117</b>

Notes:

- (a) The amount represented the difference between the nominal amount of shares issued by the Company and the aggregate amount of share capital of subsidiaries acquired under common control pursuant to the group reorganisation (the “Reorganisation”) in preparation of the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 June 2013.
- (b) The amount represented the amounts due to shareholders capitalised before the listing of the Company’s shares on the GEM of the Stock Exchange.
- (c) Option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for the equity-settled share-based payments. During the nine months ended 31 March 2017, the balance of this reserve has been transferred to the retained earnings upon lapse and cancellation of the share options.
- (d) The amount represented the equity component of the convertible bonds issued on 21 August 2017.

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

On 11 April 2018, the Company announced its proposal to raise not less than HK\$48,600,000 before expenses by way of a rights issue by issuing 270,000,000 rights shares on the basis of one rights share for every one shares held by the qualifying shareholders at a subscription price of HK\$0.18 per rights share (the “Rights Issue”). 173,024,800 rights shares are underwritten by Lamtex Securities Limited and Mr. Yu Shaoheng (“Mr. Yu”), the controlling shareholder of the Company under the GEM Listing Rules, the chief executive officer of the Company and the executive director of the Company, pursuant to the underwriting agreement dated 11 April 2018 (the “Underwriting Agreement”) entered into between the Company with each of Lamtex Securities Limited and Mr. Yu subject to the terms and conditions set out in the Underwriting Agreement.

The Company will receive gross proceeds of approximately HK\$48,600,000 from the Rights Issue. The estimated net proceeds of the Rights Issue will be approximately HK\$47,100,000. The Company intends to apply net proceeds from the Rights Issue in the following manner:

- approximately HK\$37,700,000 will be utilized for the Group’s existing businesses, in particular the money lending business;
- approximately HK\$9,400,000 will be utilized for potential investment opportunities as and when identified by the Group and/or for general working capital of the Group.

Details of the Rights Issue are set out in the Company’s announcement dated 11 April 2018 and the Company’s circular dated 11 May 2018. Further announcements and listing documents will be published by the Company in relation to the progress and results of the Right Issue.

## **13. COMPARATIVE FIGURES**

As a result of the rights issue completed on 13 February 2017 and the share consolidation completed on 27 July 2017, the (loss)/earnings per share for the nine months ended 31 March 2017 and the three months ended 31 March 2017 has been retrospectively adjusted.

Certain comparative figures have been re-classified to conform to the current period’s presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

#### **Continuing Operations**

##### *Environmental and Cleaning Services*

The Group is principally engaged in the provision of environmental services in Hong Kong, Shenzhen 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; (x) cleaning and waste management solution for renovated apartment; and (xi) airline catering support services.

##### *Investments in Financial Assets*

During the nine months ended 31 March 2017, the Group 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.

During the nine months ended 31 March 2018, the Group did not invest in any financial assets.

##### *Money Lending Business*

In December 2016, the Group commenced its money lending business under the money lenders licences granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

## **Discontinued Operations**

### ***Auto Beauty Services***

The Group had engaged in auto beauty services for private cars under its own brand name “E-Car” (formerly known as “Champion Auto Club”) in Hong Kong during the period from 10 March 2015 to 11 January 2017. 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. The auto beauty services were disposed of by the Company on 11 January 2017.

### ***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 Group Limited (the “Logon Acquisition”). Logon Clean Energy Group 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. The Logon Group was disposed of by the Company on 3 March 2017.

## **BUSINESS REVIEW**

### **Continuing Operations**

#### ***Environmental and Cleaning Services in Hong Kong***

Compared to the revenue of approximately HK\$191.5 million for the nine months ended 31 March 2017, the Group’s revenue from the environmental and cleaning services in Hong Kong increased by approximately HK\$12.7 million to approximately HK\$204.2 million for the nine months ended 31 March 2018 mainly due to the net effect of (i) commencement of several new service contracts in the transportation and residential sector; (ii) regular price increment for our tenanted services contracts; and (iii) expiry of several service contracts in the commercial and residential sector.

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\$9.1 million (nine months ended 31 March 2017: approximately HK\$3.9 million) for the nine months ended 31 March 2018.

#### ***Environmental and Cleaning Services in Shanghai, the PRC***

During the nine months ended 31 March 2018, the environmental and cleaning services in Shanghai, the PRC (the “Shanghai Operations”) contributed revenue of approximately HK\$18.9 million (nine months ended 31 March 2017: approximately HK\$5.6 million) to the Group’s total revenue as several new service contracts were secured by the Shanghai operations. The Shanghai Operations also recorded a net operating profit of approximately HK\$1.0 million (nine months ended 31 March 2017: a net operating loss of approximately HK\$0.4 million) for the nine months ended 31 March 2018.

### ***Environmental and Cleaning Services in Shenzhen, the PRC***

During the nine months ended 31 March 2018, the Group started commencing its environmental and cleaning services business in Shenzhen, the PRC (the “Shenzhen Operations”). As the Shenzhen Operations was still at the early development stage, it contributed revenue of approximately HK\$1.5 million and recorded a net operating loss of approximately HK\$5.0 million.

### ***Investments in Financial Assets***

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 nine months ended 31 March 2018, the Group did not invest in any financial assets.

During the nine months ended 31 March 2017, the Group recorded a net fair value gain of approximately HK\$0.5 million from the investments in financial assets.

### ***Money Lending Business***

During the nine months ended 31 March 2018, the Group granted several loans in the aggregate principal amount of HK\$110 million to independent third party borrowers with interest bearing at rates ranging from 18% to 22% per annum. The Money Lending Business became one of the sources for the Group’s profit for the nine months ended 31 March 2018. The interest income and the operating profit from the money lending business for the nine months ended 31 March 2018 amounted to approximately HK\$13.0 million (nine months ended 31 March 2017: approximately HK\$1.5 million) and approximately HK\$9.3 million (nine months ended 31 March 2017: approximately HK\$1.1 million) respectively.

### **Discontinued Operations**

#### ***Auto Beauty Services***

With the fierce competition, E-Car still has not achieved positive results since the date of completion of the acquisition. Having considered the unsatisfactory performance of the business of E-Car, on 11 January 2017, the Group entered into a sale and purchase agreement with an independent third party purchaser, pursuant to which Go Million agreed to sell and the purchaser agreed to acquire the entire issued share capital of Elite Car Services Limited at a cash consideration of HK\$1. Elite Car Services Limited together with its subsidiaries is principally engaged in the provision of auto beauty services in Hong Kong. After this disposal, the Group is no longer engaged in the business of provision of auto beauty services in Hong Kong.



### ***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; (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 2017 and two years ending 30 June 2018 and 2019 (the “Guaranteed Periods”) will reach certain amounts of profit before tax (the “Guaranteed Profits”); (iii) the vendor is required to compensate the Company the amounts (the “Compensations”), being the difference between the Guaranteed Profits and the actual profits before tax of Logon Group or the sum of the Guaranteed Profits and the actual net loss before tax of Logon Group if there is any shortfall in the Guaranteed Profits; and (iv) the Company has the right at its own discretion to sell the entire issued share capital of Logon Clean Energy Group Limited back to the vendor at a cash consideration of HK\$30,900,000 after deducting any Compensations paid by the vendor if Logon Group does not reach the Guaranteed Profits in any two of the Guaranteed Periods (the “Buy Back”).

It is noted that the financial performance of the Logon Group has been at a decreasing trend since October 2016 due to an unexpected decline in the renewal of the leasing contracts by the tenants who are attracted by the newly opened shopping malls located around the shopping malls managed by Logon Group.

As the property and car park management service has not been performing as expected and its contribution is minimal. On 3 March 2017, the Company entered into a sale and purchase agreement with an independent third party purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to acquire the entire issued share capital of Logon Clean Energy Group Limited at a cash consideration of HK\$32,000,000. Logon Clean Energy Group Limited together with its subsidiaries is principally engaged in the provision of property and car park management services in Shenzhen, PRC. After this disposal, the Group is no longer engaged in the business of provision of property and car park management services in Shenzhen, PRC.

### ***Financial Services***

As disclosed in the Company’s announcement dated 5 June 2017, the Group started to develop the businesses of provision of financial regulated activities under the Securities and Futures Ordinance in Hong Kong and provision of forex brokerage services in New Zealand. The development of such businesses incurred additional expenses of approximately HK\$11 million during the nine months ended 31 March 2018 but was ceased in December 2017 due to the unsatisfactory development progress, in particular the difficulties encountered on obtaining the relevant licences and/or approvals.

## **OUTLOOK**

### **Environmental and Cleaning Services in Hong Kong**

The Group was successful in renewing and securing a number of new material 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, and we have also strengthened 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 Group is also 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 and implement more efficient working flows and stringent cost control procedures. 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, transportation and residential 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 confidence for new clients to select our cleaning services in the coming future.

### **Environmental and Cleaning Services in the PRC**

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

## **Investments in Financial Assets**

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 prospects would be considered and invested by the Group in the future.

## **Money Lending Business**

The Group continues to adopt the money lending policy and procedure manual which provide guidelines on handling and monitoring of money lending procedures according to the Money Lenders Ordinance. A cautious and prudent approach is the key direction of our money lending strategies that only borrowers with sound financial abilities would be considered and approved by the Group in the future.

## **FINANCIAL REVIEW**

### **Continuing Operations**

#### ***Revenue***

For the nine months ended 31 March 2018, the Group reported a total revenue of approximately HK\$237.6 million (nine months ended 31 March 2017: approximately HK\$198.6 million), representing an increase of approximately 19.6% mainly due to (i) increase in the revenue from the environmental and cleaning services business in Hong Kong by approximately HK\$12.7 million to approximately HK\$204.2 million for the nine months ended 31 March 2018 (nine months ended 31 March 2017: approximately HK\$191.5 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 additional revenue of approximately HK\$14.8 million from the Shanghai Operations and the Shenzhen Operations as a result of several new services contracts secured during the period; and (iii) contribution of the additional interest income of approximately HK\$11.5 million from the newly established money lending business.

#### ***Gross Profit***

The gross profit of the Group for the nine months ended 31 March 2018 increased by approximately HK\$14.8 million to approximately HK\$36.1 million (nine months ended 31 March 2017: approximately HK\$21.3 million) was mainly due to (i) improvement in the gross profit of the environmental and cleaning services business in Hong Kong by approximately HK\$1.3 million; (ii) increase in the gross profit by approximately HK\$11.5 million generated from the newly established money lending business; and (iii) additional gross profit of approximately HK\$2.0 million contributed from the Shanghai Operations and the Shenzhen Operations.

### ***Selling and Marketing Expenses and Administrative Expenses***

The Group's selling and marketing expenses and administrative expenses increased by approximately HK\$10.7 million to approximately HK\$38.2 million (nine months ended 31 March 2017: approximately HK\$27.5 million) for nine months ended 31 March 2018. The increase was mainly due to increase in the administrative and operating expenses of approximately HK\$11.0 million for the development of the businesses of provision of financial regulated activities under the Securities and Futures Ordinance and provision of forex brokerage service in New Zealand.

### ***Finance Costs***

The finance costs of the Group for the nine months ended 31 March 2018 increased by approximately HK\$4.1 million to approximately HK\$4.7 million (nine months ended 31 March 2017: approximately HK\$0.6 million) was mainly due to recognition of the interest expense of approximately HK\$4.1 million on the convertible bonds issued in August 2017.

### **DIVIDEND**

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2018.

### **SHARE OPTIONS**

#### **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 "Share Option Scheme"). The total number of shares of the Company available for issue under the Share Option Scheme was 27,000,000 shares, representing 10%, 10% and 10% of the Shares in issue as at 29 December 2017, being the date of passing the resolution to refresh the share option scheme limit of the Share Option Scheme at the annual general meeting, 31 March 2018 and 14 May 2018, being the date of this results announcement, respectively.

For the nine months ended 31 March 2018 and up to the date of this results announcement, the Company had not granted any share options and no outstanding share options under the Share Option Scheme.

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

Save as disclosed below, as at 31 March 2018, 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.

Name of Shareholder	Name of the company in which interest is held	Capacity	Total number of ordinary shares	Long/short position	Percentage of total issued share capital in the Company
Mr. Yu Shaoheng	The Company	Beneficial owner (Note 1)	96,975,200	Long	35.92%

*Note:*

1. Mr. Yu Shaoheng is the son of Mr. Yu Weiye and the step-son Ms. Mui Fong.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2018, 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.

<b>Name of Shareholder</b>	<b>Name of the company in which interest is held</b>	<b>Capacity</b>	<b>Total number of ordinary shares</b>	<b>Number of underlying shares interest under the Convertible Bonds</b>	<b>Long/short position</b>	<b>Percentage of total issued share capital in the Company</b>
Mr. Yu Weiye	The Company	Beneficial owner <i>(Note 1)</i>	54,431,400	–	Long	20.16%
	The Company	Interested in controlled corporation <i>(Note 1)</i>	–	83,333,333	Long	30.86%
Ms. Mui Fong	The Company	Interests of spouse <i>(Note 2)</i>	54,431,400	83,333,333	Long	51.02%

*Notes:*

1. Mr. Yu Weiye (“Mr. Yu”) beneficially owns 54,431,400 shares (the “Shares”) of the Company and the entire issued share capital of Wui Wo Enterprise Limited (“Wui Wo”). Therefore, Mr. Yu is also deemed to be interested in 83,333,333 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds issued by the Company to Wui Wo in the principal amount of HK\$50,000,000 (at the conversion price of HK\$0.60 per conversion share). Accordingly, Mr. Yu is deemed to be interested in 137,764,733 Shares in accordance with the Securities and Futures Ordinance.
2. Ms. Mui Fong (“Ms. Mui”) is the wife of Mr. Yu. Ms. Mui is deemed to be interested in 137,764,733 Shares owned by Mr. Yu in accordance with the Securities and Futures Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **PURCHASE, SALE OR REDEMPTION OF THE SHARES**

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 March 2018.

## **COMPETING INTERESTS**

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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



In the opinion of the Board, the Company has complied with the Code and the GEM Listing Rules for the nine months ended 31 March 2018 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. Yu Shaoheng. 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) Following the retirement of Mr. Yu Xiufeng ("Mr. Yu") as the independent non-executive Director (the "INED") of the Company at the annual general meeting held on 29 December 2017, the Company has two INEDs and two audit committee members, the number of which falls below the minimum number required under Rules 5.05(1), 5.05(2), 5.05A and 5.28 of the GEM Listing Rules. On 21 March 2018, Mr. Wong Hiu Fong was appointed as the INED and the member of the audit committee of the Company pursuant to Rules 5.06 and 5.33 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. Kwong Tsz Ching, Jack and Mr. Wong Hiu Fong, 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 financial statements of the Group for the nine months ended 31 March 2018; and is of the opinion that the preparation of the unaudited condensed consolidated financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board  
**PPS International (Holdings) Limited**  
**Yu Shaoheng**  
*Chief Executive Officer and Executive Director*

Hong Kong, 14 May 2018

*As at the date of this announcement, the Board comprises three executive Directors, Mr. Yu Shaoheng, Mr. Yang Yifan and Mr. Yeung Yat Chuen and three independent non-executive Directors, Mr. Chui Chi Yun Robert, Mr. Kwong Tsz Ching and Mr. Wong Hiu Fong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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.*

*This announcement will remain on the “Latest Company Announcements” page of the internet website operated by the Stock Exchange for the purposes of the GEM at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its posting and will be published on the website of the Company at [www.ppsinholdings.com](http://www.ppsinholdings.com).*