

碧 瑤
BAGUIO

碧瑤綠色集團有限公司
Baguio Green Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1397

GLOBAL OFFERING



Sponsor



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator, Bookrunner and Lead Manager



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Co-lead Manager



太平基業證券有限公司
PACIFIC FOUNDATION SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



碧瑤
BAGUIO

Baguio Green Group Limited

碧瑤綠色集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares : 100,000,000 Shares (subject to the Adjustment Option)
Number of International Placing Shares : 90,000,000 Shares comprising 70,000,000 New Shares and 20,000,000 Sale Shares (subject to reallocation and the Adjustment Option)
Number of Hong Kong Public Offer Shares : 10,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$1.20 per Offer Share and expected to be not less than HK\$0.80 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value per Share : HK\$0.01
Stock Code : 1397

Sponsor



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Co-lead Manager



太平洋基業證券有限公司
PACIFIC FOUNDATION SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

The Offer Price is expected to be fixed by an agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 16 May 2014 or such other date or time as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) but in any event, not later than Tuesday, 20 May 2014. The Offer Price will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$0.80 per Offer Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.20 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.20 (the maximum Offer Price).

Sole Global Coordinator (for itself and on behalf of the other Underwriters), with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), may reduce the indicative Offer Price range below that as stated in this prospectus (which is HK\$0.80 to HK\$1.20) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such event, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) an announcement and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.baguio.com.hk) of such change. Further details are set out in the section headed "Structure of the Global Offering" of this prospectus. If, for whatsoever reason, the Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) are unable to reach an agreement at or prior to Friday, 16 May 2014 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Prospective investors of the Global Offering should note that the Global Offering will not proceed if the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) terminates the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement after any of the events set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus occurs prior to 8:00 a.m. on the Listing Date. It is important that you refer to the section headed "Underwriting" of this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed "Risk factors" of this prospectus.

12 May 2014

EXPECTED TIMETABLE¹

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times and to be posted on the website of our Company at www.baguo.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Latest time for lodging **PINK** Application Forms at our Company's
headquarter, Unit A, 4/F, Dragon Industrial Building
No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong. 12:00 noon on
Wednesday, 14 May 2014

Latest time to complete electronic applications
under the HK eIPO White Form service
through the designated website www.hkeipo.hk (Note 2). 11:30 a.m. on
Thursday, 15 May 2014

Application lists of the Hong Kong Public Offering open (Note 3). 11:45 a.m. on
Thursday, 15 May 2014

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and to give **electronic application instructions**
to HKSCC (Note 4) 12:00 noon on
Thursday, 15 May 2014

Latest time to complete payments
for **HK eIPO White Form** applications
by effecting internet banking transfer(s) or PPS payment transfer(s). 12:00 noon on
Thursday, 15 May 2014

Application lists of the Hong Kong Public Offering close (Note 3). 12:00 noon on
Thursday, 15 May 2014

Expected Price Determination Date (Note 5) Friday, 16 May 2014

Announcement of (i) the Offer Price; (ii) the indication of
the level of interest in the International Placing;
(iii) the level of applications in the Hong Kong Public Offering;
(iv) the basis of allotment of Hong Kong Public Offer Shares
under the Hong Kong Public Offering; and (v) the number of
Offer Shares reallocated, if any, between the Hong Kong
Public Offering and the International Placing to be published
in English in South China Morning Post and
in Chinese in Hong Kong Economic Times and on the website
of our Company at www.baguo.com.hk and the website of
the Stock Exchange at www.hkexnews.hk on or before. Wednesday, 21 May 2014

Results of allocation in the Hong Kong Public Offering
will be available at www.tricor.com.hk/ipo/result with
a "search by ID" function from Wednesday, 21 May 2014

EXPECTED TIMETABLE¹

Announcement of results of allotment of the Hong Kong Public Offering (with success applicants' identification document numbers, where applicable) available through a variety of channels as described in the section headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — Publication of results" in this prospectus from Wednesday, 21 May 2014

Despatch/collection of share certificates and/or e-Auto Refund payment instructions/refunds cheques on or before (*Notes 6, 7, 8*). Wednesday, 21 May 2014

Dealings in the Shares on the Main Board of the Stock Exchange expected to commence on 9:00 a.m. on Thursday, 22 May 2014

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the "Structure of the Global Offering" in this prospectus.
2. You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 May 2014, the application lists will not open or close on that day. Further information is set forth in "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — Effect of bad weather conditions on the opening of the application lists" in this prospectus.
4. Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 16 May 2014 and, in any event, not later than Tuesday, 20 May 2014. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum offer price of HK\$1.20 per Share, applicants must pay the maximum offer price of HK\$1.20 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares" in this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on Wednesday, 21 May 2014 but will only become valid certificates of title at 8:00 a.m. on Thursday, 22 May 2014 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

EXPECTED TIMETABLE¹

7. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
8. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — Despatch/Collection of share certificates and refund monies" in this prospectus.

For details of the structure of the Global Offering, including its conditions, please see the sections headed "Underwriting", "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares and Employee Reserved Shares" of this prospectus.

It is important that prospective investors should note that the Sole Global Coordinator (for itself and on behalf of the other Underwriters) is entitled to terminate the Underwriting Agreement by notice in writing to us upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus at any time up to 8:00 a.m. on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout. It is important that prospective investors should refer to the section headed "Underwriting" in this prospectus for further details.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus and the related Application Forms must not be relied upon by you as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Underwriters, their respective directors or affiliates of any of them or any other person or parties involved in the Global Offering.

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This prospectus is issued by us solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS AND OPERATIONS

Overview

We are a leading environmental service provider in Hong Kong. According to the Ipsos Report, we are ranked first among environmental service providers in Hong Kong in terms of revenue and have approximately 14.3% market share in terms of the total industry revenue for the twelve months ended 31 December 2013 ^(Note). As a comprehensive environmental service provider, we provide four major types of services, namely, cleaning services, landscaping services, pest management services and waste management and recycling services. According to the Ipsos Report, most environmental service providers in Hong Kong only offer two to three types of environmental services and less than 2% of them offer a full range of services which include cleaning services, landscaping services, pest management services and waste management and recycling services. Our service range therefore gives us a competitive advantage over many other environmental service providers in providing comprehensive and one-stop environmental services to customers.

We serve a wide range of premises including streets, markets and other public areas, cultural, leisure and recreational premises, airport, hospitals, shopping centers, commercial and industrial buildings and residential premises. Led by our experienced management team, we are equipped with the resources and internal controls that enable us to handle relatively larger scale projects. Notably, we have:

- 6,732 employees (including both full-time and part-time) as at 31 December 2013;
- a vehicle fleet of more than 350 vehicles as at 31 December 2013 including certain specialised vehicles such as refuse compaction vehicles, hooklift trucks, road sweeper, water wagons, aerial platform vehicle, lorries, grab tippers, tippers and vans;
- a depot and workshop, located on a leased area of approximately 25,000 sq.ft. in Shek Kong, Hong Kong, for the maintenance of our vehicles to ensure that our vehicles are in good condition in providing service;
- a plant nursery, located on a leased area of approximately 254,751 sq.ft. in Tai Po, New Territories, Hong Kong, for maintaining the plants that we purchase from third party suppliers for use in our landscaping projects in good condition prior to use; and

Note: We are not aware of any more recent ranking provided by Ipsos and we have no reason to believe that the latest ranking is no longer accurate as at the Latest Practicable Date.

SUMMARY

- internal procedures for maintaining high standard of occupational health and safety, environment and quality control and in relation to which we received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO9001:2008 (quality management), ISO14001:2004 (environmental management) and OHSAS18001:2007 (occupational health and safety management) standards.

Our over 34 years of history and foothold in Hong Kong can be traced back to the establishment of Baguio Cleaning Services Company in 1980 as a partnership. Given our well-established position in the environmental service industry in Hong Kong, we are committed to creating and maintaining a “Clean and Green” environment for society and we take our corporate social responsibility seriously and most recently, in 2014, we were recognised as a “Manpower Developer” by the Employees Retraining Board and recognised again as a “Caring Company” by The Hong Kong Council of Social Service. For details of our membership in various industry bodies, social works and awards and recognitions, please refer to the section headed “Business — Awards, recognitions and corporate social responsibilities” starting from page 128 of this prospectus.

Competitive strengths

Our Directors believe that our Group possesses the following competitive strengths which are described in the section headed “Business — Competitive strengths” starting from page 79 of this prospectus:

- A leading environmental service provider in Hong Kong
- Substantial resources to ensure quality and reliability of our services
- Long established business relationship with our key customers
- Provisions of customised and integrated total solutions to our customers
- Long history, proven track record and long established brand “Baguio”
- Recognised stringent safety, quality and environmental management system
- Leadership under a well-qualified and experienced management team with a proven track record

Corporate strategies

Our vision is to become the most comprehensive and reliable environmental service provider in Hong Kong. We intend to achieve this objective by implementing the following strategies:

- Continue to expand our service capacity and broaden our spectrum of services
- Further expand our waste management and recycling services to include handling specific types of waste or materials for proper disposal, destruction or treatment for recycling
- Continue to increase our operational efficiency and enhance our quality of service

SUMMARY

- Further promote our brand and increase our market penetration
- Continue to strengthen our leading market position in the industry and expand our market share

Customers

We have established a relatively broad customer base for our services ranging from various government departments in Hong Kong and subsidiaries of multi-national companies to small households. Our major customers during the Track Record Period include various departments of the HK Government, semi-government entities, public utility companies, subsidiaries of multi-national companies and other companies in the private sector. For each of the years ended 31 December 2011, 2012 and 2013, our top five customers accounted for approximately 80.3%, 76.8% and 76.0% of our total revenue respectively while our single largest customer accounted for approximately 37.7%, 44.3% and 40.2% of the our total revenue respectively.

As noted in the Ipsos Report, a significant amount of revenue in the environmental service industry is derived from customers in the government sector. Consistent with this, a significant portion of our revenue derives from customers in the government sector. The following table sets out a breakdown of our total revenue during the Track Record Period according to our customers' categorisation:

	For the year ended 31 December					
	2011		2012		2013	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
<i>Government</i>	452,905	73.3	452,404	70.2	581,479	70.8
<i>Semi-government</i>	44,790	7.2	54,448	8.4	58,033	7.1
<i>Public utility</i>	35,236	5.7	27,459	4.3	40,936	5.0
<i>Private</i>	85,217	13.8	110,403	17.1	140,811	17.1
Total	618,148	100.0	644,714	100.0	821,259	100.0

We have two general types of service contracts with our customers: Tender Contracts and Quotations. We derived a significant percentage, over 90% of our revenue from Tender Contracts during the Track Record Period. Tender Contracts generally have a service period of two to three years but may range from six months to five years. The service periods of Quotations are generally shorter than such period under the Tender Contracts. Quotations may specify no service period but instead continue until completion of the service or prior notice by one party to the other party.

Our Group's success rates in the tender process were approximately 31.0%, 30.1% and 26.8% for the years ended 31 December 2011, 2012 and 2013 respectively. Our success rates decreased during the Track Record Period mainly due to two factors. Firstly, there was a material increase in number of tenders that we submitted in 2012 as compared to 2011. Although the number of our successful tenders also increased, the increase was not to the extent of the increase in such number of tenders that we

SUMMARY

submitted. Secondly, we factored in a higher profit margin in the tenders that we submitted in 2013 because we targeted at jobs that provide a reasonable profit margin and we also prepared our tender submissions with reference to the increased costs and as a result, we did not obtain some of the tenders which were eventually granted at a lower profit margin. In our experience, customers who select their environmental service providers through the tender process generally do not then offer a right of first refusal upon expiry of such contracts and therefore there is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our service contract. For the number of our customers served during the Track Record Period, please refer to page 97 of this prospectus.

Suppliers

Our suppliers comprise suppliers of various consumables and equipment and third party service providers. During the Track Record Period, our top five suppliers were all Independent Third Parties being suppliers of petroleum and plant products and service providers for car rental, logistics, planting and water tank cleaning services. For each of the years ended 31 December 2011, 2012 and 2013, our purchases of both goods and services from the five largest suppliers were approximately 42.4%, 35.5% and 35.1% respectively of the total purchases from all suppliers, while our purchases from the top supplier were approximately 15.9%, 11.5% and 13.5% respectively of the total purchases from all suppliers.

No long term contracts had been entered into between our Group and its top five suppliers during the Track Record Period. We maintained multiple suppliers for products to avoid over-reliance on a single or a few suppliers for each material, tool and equipment and did not experience any material difficulties in sourcing products.

We mainly rely on our own work force and our own tools and vehicles in carrying out our business operation. Nevertheless, we may occasionally engage service providers when additional equipment or staff (including specialised equipment or licensed staff) is needed for a project. During the Track Record Period, examples of service providers that we engaged include a marble cleaning service provider and an air-conditioner cleaning service provider. Besides, we may encounter some small-scale job requests which are not cost efficient for us to carry out and we may sub-contract such jobs to other third party environmental service providers and thus incur sub-contracting fee which accounted for approximately 1.3%, 1.4% and 1.1% of our total cost of services during the years ended 31 December 2011, 2012 and 2013 respectively.

RISK FACTORS

The list below sets forth the major risk factors in relation to our operations:

- Most of our revenue is derived from contracts awarded through competitive tendering. There is no guarantee that our existing contracts may be renewed upon expiry or new contracts may be awarded to us to maintain or expand our business.
- A majority of our service contracts with customers have a fixed and pre-determined service fee throughout the contract period or without any clear price adjustment mechanisms. Our profitability may be adversely affected if we suffer from cost overrun.
- A significant percentage of our revenue is derived from our major customers.

SUMMARY

- Increases in labour costs may adversely affect our profitability.
- We are exposed to litigation claims relating to personal injuries.
- We are affected by increasing insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured.

A detailed discussion of the aforesaid and other risk factors is set out in the section headed “Risk factors” starting from page 29 of this prospectus.

SHAREHOLDERS’ INFORMATION

Mr. Ng and Baguio Green Holding (BVI) are our Controlling Shareholders and they are interested in approximately 75% of our issued share capital upon completion of the Global Offering (assuming the Adjustment Option is not exercised and without taking into account the allotment and issue of Shares upon the exercise of options which may be granted under the Share Option Scheme). After Listing, Mr. Ng and his associates are interested in certain continuing connected transactions, particulars of which are set out in the section headed “Connected transactions” starting from page 151 of this prospectus including an IT service agreement, a lease for premises used as a staff quarter and a supply agreement for cleaning equipment and materials to our Group for use in our ordinary course of business.

OFFER STATISTICS

	<u>Based on the Offer Price of HK\$0.80 per Share</u>	<u>Based on the Offer Price of HK\$1.20 per Share</u>
Market capitalisation of our Shares ^{Note 1}	HK\$320.0 million	HK\$480.0 million
Unaudited pro forma adjusted combined net tangible assets of the Group per Share ^{Note 2}	HK\$0.36	HK\$0.43

Notes:

1. The calculation of the market capitalisation of our Shares is based on 400,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but does not take into account of any Shares which may be allotted and issued upon the exercise of the Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets of the Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

USE OF PROCEEDS

Net proceeds of the Global Offering will be approximately HK\$59.0 million, assuming an Offer Price of HK\$1.00 per Share (being the mid-point of the Offer Price range) and assuming that the Adjustment Option is not exercised.

SUMMARY

We currently intend to apply these net proceeds for the following purposes:

- approximately 28.2% of the net proceeds, or approximately HK\$16.6 million, would be used for expanding our service capacity and broadening our spectrum of services by acquiring additional equipment and vehicles;
- approximately 19.9% of the net proceeds, or approximately HK\$11.7 million, would be applied towards the development and expansion of our waste management and recycling services to include handling specific types of waste or materials for recycling, destruction or other treatment. The use of these proceeds would include acquisition of sorting facility and other relevant capital expenditure, research and equipment for food waste and horticultural waste handling and composting, equipment for handling glass bottles, equipment for plastic cutting and cleaning, and equipment for assured destruction of confidential information or other sensitive materials;
- approximately 13.0% of the net proceeds, or approximately HK\$7.7 million, would be used for enhancing our operational efficiency and quality of service by investment in ERP, upgrading our fleet management system, network backbone, hardware and other information technology applications;
- approximately 9.7% of the net proceeds, or approximately HK\$5.7 million, will be applied towards brand building and marketing activities;
- approximately 19.5% of the net proceeds, or approximately HK\$11.5 million, will be used for repayment of our bank loans, thereby saving interest expenses and improving the financial position of our Group. The bank loans to be repaid using the net proceeds were used for general working capital purposes; and
- approximately 9.7% of the net proceeds, or approximately HK\$5.8 million, will be used as our Group's general working capital.

SELLING SHAREHOLDER

The Global Offering initially consists of 100,000,000 Shares, of which 20,000,000 Shares are being sold by the Selling Shareholder under the International Placing. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Global Offering, and assuming an offer price of HK\$1.00 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$19.4 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

ADJUSTMENT OPTION AND STABILISATION

In connection with the Global Offering and pursuant to the International Underwriting Agreement, we expect to grant either an Offer Size Adjustment Option (which is exercisable at any time from the date of this prospectus to the last Business Day prior to the Listing Date) or an Over-allotment Option (exercisable at any time from the Listing Date until the date falling the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering) to the International Underwriters but not both.

SUMMARY

If the final Offer Price as agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) is less than HK\$1.00 and as a result, the size of the Global Offering is less than HK\$100 million, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) can only exercise the Offer Size Adjustment Option to cover over-allocations under the International Placing and there will be no stabilisation action. Otherwise, if the agreed final Offer Price is equal to or more than HK\$1.00 and as a result, the size of the Global Offering is equal to or more than HK\$100 million, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) can only exercise the Over-allotment Option to cover over-allocations under the International Placing. For further details of the Adjustment Option and stabilisation, please refer to the section headed “Structure of the Global Offering” of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of our combined statements of profit or loss and other comprehensive income

	For the year ended 31 December					
	2011		2012		2013	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue
Revenue	618,148	100.0	644,714	100.0	821,259	100.0
Gross Profit	46,266	7.5	69,981	10.9	83,865	10.2
Gain on disposal of investment properties						
(Note)	—	—	—	—	27,410	3.3
Profit from operations	23,274	3.8	42,241	6.6	78,657	9.6
Profit before taxation	16,326	2.7	34,656	5.4	70,366	8.6
Profit for the year	13,592	2.2	28,880	4.5	62,501	7.6

Note: During the year ended 31 December 2013, we disposed of our investment properties and recorded a one-off gain on the disposal of approximately HK\$27.4 million. As investment properties are capital assets, the gain arising from the sale of investment properties was not subject to Hong Kong Profits Tax and was excluded in the calculation of estimated assessable profit of our Group for the year ended 31 December 2013. However, the estimated assessable profit of our Group for the year was increased by balancing charges of approximately HK\$0.6 million. The aforementioned balancing charges were resulted from the sale of the investment properties on which commercial buildings allowances were granted in prior years. The amount of such balancing charges was calculated as the difference between the residual value of the commercial buildings allowances claimable but not yet claimed before the sale and the sale proceeds of the investment properties, limited to the amount of annual allowances previously granted. The income tax expense resulted from such balancing charges was approximately HK\$0.1 million for the year ended 31 December 2013.

SUMMARY

Highlight of certain items of our combined statements of financial position

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	99,673	128,814	147,393
Current assets	148,490	157,585	246,309
Current liabilities	(193,254)	(204,990)	(230,043)
Net current (liabilities)/assets	(44,764)	(47,405)	16,266
Non-current liabilities	(30,837)	(43,617)	(66,976)
Net assets	24,072	37,792	96,683

Net current (liabilities)/assets

We recorded net current liabilities of approximately HK\$44.8 million and HK\$47.4 million as at 31 December 2011 and 2012, respectively and net current assets of approximately HK\$16.3 million as at 31 December 2013. Our net current liabilities mainly comprised (i) accruals, deposits received and other payables; (ii) bank borrowings; and (iii) the short-term portion of obligations under finance leases. In particular, our Group's policy is to pay our staff wages and salaries on every 7th days next month. Accordingly, we made accruals for staff cost on every month-end. As we have a relatively sizable workforce, our accrual for staff cost was relatively large. As at 31 December 2013, our accrual for staff cost amounted to approximately HK\$50.3 million. Besides, all of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule as detailed in the section headed "Financial information — Indebtedness" of this prospectus; and (ii) that the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, according to Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5), these bank borrowings were classified as current liabilities in our financial statements. As at 31 December 2011, 2012 and 2013, bank loans that were repayable in more than one year but were classified as current liabilities amounted to approximately HK\$37.3 million, HK\$47.9 million and HK\$26.5 million, respectively. Should these amounts been excluded in our current liabilities, we would have net current liabilities of approximately HK\$7.5 million as at 31 December 2011, and net current assets of approximately HK\$0.5 million and HK\$42.8 million as at 31 December 2012 and 2013 respectively. During the Track Record Period, our borrowings have not been recalled by the banks.

SUMMARY

It is noted that our net current liabilities position had been improving during the Track Record Period. As at 31 December 2013 and 31 March 2014, our net current assets were approximately HK\$16.3 million and HK\$16.3 million respectively. The improvement in our financial position was mainly brought by the receipt of proceeds from disposal of two investment properties of approximately HK\$34.5 million and increase in the balance of trade receivables in connection with the increase in our revenue. Our Directors expect that we would continue to generate operating profit and that our financial position would be further enhanced after Listing.

Summary of financial ratios

	Year ended 31 December		
	2011	2012	2013
Current ratio	0.8	0.8	1.1
Gearing ratio	6.6	4.4	2.0
Return on equity	56.5%	76.4%	64.6%
Return on assets	5.5%	10.1%	15.9%
Interest coverage	3.4	5.6	9.5
Gross margin	7.5%	10.9%	10.2%
Net profit margin	2.2%	4.5%	7.6%

Our gross profit margins have been affected by changes in the proportion of gross profit contributed by different types of our services. During the Track Record Period, our gross profit margin increased due to the increase in the contribution to our gross profit from our landscaping services and waste management and recycling services. During the Track Record Period, the gross profit margins of our landscaping services fluctuated between 10.4% and 17.0%, and that of our waste management and recycling services fluctuated between 9.8% and 20.5%. Such services are of relatively higher gross profit margin because they are less labour intensive and involve the use of more vehicles, equipments and higher level of skill of labour.

During 2012, our net profit margin increased in line with the increase in gross profit margin. Our net profit margin for the year ended 31 December 2013 was relatively high as it had been affected by the gain on disposal of investment properties of approximately HK\$27.4 million.

Please refer to the section headed “Financial information — Key financial ratios” starting on page 218 of this prospectus for an analysis of our key financial ratios.

SUMMARY

Revenue and gross profit margin by segments

As a comprehensive environmental service provider, we provide four major types of services, namely, cleaning services, landscaping services, pest management services and waste management and recycling services. Our service contracts may contain one or a combination of such services. The following table sets forth the breakdown of our revenue and gross profit margin derived from these types of services during the Track Record Period:

	For the year ended 31 December								
	2011			2012			2013		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Cleaning services	405,309	25,426	6.3	401,894	38,928	9.7	551,694	45,770	8.3
Landscaping services	120,375	12,557	10.4	138,443	15,979	11.5	138,193	23,555	17.0
Pest management services	76,422	6,713	8.8	61,711	6,314	10.2	74,696	6,075	8.1
Waste management and recycling services	16,042	1,570	9.8	42,666	8,760	20.5	56,676	8,465	14.9
Total	618,148	46,266	7.5	644,714	69,981	10.9	821,259	83,865	10.2

Our net profit is affected by changes in our direct wages. The following illustrates the sensitivity of our net profit for the years ended 31 December 2011, 2012 and 2013 in relation to fluctuation in our direct wages for the respective periods:

	For the year ended 31 December					
	2011		2012		2013	
Changes in direct wages	Net profit	Change in net profit	Net profit	Change in net profit	Net profit	Change in net profit
	HK\$'000	%	HK\$'000	%	HK\$'000	%
15%	(47,298)	-448.0%	(30,404)	-205.3%	(13,334)	-121.3%
10%	(27,001)	-298.7%	(10,643)	-136.9%	11,944	-80.9%
5%	(6,705)	-149.3%	9,119	-68.4%	37,222	-40.4%
0%	13,592	0.0%	28,880	0.0%	62,501	0.0%
-5%	33,888	149.3%	48,641	68.4%	87,777	40.4%
-10%	54,185	298.7%	68,403	136.9%	113,055	80.9%
-15%	74,482	448.0%	88,164	205.3%	138,333	121.3%

RECENT DEVELOPMENTS

Operations and financial position

Subsequent to 31 December 2013, we entered into 24 new or extended contracts with contract value over HK\$1.0 million, 20 of which mainly relate to our cleaning service, three of which mainly relate to our landscaping service, and one of which mainly relates to our waste management and recycling service. The aggregate contract sum of such 24 new or extended contracts is approximately

SUMMARY

HK\$710.0 million. The term of these contracts ranges from approximately six to 36 months. Our Directors confirm that there was no material adverse change in our financial status subsequent to 31 December 2013.

Based on our Group's unaudited financial information for the three months ended 31 March 2014, which has been reviewed by the reporting accountants of our Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, our revenue was approximately HK\$213.7 million, our gross profit was approximately HK\$22.6 million, and our gross profit margin was approximately 10.6%. As compared to the same period in 2013, our revenue and our gross profit for the first three months of 2014 increased by approximately 9.9% and 11.0%, respectively. The increase was mainly because of the increase in revenue of all of our four service segments of cleaning, landscaping, pest management, and waste management and recycling. Our gross profit margin for the first three months of 2014 was at similar level as compared to the same period in 2013.

In the latest 2014 policy address announced in January 2014, the HK Government has earmarked approximately HK\$1.0 billion for a recycling fund with use of the fund to be formulated in the future. Furthermore, the policy address also includes the development of a green station in each of the 18 districts in Hong Kong which is expected to cost approximately HK\$400 million. These stations will be operated by non-profit-making organisations to enhance environmental education and help collect different types of recyclables in the local community, with a view to promoting green living at the community level. The above government policy will increase public spending on waste management and recycling services. In addition, such government policy will also increase public awareness on waste reduction, waste separation and recovery, and increase the demand for and thus spending on waste management and recycling services in the private sector. Accordingly, our Directors consider that such government policy will boost the demand for waste management and recycling services.

As at the Latest Practicable Date, we had 592 unexpired services contracts on hand and the information of these contracts including their contract value (being the revenue not yet recognised to the statement of profit or loss and other comprehensive income as at the Latest Practicable Date) are summarised in the table below:

<i>Number of contracts on hand as at the Latest Practicable Date</i>	592
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Contract value by expiry date for contracts on hand

	<i>HK\$' million</i>
Contract expiring	
on or before 30 June 2014	168.7
on or before 31 December 2014	471.7
after 31 December 2014	<u>1,103.2</u>
Total	<u><u>1,743.6</u></u>

<i>Range of contract term</i>	1 to 56 months
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SUMMARY

	<u>Number of contracts</u>	<u>Approximate contract value</u> <i>HK\$' million</i>
Contracts with fixed fees or pre-determined fees over different periods of the contract term, and explicitly stated that there shall be no variation to the fees or the calculation of the fees	134	1,525.1
Contracts with fixed fees stipulated and any fees adjustment shall be subject to further negotiation	445	84.9
Contracts with fixed fees and price adjustment mechanism mainly with reference to statutory minimum wage or price index	<u>13</u>	<u>133.6</u>
Total number of contracts on hand as at the Latest Practicable Date	<u><u>592</u></u>	<u><u>1,743.6</u></u>

Dividends and dividend policy

During the Track Record Period, our Group declared dividends of approximately HK\$6.5 million, HK\$15.6 million and HK\$4.0 million for the three years ended 31 December 2011, 2012 and 2013 respectively to our then shareholders. On 24 January 2014, a subsidiary of the Company had proposed to declare final dividend of HK\$32.0 million to its shareholders for the year ended 31 December 2013. Such dividend has been fully paid before the Latest Practicable Date.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

Listing expenses

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming the Adjustment Option is not exercised and assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the Offer Price range stated in this prospectus, the listing expenses to be borne by us are estimated to be approximately HK\$21.0 million, of which approximately HK\$7.4 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$13.6 million is to be charged to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$2.2 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2013, and approximately HK\$11.4 million is expected to be charged upon Listing. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

SUMMARY

Given that (i) we recorded a gain on disposal of investment properties of approximately HK\$27.4 million in 2013 and we may not have such non-recurring income in 2014; and (ii) listing expense of approximately HK\$11.4 million would be charged to the combined statements of profit or loss and other comprehensive income upon Listing in the year ending 31 December 2014, it is expected that our net profit margin for the year ending 31 December 2014 would be lower than that of the year ended 31 December 2013. It is also expected that our net profit for the six months ending 30 June 2014 would be lower than that of the same period in 2013 because of the effect of listing expenses.

NO MATERIAL ADVERSE CHANGES

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2013, the end of period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 31 December 2013 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise. Certain other terms are explained in the section headed “Glossary of technical terms”.

“Adjustment Option”	Offer Size Adjustment Option or the Over-allotment Option
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Forms”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and PINK Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 24 April 2014 with effect from Listing and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baguio Cleaning”	Baguio Cleaning Services Company Limited (碧瑤清潔服務有限公司), a company incorporated in Hong Kong on 7 May 1982 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Cleaning (BVI)”	Baguio Cleaning Services Company (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Green Technology”	Baguio Green Technology Limited (碧瑤綠色科技有限公司), a company incorporated in Hong Kong on 7 October 2011 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Green Holding (BVI)”	Baguio Green (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability which is a Controlling Shareholder and the Selling Shareholder and is wholly-owned by Mr. Ng
“Baguio Group”	Baguio Group Limited (碧瑤集團有限公司), a company incorporated in Hong Kong on 19 February 2009 with limited liability and a wholly-owned by Mr. Ng
“Baguio Holding (BVI)”	Baguio (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company

DEFINITIONS

“Baguio Landscaping”	Baguio Landscaping Services Limited (碧瑤園藝工程有限公司), a company incorporated in Hong Kong on 10 January 1995 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Landscaping (BVI)”	Baguio Landscaping Services (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Pest”	Baguio Pest Management Limited (碧瑤蟲害管理有限公司), a company incorporated in Hong Kong on 28 January 2005 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Pest (BVI)”	Baguio Pest Management (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Waste”	Baguio Waste Management & Recycling Limited (碧瑤廢物處理及回收有限公司), a company incorporated in Hong Kong on 28 January 2008 with limited liability and a wholly-owned subsidiary of our Company
“Baguio Waste (BVI)”	Baguio Waste Management & Recycling (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of New Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 24 April 2014” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Co-lead Manager”	Pacific Foundation Securities Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 9 (assets management) regulated activities as defined in the SFO
“Collection Authority”	for the purpose of the WDO, in relation to chemical and clinical waste, means the Director of Environmental Protection; in relation to any other waste, means the Director of Food and Environmental Hygiene
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies Ordinance (Miscellaneous Provisions)”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	Baguio Green Group Limited (碧瑤綠色集團有限公司), an exempted company incorporated in the Cayman Islands on 8 November 2013 with limited liability
“Composil”	Composil (Hong Kong) Limited (保纖(香港)有限公司), a company incorporated in Hong Kong on 4 March 1993 with limited liability and 1 share and 2,999 shares are held by Mr. Ng and World Creation respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transactions”	the transactions specified in Rule 14A.13 of the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus unless the context otherwise requires, means Mr. Ng and Baguio Green Holding (BVI)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 24 April 2014 entered into by the Controlling Shareholders in favour of the Group as further detailed in the section headed “Statutory and general information — D. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition undertaking dated 24 April 2014 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“Eligible Employees”	all full-time employee(s) of our Group who joined our Group on or before 30 April 2014 and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at 30 April 2014; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 30 April 2014; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other connected persons of the Company
“Employee Preferential Offering”	the offer of up to 1,000,000 Hong Kong Public Offer Shares to Eligible Employees as described in the section headed “Structure of the Global Offering — Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 1,000,000 Hong Kong Public Offer Shares (representing approximately 1% of the Offer Shares available under the Global Offering) available in the Employee Preferential Offering which are to be allocated out of the Hong Kong Public Offer Shares
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“EPD”	the Environmental Protection Department of Hong Kong
“FEHD”	the Food and Environmental Hygiene Department of Hong Kong

DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”, “Hong Kong dollars” or “HK dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HK Government”	the government of Hong Kong
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKQAA”	Hong Kong Quality Assurance Agency
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Legal Advisers”	Robertsons, being the legal advisers to the Company as to Hong Kong law
“Hong Kong Public Offering”	the offering by the Company of the Hong Kong Public Offer Shares for subscription by members of the public in Hong Kong at the Offer Price and on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Public Offer Shares”	the 10,000,000 Shares being initially offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus)

DEFINITIONS

“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong underwriting agreement dated 9 May 2014 relating to the Hong Kong Public Offering and entered into between our Company, our Controlling Shareholders, the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any of the directors, chief executive, or Substantial Shareholders of our Company or our subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares for and on behalf of our Company and the Selling Shareholder, to professional, institutional and other investors at the Offer Price, as further described in the section headed “Structure of the Global Offering” of this prospectus
“International Placing Shares”	the 90,000,000 Shares comprising 70,000,000 New Shares and 20,000,000 Sale Shares offered for subscription pursuant to the International Placing (subject to adjustment and the Adjustment Option as described in the section headed “Structure of the Global Offering” of this prospectus)
“International Underwriter(s)”	the underwriter(s) of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between our Company, our Controlling Shareholders, the Selling Shareholder, the Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Placing
“Ipsos”	Ipsos Hong Kong Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the industry report dated 30 April 2014 prepared by Ipsos on the environmental service industry in Hong Kong, the content of which is quoted in this prospectus
“Latest Practicable Date”	2 May 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about 22 May 2014, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the main board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 24 April 2014, as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“Modern Automobile”	Modern Automobile Company Limited (現代汽車工程有限公司), a company incorporated in Hong Kong on 26 August 2004 with limited liability and a wholly-owned subsidiary of our Company
“Mr. Ng”	Mr. Ng Wing Hong (吳永康), an executive Director and a Controlling Shareholder
“New Shares”	the new Shares initially being offered for subscription by our Company at the Offer Price under the Global Offering
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$1.20 per Share and expected to be not less than HK\$0.80 per Share, at which the Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering and the International Placing, to be determined in the manner further described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Adjustment Option
“Offer Size Adjustment Option” or “Over-allotment Option”	the option granted by the Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the other International Underwriters), with the prior written consent of the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Placing as described in the section headed “Structure of the Global Offering” in this prospectus
“per cent.” or “%”	per cent.
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for Offer Shares pursuant to the Employee Preferential Offering

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus (including geographical reference mentioned herein), and except where the context otherwise requires, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on the 3 March 2014 by the Companies Ordinance and the Companies Ordinance (Miscellaneous Provisions)
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and for and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or about the Price Determinate Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before 16 May 2014, or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 20 May 2014
“Quotations”	refers to non-Tender Contracts such as one-off contracts and quotations details of which are set out under the section headed “Business — Customers, sales and marketing — Service contracts” of this prospectus
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are described under the section headed “History and development” of this prospectus
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering
“Selling Shareholder”	Baguio Green Holding (BVI)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed “Statutory and general information — B. Further information about our business — 3. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“SHEQ”	Safety, health, environment and quality
“Sole Global Coordinator”, “Bookrunner”, “Lead Manager” or “Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO
“Sponsor” or “Guotai Junan Capital”	Guotai Junan Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities as defined in the SFO
“Stabilising Manager”	Guotai Junan Securities
“Stock Borrowing Agreement”	the stock borrowing agreement which is expected to be entered into on or about the Price Determination Date between the Controlling Shareholders and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 15,000,000 Shares from the Controlling Shareholder for the purpose of covering over-allocation in the International Placing
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Tak Tai”	Tak Tai Enviroscope Limited (德泰園景工程有限公司), a company incorporated in Hong Kong on 21 August 1984 with limited liability and a wholly-owned subsidiary of our Company
“Tak Tai (BVI)”	Tak Tai Enviroscope (Holding) Limited, a company incorporated in the BVI on 22 November 2013 with limited liability and a wholly-owned subsidiary of our Company
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Tender Contracts”	refers to the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed “Business — Customers, sales and marketing — Service contracts” of this prospectus
“Track Record Period”	the calendar years ended 31 December 2011, 2012 and 2013
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US”, “United States” or “USA”	the United States of America

DEFINITIONS

“WDO”	Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“World Creation”	World Creation Enterprises Limited (世萌企業有限公司), a company incorporated in Hong Kong on 18 August 1992 with limited liability and is wholly-owned by Mr. Ng
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assumes no allotment or issue of any Shares upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Adjustment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with us and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“animal waste”	the manure or urine of any animal; or any dead animal or any part of any dead animal not fit for, or not intended for, human consumption; or any bedding, straw or other waste contaminated by the manure or urine of any animal
“CAGR”	compound annual growth rate
“chemical waste”	any substance, matter or thing defined as chemical waste by regulations made under section 33 of the WDO
“clinical waste”	<p>waste consisting of any substance, matter or thing belonging to any of the groups specified in schedule 8 of the WDO that is generated in connection with:</p> <ul style="list-style-type: none"> (a) a dental, medical, nursing or veterinary practice; (b) any other practice, or establishment (howsoever described), that provides medical care and services for the sick, injured, infirm or those who require medical treatment; (c) dental, medical, nursing, veterinary, pathological or pharmaceutical research; or (d) a <ul style="list-style-type: none"> (i) dental; (ii) medical; (iii) veterinary; or (iv) pathological, laboratory practice, <p>but does not include chemical waste or radioactive waste</p>
“construction waste”	any substance, matter or thing defined as construction waste by regulations made under section 33 of the WDO, but does not include chemical waste
“CRM”	customer relationship management
“ERP”	enterprise resources planning system

GLOSSARY OF TECHNICAL TERMS

“GDP”	gross domestic product
“GFA”	gross floor area
“GPS”	global positioning system
“GVW”	gross vehicle weight, which is the maximum operating weight of a vehicle as specified by the manufacturer including the vehicle’s chassis, body, engine, engine fluids, fuel, accessories, driver, passengers and cargo
“household waste”	waste produced by a household, and of a kind that is ordinarily produced by a dwelling when occupied as such
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001”	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behavior of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“I.T.” or “IT”	information technology
“livestock waste”	animal waste produced by, or connected with, livestock
“OHSAS 18001”	OHSAS 18001 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“sq.ft.”	square feet

GLOSSARY OF TECHNICAL TERMS

“street waste”	dust, dirt, rubbish, mud, road scapings or filth, but does not include human excretal matter
“trade waste”	waste from any trade, manufacture or business, but does not include animal waste, chemical waste, clinical waste or construction waste

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, but without limitation to, the words and expressions such as “aim”, “estimate”, “expect”, “believe”, “plan”, “intend”, “anticipate”, “may”, “seek”, “will”, “would” and “could” and the negative of these words or other similar expressions or statements, in particular, in the sections headed “Business”, “Financial information” and “Future plans and use of proceeds” in this prospectus in relation to future events, business or other performance and development, the future development of our Group’s industry and the future development of the general economy of our Group’s key markets and globally.

These statements are based on numerous assumptions regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future. These forward-looking statements reflecting our Group’s current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- our Group’s business and operating strategies and our Group’s ability to implement such strategies;
- our Group’s capital expenditure and expansion plans;
- our Group’s ability to further develop and manage our Group’s expansion projects as planned;
- our Group’s operations and business prospects;
- various business opportunities that our Group may pursue;
- our Group’s financial position;
- the availability and costs of bank loans and other forms of financing;
- our Group’s dividend policy;
- the regulatory environment of our Group’s industry in general;
- the performance and future developments of our Group’s industry;
- changes in competitive conditions and our Group’s ability to compete under these conditions; and
- other factors beyond our Group’s control.

One or more of these risks may materialise and various underlying assumptions may prove incorrect.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of the Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Most of our revenue is derived from contracts awarded through competitive tendering. There is no guarantee that our existing contracts may be renewed upon expiry or new contracts may be awarded to us to maintain or expand our business.

Most of our revenue is derived from contracts awarded through competitive tendering. For each of the years ended 31 December 2011, 2012 and 2013, the percentage of our revenue derived from Tender Contracts were approximately 94.4%, 94.0% and 94.8% respectively. We are required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. In relation to our existing service contracts which are near expiry, the general timeframe for submitting new tenders for supplying the same services to that customer is one to five months prior to expiry of the service contract. So far as the Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet the mandatory tendering requirements or that our overall score under our customers evaluation system is not reduced. In case of such events, we may not be granted the tender and furthermore, our reputation, business operations, financial results and profitability may be adversely affected.

Our Group's success rates in the tender process were approximately 31.0%, 30.1% and 26.8% for the years ended 31 December 2011, 2012 and 2013 respectively. In our experience, customers who select their environmental service providers through the tender process generally do not then offer a right of first refusal upon expiry of such contracts and therefore there is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our service contract.

Even if we are able to meet the prerequisite requirements for tendering, there is no assurance that (i) we would be invited to or are made aware of the tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favorable terms to our customers in order to increase the competitiveness of our tenders, and if we are unable to reduce our costs accordingly, our financial results and profitability would be adversely affected.

RISK FACTORS

A majority of our service contracts with customers have a fixed and pre-determined service fee throughout the contract period or without any clear price adjustment mechanisms. Our profitability may be adversely affected if we suffer from cost overrun.

A majority of our service contracts with customers have a fixed and pre-determined service fee throughout the contract period or without any clear price adjustment mechanisms. We have to set our service fee when we submit our tender or quotation. Once the tender or quotation is agreed with our customers, we can only adjust our service in certain circumstances as stipulated in the contract. Accordingly, we have to bear the risk of cost fluctuations. Most of our revenue is derived from Tender Contracts of two to three years in general but Tender Contracts can be as long as five years. There is no assurance that the costs estimated at the beginning of a contract will not overrun during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in cost of labours and materials, change in the regulatory requirements, labour disputes and unforeseen problems and circumstances. Any of these can give rise to delays in completion of works or even unilateral termination of contracts by clients due to the unsatisfactory performance. If we are unable to control our costs within our estimates, our business operations, financial results and profitability may be adversely affected.

A significant percentage of our revenue is derived from our major customers.

For each of the years ended 31 December 2011, 2012 and 2013, our top five customers accounted for approximately 80.3%, 76.8% and 76.0% of our total revenue respectively while our largest customer accounted for approximately 37.7%, 44.3% and 40.2% of the our total revenue respectively. Our major customers during the Track Record Period include various departments of the HK Government, semi-government entities, public utility companies, subsidiaries of multi-national companies and other companies in the private sector.

There is no assurance that our top five customers will maintain the current business relationship with us upon the expiry of our existing service contracts. If they choose not to do so or if they significantly decrease the level of services required from us, we may not be able to find other customers to fully utilise our service capacity. As a result, our business operations, financial results and profitability will be adversely affected.

Further, we expect that customers from the government sector will continue to be our largest customer in the near future. Therefore, any decrease or delay in the level of spending from such customers in the industry in which we operate would have an adverse impact on our business operations, financial results and profitability. There is no assurance that we can diversify the composition of our customer base to include more private sector customers to replace any such loss of revenue generated from the public sector.

Increases in labour costs may adversely affect our profitability.

Our business operations are labour intensive and due to the locality of our customers, all of our employees are employed in Hong Kong. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011 with the initial statutory minimum wage rate of HK\$28 per hour. From 1 May 2013 up to the Latest Practicable Date, the statutory minimum wage rose to HK\$30 per hour. During the Track Record Period, the size of our workforce has also increased and as at 31 December 2011, 2012 and 2013, we had a total of

RISK FACTORS

approximately 4,660, 5,205 and 6,732 employees (including both full-time and part-time) respectively. These two factors have contributed to our labour costs during the Track Record Period. For each of the years ended 31 December 2011, 2012 and 2013, our direct wages amounted to approximately HK\$486.1 million, HK\$473.3 million and HK\$605.5 million, representing approximately 85.0%, 82.4% and 82.1% of our total cost of services during the respective periods and we expect labour costs to continue to represent a significant percentage of our total cost of services.

There is no assurance that the statutory minimum wage rate will not be further revised upward in the future or that our labour costs may increase generally such as due to the continued expansion of our workforce. In particular, given that under the Minimum Wage Ordinance the statutory minimum wage in Hong Kong is reviewed at least once every two years and the previous increase of the statutory minimum in 2013, being two years after 2011, if there is further increase in the statutory minimum wage in 2015, our Group's cost of service may increase thereby reducing our profit margins. For illustrative purpose only, based on the amount of our direct wages of approximately HK\$605.5 million for the year ended 31 December 2013, and approximately 47% of our employees (including full-time and part-time) as at 31 December 2013 were paid at the current statutory minimum wage of HK\$30 per hour, assuming the statutory minimum wage were adjusted upward to HK\$32 per hour since the beginning of 2013, our direct wages would have been increased by approximately 3.1% (or approximately HK\$19.0 million) during the year ended 31 December 2013. For further sensitivity analysis on the impact of changes in direct wages on our net profit during the Track Record Period, please refer to the section headed "Financial information — Major factors affecting our financial conditions and results of operations — Wages of employees" of this prospectus. In addition, the competition in our industry for qualified employees, may also exert upward pressure on the salaries of our employees and the turnover rate of our employees. According to the Ipsos Report, there was a general upward trend for the average wages of workers in the environmental service industry in Hong Kong, with an increase in average wages of workers providing cleaning services from approximately HK\$5,270 per month in 2009 to approximately HK\$7,536 per month in 2013, or a CAGR of approximately 9.4%. Moreover, according to Census and Statistics Department in Hong Kong, nominal wage index for all industries increased at a CAGR of about 5.4% from 2009 to 2013. As we may not be able to increase our service fees enough to pass these increased staff costs onto our customers, in which case our business operations, financial results and profitability would be materially and adversely affected.

We are exposed to litigation claims relating to personal injuries.

Employees who suffer bodily injury or death as a result of accidents or contract occupational diseases arising out of and in the course of their employment with us are entitled to claim damages against us under the Employees' Compensation Ordinance as well as under the common law. We are also liable under the Employees' Compensation Ordinance for the injuries of the employees of our third party service providers during the course of the work we engaged. Furthermore, we may face claims from third parties from time to time, including those who suffer personal injuries at premises where we provide services. During the Track Record Period and up to the Latest Practicable Date, our Group had settled 28 claims with an aggregate settlement amount of approximately HK\$4.4 million. All cases were in relation to our Group's employees or ex-employees. Out of the 28 claims, 27 claims were covered by our insurance and one claim was settled by our internal resources. Out of the 27 claims that were covered by our Group's insurance, our Group's insurance fully covered 20 claims and only covered settlement amount in excess of HK\$100,000 for each of the seven remaining claims. As at the Latest Practicable Date, there were 14 on-going cases against our Group of which seven are employees'

RISK FACTORS

compensations cases with amounts to be assessed and seven are personal injury cases with three of which are in the amount of approximately HK\$0.75 million, HK\$0.23 million and HK\$0.45 million respectively. Our Directors expect that (i) nine of the cases (including the personal injury cases) will be fully covered by our insurance policy prior to April 2012; and (ii) based on the limits in our insurance coverage for policies commencing from April 2012 as set out below, the aggregate maximum amount for the other five cases which will be approximately HK\$0.50 million. Furthermore, we estimate that there are 744 work-related incidents and injuries as at the Latest Practicable Date, and out of which 650 incidents have been settled by our employees' compensation insurance. It is possible that the subject workers of these incidents (including those already settled by insurance) may claim against us under the Employees' Compensation Ordinance or pursue personal injury claims against us under common law. For details of the claims and litigations during the Track Record Period, please refer to the section headed "Business — Litigation" of this prospectus.

As at the Latest Practicable Date, the relevant coverage of our public liability insurance policy and employees' insurance policy are HK\$20 million in any one incident and HK\$200 million per event respectively. Our insurance policy for employees' compensation is renewed every year and may be revised upon renewal. Prior to April 2012, our insurance policy generally covers the full amount of valid employees' compensation claims. Effective in April 2012, our insurance policy has been subsequently renewed and revised. Pursuant to the insurance policy currently effective, we are generally responsible for any claims of which the amount incurred is less than HK\$100,000, as well as the first HK\$100,000 in respect of the first 20 cases of claim above HK\$100,000, while the insurer shall be liable to pay (i) for the first 20 cases of claim above HK\$100,000, the excess amount after deduction of the said HK\$100,000 in respect of the compensations indemnifiable under the policy; and (ii) for the subsequent cases of claim above HK\$100,000, the full amount of the compensations indemnifiable under the policy. There is no assurance that our insurance policies will fully cover us for future events and if we have to pay out of our own resources for any uninsured claims, our financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of our case, we may need to spend resources and incur costs to handle these claims, which may affect our reputation in the environmental service industry and therefore adversely affect our business operations, financial results and profitability.

We are affected by increasing insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured.

We have taken out insurance policies as required by Hong Kong law or our customers to cover our business operations. During the Track Record Period, our insurance costs have continued to increase and for each of the years ended 31 December 2011, 2012 and 2013, the aggregate expenses of our employees' compensation insurances and public liability insurances were approximately HK\$3.7 million, HK\$6.4 million and HK\$8.1 million, respectively. Our insurance policies may not cover all our risks or payments and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results.

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Further, there are certain types of losses for which insurance coverage is not generally available on commercial terms acceptable to us, or at all. Examples of these include insurance against losses suffered due to business interruption, earthquake, flooding or other natural disasters, war, terrorist attack or civil disorder, or loss or damage caused by industrial actions. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In such a case, our business operations and financial results may be adversely affected.

We had net current liabilities as at 31 December 2011 and 2012 which may adversely affect our operations.

We recorded net current liabilities of approximately HK\$44.8 million and HK\$47.4 million as at 31 December 2011 and 2012, respectively and net current assets of approximately HK\$16.3 million as at 31 December 2013. Our net current liabilities mainly comprised (i) accruals, deposits received and other payables; (ii) bank borrowings; and (iii) the short-term portion of obligations under finance leases. For further details of our net current liabilities, please refer to the section headed “Financial information — Liquidity and financial resources — Net current liabilities” of this prospectus. If we have net current liabilities in the future, we may face constraints in our working capital for use in operations, making it more difficult to satisfy our repayment obligations in relation to debt or increasing our vulnerability to adverse economic conditions.

Breaches of the Predecessor Companies Ordinance.

We have breached certain sections of the Predecessor Companies Ordinance. We have been advised by our legal advisers that in relation to the non-compliance of late filings with the Hong Kong Companies Registry, the practical risk that our Hong Kong subsidiaries being penalised for their late filings is low. Based on our legal advisers’ experience and knowledge, the Registrar of Companies in Hong Kong does not, in all cases, prosecute late filings or levy penalties.

Our Controlling Shareholders have, pursuant to the Deed of Indemnity, undertaken to fully compensate our group for any loss arising from such late filings and our Company has not made any provision in this regard. If the Registrar of Companies in Hong Kong takes action against the relevant subsidiaries of our Group and/or if our Controlling Shareholders fail to indemnify us fully, we may be required to pay certain penalties. In these circumstances, if we are required to make significant penalty payments or incur other liabilities, our reputation, cash flow and results of operations may be adversely affected.

Safety measures may not be strictly complied with by our employees or third party service providers.

Our employees may be required to undertake certain tasks including but not limited to the following:

- Working at height or on slippery floor
- Operation of heavy machinery and electrical appliances
- Lifting of heavy objects

RISK FACTORS

- Use of corrosive and inflammable chemicals
- Working in environments containing dust, dirt, viruses or bacteria
- Working in new and unfamiliar environments

We cannot guarantee that our employees or third party service providers will fully comply with the safety measures we set out during their execution of the above tasks or any other tasks, and if they do not, there may be heightened incidents of personal injuries, property damage or fatal accidents. This may adversely affect our ability to obtain new contracts by tendering process, our reputation and business operation.

In addition, we cannot guarantee that we will be able to comply with any new laws and regulations relating to health and safety protection in workplaces imposed by the HK Government in the future. Any failure to comply with such new laws or regulations may adversely affect our reputation and business operations.

Our expansion plans may not be successful, which could materially and adversely affect our results of operations.

Waste collection and recycling is one of our major business services. Currently, there are a variety of materials/wastes in Hong Kong such as glass bottles and green wastes. We plan to expand our service portfolio and strengthen our ability to provide integrated total solutions to our customers by providing chemical and clinical wastes disposal services as well as sensitive and confidential information destruction services. Provision of such services will involve substantial investment in additional equipment and resources reallocation on management, financial and operational aspects and certain details of our strategy including the amounts to be funded from the net proceeds from the Global Offering are set out in the section headed “Business — Corporate strategies” of this prospectus. However, there is no guarantee that such expansion plans will bring us the amount of revenue and investment returns as planned, which in turn would adversely affect our business and financial performance.

Loss of key management or the ability to attract and retain suitable staff for our operations may materially affect our operations.

Our success is, to a significant extent, attributable to the leadership and contributions of our management team members as described in the section headed “Directors, senior management and staff” of this prospectus, particularly Mr. Ng, our founder, an executive Director as well as one of our Controlling Shareholders. Our continued success is therefore dependent to a large extent on our ability to retain the services of our management team. Any unanticipated departure of members of the management team without appropriate replacement found may have a material adverse impact on our business operations and profitability.

Furthermore, for each of the years ended 31 December 2011, 2012 and 2013 our Group’s staff turnover rates (including both full-time and part-time staff) were approximately 3.5%, 3.9% and 3.7% respectively, of which was mainly attributable to the turnover of our operation teams. The Directors are of the view that though our current staff turnover rate is relatively low as compared to the turnover rate of 5% to 8% in the industry according to the Ipsos Report, we may be affected by a shortage of skilled

RISK FACTORS

staff in the environmental service industry and/or any changes in labour costs due to increased wages. Furthermore, if our turnover rate increases in the future, it will have an adverse impact on our business operations.

Damage to our brand name or failure to protect our brand name may affect the attractiveness of our services.

Our business is sensitive to customers' perception of the safety and quality of our services. We operate under the brand 'Baguio' and as at the Latest Practicable Date, we had one registered trademark in Hong Kong, three registered trademarks in the PRC and had applied for two trademarks in Hong Kong. However, if there is any misuse by third parties of our brand (e.g. our subcontractors or third party service providers or our employees), if we are unable to detect, deter and prevent misbehaviour and misconduct by our employees or if we fail to effectively protect our brand and trademark, our reputation could be damaged and our business and financial performance may be materially and adversely affected.

Unauthorised structures on the properties where our car maintenance depot and workshop are located.

There are certain steel-framed structures and containers on the leased premises where our car maintenance depot and workshop are located. We are not aware of any formal approval has been granted for such additions by the relevant governmental authorities and therefore such constructs may not be in compliance with the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). Under the Buildings Ordinance, the Building Authority has the power to serve an order for the demolition within a specified period and in accordance with the plans of the Building Authority. We are advised by our Hong Kong Legal Advisers that (i) despite the existence of the unauthorised structure, the tenancy for the premises is valid and subsisting; and (ii) the landlord is responsible for compliance with the building orders, if served, and we, as tenant, should not be liable under the Building Ordinance. As at the Latest Practicable Date, we are not aware of any building orders concerning such breach. However, if such building orders is served and the landlord is required to conduct certain rectification measures and the Group's use of the premises for car maintenance is disrupted, the Group's business and operation may be affected.

RISKS RELATING TO OUR INDUSTRY

A highly competitive market may put downward pricing pressures on the Group.

According to the Ipsos Report, there is a large number of competitors in the environmental service industry in Hong Kong with approximately 1,660 service providers in 2013. Due to the large number of competitors, we face significant downward pricing pressure thereby reducing our profit margins. Furthermore, if we do not provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected.

Changes in the social and economic landscape of Hong Kong may materially affect our business.

All of our operations are based in and revenue is derived from Hong Kong. Currently we have no plans to expand into foreign markets. Any major changes to Hong Kong's social and economic landscape will have a huge impact on our business.

RISK FACTORS

If there were any material adverse changes in the social and economic conditions in the area including:

- natural disasters, epidemics, other acts of god or breakdown in the transportation system which may disrupt our inventory supplies;
- change in local government policies, rules or regulations, which may lead to an increase in our operating costs; or
- a sudden downturn in the economy or consumer demands which may lead to a decrease in our profits and materially affect our business and expansion strategy,

our operations, financial results and profitability may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

Termination of the Underwriting Agreements.

Prospective investors should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Underwriting Agreement — Grounds for termination” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price was the result of negotiations between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure that an active trading market will develop or be maintained following completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Global Offering may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions or fluctuations in prices of our services could cause the market price and/or trading volume

RISK FACTORS

of our Shares to change substantially. Any such developments may result in large and sudden change in the volume and price at which our Shares will trade. It is likely that from time to time, our Shares will be subject to changes in price and/or trading volume that may not be directly related to our financial or business performance.

Future sales by our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after Listing, details of which are set forth in the section headed “Relationship with our Controlling Shareholders” of this prospectus. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate and substantial dilution in the unaudited pro forma adjusted combined net tangible assets to approximately HK\$0.43 per Share, which is calculated based on the maximum Offer Price of HK\$1.20 per Share. If we issue additional Shares in the future such as pursuant to the exercise of share options granted under the Share Option Scheme, purchasers of our Shares may experience further dilution in their ownership percentage. In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the net tangible assets per Share if we issue additional Shares in the future at a price which is lower than the net tangible assets per Share.

Prior dividends distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares.

During the Track Record Period, we declared dividends of approximately HK\$6.5 million, HK\$15.6 million and HK\$4.0 million for the years ended 31 December 2011, 2012 and 2013, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. On 24 January 2014, a subsidiary of the Company had proposed to declare final dividend of HK\$32.0 million to its shareholders for the year ended 31 December 2013. Such dividend has been fully paid before the Latest Practicable Date. Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please see the section headed “Financial information — Dividends and dividend policy” of this prospectus. We cannot assure when or whether we will pay dividends in the future.

RISK FACTORS

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate.

Certain facts and other statistics in this prospectus are derived from various sources including the Ipsos Report and various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking statements” of this prospectus.

We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have entered into, and will continue to carry on certain transactions, which would constitute continuing connected transactions of our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules in respect of such transactions. Further details of such continuing connected transactions and the waiver are set out in the section headed “Connected Transactions” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance (Miscellaneous Provisions), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sponsor. The Hong Kong Public Offering will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters). The Global Offering is managed by the Sole Global Coordinator. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Friday, 16 May 2014 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, but in any event no later than Tuesday, 20 May 2014 (Hong Kong time). If, for any reason, the Offer Price is not agreed among our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Global Coordinator, the Bookrunner, the Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Adjustment Option or the options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Dealings in Shares registered in our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of the Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Underwriters, their respective directors and any other person involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

ADJUSTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Adjustment Option and the related stabilisation exercise are set out in the section headed “Structure of the Global Offering” of this prospectus.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Placing, the Stabilising Manager, in its capacity as stabilising manager, may borrow up to 15,000,000 Shares from Baguio Green Holding (BVI), equivalent to the maximum number of Shares to be issued on a full exercise of the Adjustment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

PROCEDURE FOR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The procedure for application for the Hong Kong Public Offer Shares is set out in the section headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares” of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including conditions of the Global Offering, are set out in the section headed “Structure of the Global Offering” of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 22 May 2014.

The Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail and vice versa. The English translation of the names in Chinese or another language which are marked with “*” and the Chinese translation of names in English which are marked with “*” are for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors:</i>		
Mr. Ng Wing Hong (吳永康)	1/F, Block 41, Baguio Villa, 550 Victoria Road Pokfulam, Hong Kong	Chinese
Ms. Ng Yuk Kwan, Phyllis (吳玉群)	Room C, 5/F, Block 19, Baguio Villa 555 Victoria Road Pokfulam, Hong Kong	Chinese
Mr. Ng Wing Chuen (吳永全)	G/F, Block H, Wing's Villa No. 210 Tong Hang Village Fanling, New Territories, Hong Kong	Chinese
Ms. Leung Shuk Ping (梁淑萍)	Flat 2, 17/F, Block T, Kwun Chiu Court Aberdeen Centre, Nam Ning Street, Aberdeen Hong Kong	Chinese
Ms. Chan Shuk Kuen (陳淑娟)	1/F, Block 41, Baguio Villa, 550 Victoria Road Pokfulam, Hong Kong	Chinese
Ms. Cheung Siu Chun (張笑珍)	Room A, 5/F, 100 Broadway Stage 8, Mei Foo Sun Chuen Kowloon, Hong Kong	Chinese
<i>Independent Non-executive Directors:</i>		
Mr. Sin Ho Chiu (冼浩釗)	Flat D, 31st Floor, Tower 3 Tierra Verde, Tsing Yi New Territories, Hong Kong	Chinese
Dr. Law Ka Hung (羅家熊)	Flat 2208, 22/F Block F, Kornhill Quarry Bay, Hong Kong	Australian
Mr. Lau Chi Yin, Thomas (劉志賢)	9A, Block 2 Tam Towers 25 Sha Wan Drive Pok Fu Lam Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors, senior management and staff” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator, Bookrunner and Lead Manager	Guotai Junan Securities (Hong Kong) Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Co-lead Manager	Pacific Foundation Securities Limited 11th Floor, New World Tower II 16–18 Queen's Road Central Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> Robertsons 57th Floor, The Center 99 Queen's Road Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sponsor and the Underwriters	<i>As to Hong Kong law</i> Peter C. Wong, Chow & Chow in association with Guantao Law Firm (Hong Kong) Suites 1604–06, 16/F ICBC Tower, 3 Garden Road Central, Hong Kong
Auditors and reporting accountants	HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31/F, Gloucester Tower, The Landmark 11 Pedder Street, Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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Valuer	Peak Vision Appraisals Limited 12/F, Effectual Building 14–16 Hennessy Road Wanchai, Hong Kong
Compliance adviser	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Selling Shareholder	Baguio Green (Holding) Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter, head office and principal place of business in Hong Kong	Unit A, 4/F, Dragon Industrial Building No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong
Company's website address	<u>http://www.baguio.com.hk</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Cheung Siu Chun (HKICPA) Room A, 5/F, 100 Broadway Stage 8, Mei Foo Sun Chuen Kowloon, Hong Kong
Compliance officer	Ms. Ng Yuk Kwan, Phyllis
Authorised representatives	Mr. Ng Wing Hong 1/F, Block 41 Baguio Villa 550 Victoria Road Pokfulam, Hong Kong Ms. Cheung Siu Chun Room A, 5/F, 100 Broadway Stage 8, Mei Foo Sun Chuen Kowloon, Hong Kong
Audit Committee	Mr. Lau Chi Yin, Thomas (<i>Chairman</i>) Mr. Sin Ho Chiu Dr. Law Ka Hung
Remuneration Committee	Mr. Sin Ho Chiu (<i>Chairman</i>) Mr. Lau Chi Yin, Thomas Dr. Law Ka Hung Mr. Ng Wing Hong
Nomination Committee	Dr. Law Ka Hung (<i>Chairman</i>) Mr. Sin Ho Chiu Mr. Lau Chi Yin, Thomas Ms. Ng Yuk Kwan, Phyllis

CORPORATE INFORMATION

**Principal share registrar and
transfer office**

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

**Hong Kong branch share
registrar and transfer office**

Tricor Investor Services Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

DBS Bank (Hong Kong) Limited

16/F, The Center

99 Queen's Road Central

Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central

Hong Kong

INDUSTRY OVERVIEW

Certain information provided in this section is derived from the Ipsos Report, which we commissioned, as well as various official or publicly available sources comprising certain articles, reports and publications, the preparations of which we did not commission. Except for the Ipsos Report, none of our Group, its Connected Person or any other party involved in the Global Offering has commissioned any third-party sources for information which is used in this section. The Company and the Sponsor have exercised reasonable care in extracting and reproducing information in the Ipsos Report and such information from the sources referred to in this prospectus. However, the information and statistics extracted from the Ipsos Report reflect an estimate of market conditions based on Ipsos' research and analysis. The information and statistics may not be consistent with other information and statistics compiled within or outside Hong Kong. Please see below for a discussion of the sources, methodologies, bases and assumptions used in the preparation of the Ipsos Report.

We believe that the Ipsos Report is an appropriate source for the information below, including forward-looking information on the industry and our business. We and the Sponsor have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. However, the information has not been prepared or independently verified by the Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Underwriters, their respective directors and advisors or any other parties involved in the Global Offering and therefore, they make no representation as to the accuracy or completeness of such information and accordingly such information contained in this section may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the Global Offering, we commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of environmental services in Hong Kong. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris France in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,000 personnel worldwide across 85 countries.

Ipsos provided the Ipsos Report which is titled "Market and Competitive Analysis for Environmental Services in Hong Kong" dated 30 April 2014. We have incurred a total of approximately HK\$383,800 in fees and expenses for the preparation of the Ipsos Report, which we believe to be in line with the market rate. The payment of such amount was not contingent upon the success of our Global Offering or upon the results of the Ipsos Report. Except for the Ipsos Report, we did not commission any other report in connection with the Global Offering.

We have included certain information from the Ipsos Report in this prospectus because we believe that such information facilitates an understanding of the relevant market for potential investors. The information contained in the Ipsos Report is derived by means of data and intelligence gathering such

INDUSTRY OVERVIEW

as: (i) desk research; (ii) client consultation to understand the background information about the Company; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to environmental service providers and companies adopting such services.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, the overall accuracy of the research results may be affected by the assumptions and choice of research parameters in Ipsos' research process (please refer to the risk factor in the section headed "Risk factors — There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate." of this prospectus). We cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as government publications, market data providers and the Ipsos Report.

The following assumptions have been used by Ipsos in the compilation of the Ipsos Report:

- The economy is assumed to maintain a steady growth across the forecast period
- It is assumed that there is no external shock such as financial crisis or wide outbreak of diseases which will affect the demand and supply of environmental services in Hong Kong during the forecast period
- The demand for environmental services in Hong Kong is assumed to be stable with more players entering the market
- It is assumed that increase in the number of registered companies, public and recreational area expansion together with new building completions in the next six years will drive the demand for environmental services in Hong Kong

The following parameters are considered by Ipsos in their market sizing and forecast model:

- GDP growth and inflation growth rate in Hong Kong
- Number of buildings for commercial, residential, public and recreational areas in Hong Kong
- New buildings under construction for commercial and residential buildings (including government buildings), for which plans have been approved, consent to commence work or notification of commencement of general building and superstructure work has been received by the Hong Kong Buildings Department in 2013
- The number of work-related injuries among professionals and workers in the environmental service industry in Hong Kong from 2009 to 2012
- Growth in the number of environmental service providers in Hong Kong from 2009 to 2013
- Growth in the number of professionals and workers in the environmental service industry in Hong Kong
- Effect of the statutory minimum wage increase in 2013

INDUSTRY OVERVIEW

ECONOMIC OVERVIEW OF HONG KONG

Hong Kong's economy was still adversely affected by the global financial crisis in 2009 but showed signs of recovery in 2010 with its GDP growth rate increasing from approximately -2.5% in 2009 to approximately 6.8% in 2010. The economy of Hong Kong indirectly benefited from the economic growth in China which led to an influx of investments and tourists to Hong Kong. Measures such as tax reliefs and increasing saving deposit guarantee and small-and-medium enterprise loans implemented by the HK Government in 2009 also played a role in obtaining these new capital investments from China.

From 2011 to 2012, the GDP growth rate slowed but continued to be positive and was largely affected by (i) the impact of the European debt crisis which broke out in 2011; (ii) the cool down of the economy of China in both 2011 and 2012; and (iii) a series of economic stimulus packages in the U.S. from the U.S. government with a total of approximately US\$840.0 billion which indirectly assisted the gradual recovery of the global economy as well as the economy in Hong Kong. The GDP growth rate in Hong Kong picked up to approximately 3.0% in 2013 and is expected to increase to approximately 3.5% in 2014 according to the Ipsos Report.

OVERVIEW OF THE ENVIRONMENTAL SERVICE INDUSTRY IN HONG KONG

Environmental services in Hong Kong include the following more significant service categories:

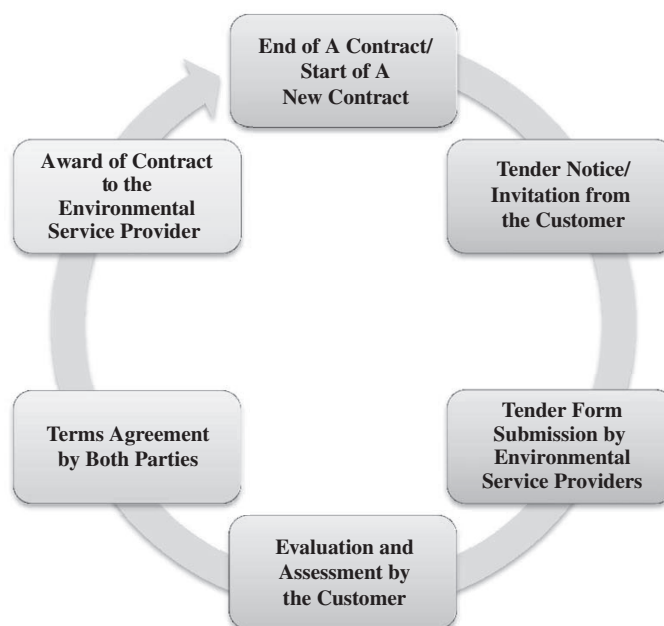
<u>Key service categories</u>	<u>Key services provided</u>
Cleaning service	<ul style="list-style-type: none">• Street sweeping and washing• Cleaning in commercial/industrial/residential buildings• Cleaning in cultural, leisure and recreation venues such as parks, beaches, swimming pools, museums• Public toilet/lavatory janitorial services• Stone maintenance service• Exterior wall cleaning service• Floor, rug and carpet cleaning• Window cleaning• Kitchen cleaning• Equipment cleaning• Office cleaning• Garbage disposal• Outdoor cleaning
Pest management service	<ul style="list-style-type: none">• Pest management• Rodent control• Termite control• Supply of pest control equipment and pesticides

INDUSTRY OVERVIEW

<u>Key service categories</u>	<u>Key services provided</u>
Waste management service (recycle, collection and disposal)	<ul style="list-style-type: none"> • Collection of recyclables • Chemical and clinical waste disposal • Liquid waste removal • Industrial waste and solid waste collection and disposal • Integrated waste management service • Water tank and flunk tank cleaning services etc.
Landscaping	<ul style="list-style-type: none"> • Soft landscaping • Landscape maintenance • Arboricultural works • Supply of landscape materials
Sensitive and confidential document disposal service	<ul style="list-style-type: none"> • Disposal of sensitive and confidential document • Secure data destruction of hard drive
Others	<ul style="list-style-type: none"> • One-off after-construction cleaning service • Car park cleaning service • Hotel, guesthouse and serviced apartment cleaning and housekeeping service

Tendering cycle

Customers from both the public and the private sectors in Hong Kong may select one or multiple environmental service provider(s) through a tender process as it allows them to select the service provider who meets their pricing and quality requirements. The tender process between the public and the private sectors can be slightly different depending on the size of the contract and its requirements. For instance, some tenders from the public sector include a tender briefing session for the tenderers. In general, a typical tendering cycle of environmental services in Hong Kong is as follows:



INDUSTRY OVERVIEW

Environmental service industry and revenue of major environmental services from 2009 to 2018

Despite the slowdown of Hong Kong's economy at certain points from 2009 to 2013, demand for and revenue from environmental services in Hong Kong steadily increased during this period. According to the Ipsos Report, the revenue from environmental services grew to approximately HK\$5,734 million in 2013 from approximately HK\$4,556 million in 2009 with a CAGR of approximately 5.9%. General cleaning service, which also includes cleaning service, pest management services, stone maintenance service and exterior wall cleaning service, dominated the environmental service industry at approximately 65.0% of market share in 2013. One reason is that general cleaning service is demanded on a daily basis. In addition, the increasing awareness of public hygiene by both public and private sector also sustains the demand for this service.

Landscaping service accounts for the second largest market share of about 17.9% in 2013. One of the growth drivers was that HK Government has also been putting more effort into preserving the natural landscape in public areas. The HK Government also requires that new developments have to have a green coverage of 20% to 30% and a minimum green coverage at ground level. Another example includes the Greening Master Plans by various departments within the HK Government in planning, design and implementation of greening works in Hong Kong.

Waste management service accounts for the third largest market share of approximately 11.9% in 2013. In the latest 2014 policy address, the HK Government has earmarked approximately HK\$1 billion for a recycling fund with use of the fund to be formulated in the future. Furthermore, the address also includes the development of a green station in each of the 18 districts in Hong Kong which is expected to cost approximately HK\$400 million. Based on these new supporting policies together with HK Government's effort to achieve the 55.0% waste recycling rate by 2022, the demand from government and semi-government authorities is expected to maintain the growth of the waste management service from 2014 to 2018 at a CAGR of approximately 8.3%.

Among all the services, sensitive and confidential document disposal service accounted for the smallest portion of the total market share of approximately 0.9% in 2013. It is expected to grow at a fast pace at a CAGR of approximately 11.0% from 2014 to 2018, largely driven by the demand from government, banking and financial institutions.

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The following table sets out the historical revenue for major types of environmental services in Hong Kong and historical revenue from 2009 to 2013 and the forecast figures from 2014 to 2018.

Year	General cleaning services <i>Note 1</i>		Waste management services		Landscaping Services		Sensitive and confidential document disposal services		Others <i>Note 2</i>		Total	
	Percentage		Percentage		Percentage		Percentage		Percentage		Percentage	
	Value	of total	Value	of total	Value	of total	Value	of total	Value	of total	Value	of total
	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)
2009	3,139.2	68.9%	563.7	12.4%	642.0	14.1%	31.3	0.7%	180.1	4.0%	4,556.3	100.0%
2010	3,209.0	66.6%	578.9	12.0%	785.7	16.3%	48.6	1.0%	198.1	4.1%	4,820.3	100.0%
2011	3,370.7	66.1%	619.5	12.2%	837.7	16.4%	51.3	1.0%	217.9	4.3%	5,097.1	100.0%
2012	3,545.4	65.4%	650.3	12.0%	938.3	17.3%	49.0	0.9%	239.7	4.4%	5,422.7	100.0%
2013	3,727.3	65.0%	682.4	11.9%	1,026.4	17.9%	51.6	0.9%	246.6	4.3%	5,734.3	100.0%
CAGR 2009–2013(%)	4.4%		4.9%		12.4%		13.3%		8.2%		5.9%	
2014F	3,996.9	65.2%	724.3	11.8%	1,116.5	18.2%	48.2	0.8%	247.0	4.0%	6,132.9	100.0%
2015F	4,321.3	65.6%	776.9	11.8%	1,184.7	18.0%	53.5	0.8%	251.9	3.8%	6,588.3	100.0%
2016F	4,558.6	61.3%	848.8	11.4%	1,711.2	23.0%	59.4	0.8%	256.9	3.5%	7,434.9	100.0%
2017F	4,809.0	60.7%	931.9	11.8%	1,848.1	23.3%	65.9	0.8%	262.1	3.3%	7,917.0	100.0%
2018F	5,073.1	60.2%	997.7	11.8%	2,014.4	23.9%	73.1	0.9%	267.3	3.2%	8,425.6	100.0%
CAGR 2014F–2018F(%)	6.1%		8.3%		15.9%		11.0%		2.0%		8.3%	
CAGR 2009–2018F(%)	5.5%		6.5%		13.5%		9.9%		4.5%		7.1%	

Notes:

1. General cleaning services includes cleaning service, pest management service, stone maintenance service and exterior wall cleaning service
2. Others include hotel, guesthouse and serviced apartment cleaning and housekeeping service, one-time after-construction cleaning service and car park cleaning etc.

Source: Ipsos Report

Growth drivers

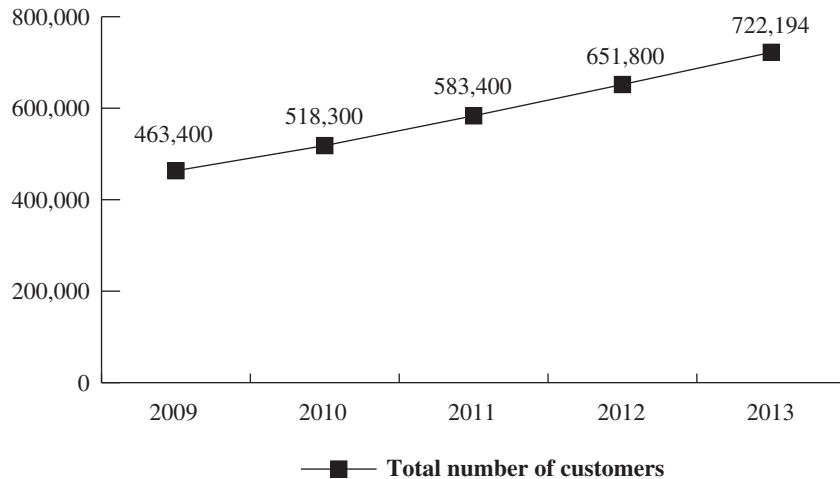
Hygiene awareness due to past outbreaks

Public awareness for proper hygiene and demand for cleanliness were major factors in the growth of the environmental service industry in Hong Kong. From the outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003 and Human Swine Flu (H1N1) in 2009 as well as fear of outbreak of the H7N9 bird flu in China in 2011 and 2012, demand for environmental services continue to increase from the HK Government as it seeks to prevent and control the risks of infection in public places.

Furthermore, public awareness of proper hygiene has led to a wider acceptance of the need for environmental service providers as well as a higher expectation of specially equipped and trained service provider with knowledge of public health standards. Combined with the shift in outsourcing environmental services to professional, these factors have contributed to the growing demand in environmental services and contributed to the significance of general cleaning services in the industry.

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According to the Ipsos Report, there was a significant increase of customers for environmental services from approximately 463,400 in 2009 to approximately 722,194 in 2013. The following chart sets out the historical number of customers for environmental services in Hong Kong from 2009 to 2013.



Source: Ipsos Report

Government's encouragement and efforts for waste management and recycling in Hong Kong

In the latest 2014 policy address, the HK Government has earmarked approximately HK\$1 billion for a recycling fund with use of the fund to be formulated in the future. Furthermore, the address also includes the development of a green station in each of the 18 districts in Hong Kong which is expected to cost approximately HK\$400 million. These stations will be operated by non-profit-making organisations to enhance environmental education and help collect different types of recyclables in the local community, with a view to promoting green living at the community level. With these new supporting policies together with HK Government's goal to achieve a 55% waste recycling rate in Hong Kong by 2022, the demand for waste management services from government and semi-government authorities is expected to maintain the growth at a CAGR of approximately 8.3% from 2014 to 2018.

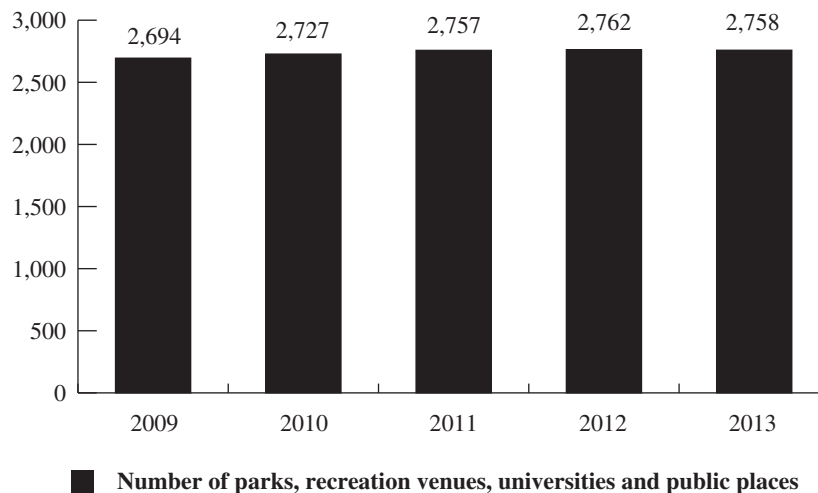
Outsourcing of landscaping services and other environmental services

The HK Government has been an important customer for environmental services in Hong Kong. According to the Ipsos Report, spending on landscaping and horticultural services by the Leisure and Cultural Services Department ("LCSD") has increased from approximately HK\$284.5 million in 2009 to approximately HK\$438.0 million in 2013. The HK Government has proposed various measures which require landscaping services from time to time and is vocal about creating a green environment in Hong Kong. For example, since 2004 it has been developing Greening Master Plans for identifying, planning, designing and implementing greening works in suitable locations in Hong Kong for making a greener environment. Since 2010, it has launched a Landslip Prevention and Mitigation Programme to study and maintain slopes and address the landslide risk associated with rainfall on both man-made slopes and natural hillside in Hong Kong. On the other hand, private sector customers are increasingly adding green areas to their residential and commercial development projects as the use and presentation of plants, terrain and outdoor areas reflect positively on the quality of such projects according to the Ipsos Report.

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According to the Ipsos Report, it is popular to outsource landscaping services to reduce operating costs. As landscaping services are needed for safety reasons (such as satisfying health code requirements) and beauty reasons (such as attracting visitors), it is expected that outsourcing of landscaping services will continue to be an important growth driver in the environmental service industry. As part of global trend for most of the highly populated cities in the world, roof greening and skyrise greening have been a trend in the new development projects and renewal of existing projects in Hong Kong. Roof greening and skyrise greening not only enhance the landscape and the environment of the city, they also attenuate the heat island effect and improve air quality. This greening trend will move the landscaping services from ground level to a higher level and also increase the demand for environmental services in Hong Kong.

The following chart sets out the historical numbers of parks, recreation venues, universities and public places in Hong Kong which require landscaping services from 2009 to 2013:



Source: Ipsos Report; Census and Statistics Department, HK Government

The trend to outsource environmental services by customers also affects other environmental services and is one of the major growth drivers in the environmental service industry in Hong Kong. Customers (including property management companies and government departments) have increasing demand for environmental services such as cleaning service as a way to reduce their operation cost. As demand increases and this outsourcing trend continues the market size for the environmental service industry is expected to increase.

Increased focus on corporate social responsibility and environmental protection from the private sector

Customers have increasingly focused on corporate social responsibility and environmental protection. Private companies in particular have been putting more effort into being good corporate citizens by reducing municipal solid waste. According to the Ipsos Report, spending by the private sector on environmental services has increased at a CAGR of approximately 7.1% from 2009 to 2013 and examples of private companies being more pro-active in this regard include property management companies, shopping centers operators and public utility companies putting more recycling bins in their premises and more and more banks participating in the recycling of printer cartridges and obsolete computers.

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Increase in number of new buildings creating market potential

As the number of new buildings in Hong Kong increases so does market potential for environmental services due to the boost in demand for servicing such new buildings. Environmental services provided at new buildings, may include general cleaning services, marble maintenance services, exterior wall and curtain wall cleaning services, sensitive and confidential information destruction services, and waste management services. According to the Ipsos Report, the number of residential buildings in Hong Kong increased from approximately 5,992 in 2009 to 6,284 in 2013 whereas the number of office buildings (including government offices) increased from approximately 1,832 in 2009 to 1,876 in 2013.

Increase in demand for sensitive and confidential data destruction

Customers are increasingly aware of the importance of proper disposal and destruction of sensitive and confidential information. Information or materials that are confidential should be disposed of securely. In business, should certain confidential information or materials get into the wrong hands, the result could be embarrassment, financial loss or even legal action. It is noted that there are more and more sensitive and confidential data destruction services available in Hong Kong, reflecting the increase in the demand for such services from both the government and the private sectors. According to the Ipsos Report, revenue from sensitive and confidential information disposal services accounted for the smallest portion of the total revenue from environmental services being approximately 0.9% in 2013. It is expected to grow at a fast pace, largely driven by the demand from government, banking and financial institutions.

Major trends

The status of the economy in Hong Kong and elsewhere affecting demand

Hong Kong has a well-established and independent legal system and has a number of advantages such as free flow of information, political stability, prevalence of the English language and support from China which offer opportunities for local business to grow as well as attracting foreign businesses. Economic growth affects demand for environmental services as customers are more willing to engage and pay for environmental services and as new buildings require maintenance by environmental service providers. On the other hand, economic downturns in Hong Kong (or economic downturns affecting the global or major regional economies which may affect foreign customers with businesses in Hong Kong) may result in a decline in earning for environmental service providers. According to the Ipsos Report, approximately 104 environmental service providers in Hong Kong went out of business during the global financial crisis in 2009.

A significant amount of revenue is derived from certain public and private customers with stringent selection criteria

A significant amount of revenue from environmental services is derived from certain major customers. According to the Ipsos Report, the FEHD and LCSD, being two departments of the HK Government, are among the key customers of environmental services in Hong Kong in terms of revenue contribution. Government projects generally are a major source of revenue for environmental service providers in Hong Kong. The second largest sector of customers demanding environmental services is

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private sector customers particularly property management companies which require environmental services in existing properties and newly constructed properties. Public utility companies also contribute a significant amount of revenue to the industry.

The following table sets out the historical revenue by customer sector and as percentage of the total revenue from all customers from 2009 to 2013 and the forecast figures from 2014 to 2018.

Year	Government		Semi-government ^{Note 1}		Public utility companies ^{Note 2}		Private sector		Total	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Value	of total	Value	of total	Value	of total	Value	of total	Value	of total
	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)	(HK\$ million)	revenue (%)
2009	1,785.8	39.2%	407.4	8.9%	977.5	21.5%	1,385.7	30.4%	4,556.3	100.0%
2010	1,959.5	40.7%	430.0	8.9%	997.1	20.7%	1,433.8	29.7%	4,820.3	100.0%
2011	2,097.3	41.1%	462.0	9.1%	1,017.0	20.0%	1,520.8	29.8%	5,097.1	100.0%
2012	2,228.5	41.1%	485.9	9.0%	1,037.3	19.1%	1,671.0	30.8%	5,422.7	100.0%
2013	2,339.6	40.8%	504.6	8.8%	1,066.6	18.6%	1,823.5	31.8%	5,734.3	100.0%
CAGR 2009-2013(%)	7.0%		5.5%		2.2%		7.1%		5.9%	
2014F	2,555.5	41.7%	550.3	9.0%	1,079.3	17.6%	1,947.9	31.8%	6,132.9	100.0%
2015F	2,862.1	43.4%	572.3	8.7%	1,103.0	16.7%	2,050.8	31.1%	6,588.3	100.0%
2016F	3,205.6	43.1%	595.2	8.0%	1,127.3	15.2%	2,506.8	33.7%	7,434.9	100.0%
2017F	3,590.2	45.3%	619.0	7.8%	1,152.1	14.6%	2,555.6	32.3%	7,917.0	100.0%
2018F	4,021.1	47.7%	643.8	7.6%	1,177.4	14.0%	2,583.3	30.7%	8,425.6	100.0%
CAGR 2014F-2018F(%)	9.5%		3.2%		1.8%		5.8%		8.3%	
CAGR 2009-2018F(%)	9.4%		5.2%		2.1%		7.2%		7.1%	

Notes:

1. Semi-government refers to the authorities and companies or entities that are influenced by and partly funded by HK Government. They are not part of HK Government.
2. Public utility companies refer to companies and organisations that offer public services such as electricity, telecommunication and public transport.

Source: Ipsos Report

According to the Ipsos Report, customers are expecting higher standards of quality of service but at lower costs. Compliance with quality, environmental and occupational health and safety related international standards such as ISO 9001, ISO 14001 and OSHAS 180001 is valued as an indication of the professionalism of a service provider. Furthermore, customers from the government, semi-government and public utility companies sectors, being more publicly accountable and sensitive to their public image, have more stringent requirements and are relatively more concerned with the social responsibilities of their service providers.

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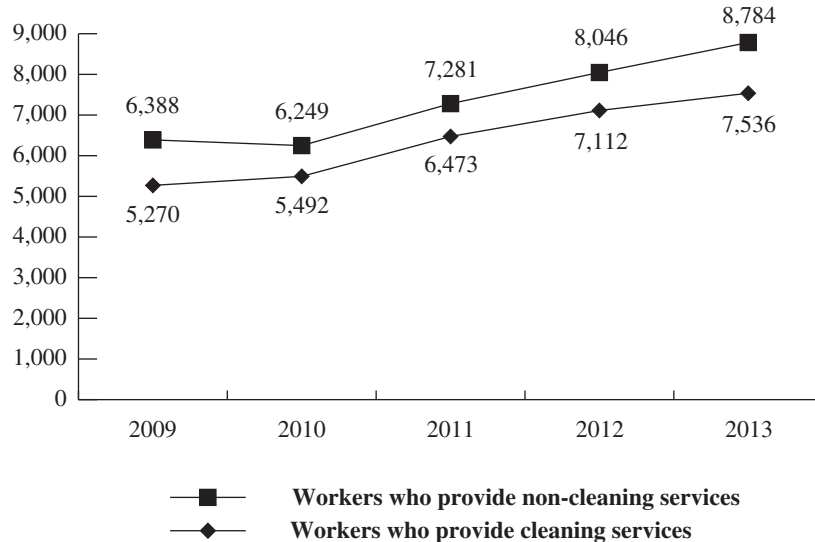
Major threats affecting general operations of environmental service providers in Hong Kong

Potential increase in labour cost and high turnover rate of workers

The environmental service industry is labour intensive. Large-scale environmental service providers usually hire full-time workers while small-scale players employ a higher proportion of part-time workers. According to the Ipsos Report, about 80% of the workers in large-scale environmental service providers are working on full-time basis, while about 30% to 40% of the workers in small-scale environmental service providers are full-time workers.

The average wages of workers who provide non-cleaning services in the environmental service industry in Hong Kong has increased from approximately HK\$6,388 per month in 2009 to approximately HK\$8,784 per month in 2013, at a CAGR of approximately 8.3%. On the other hand, the average wages of workers who provide cleaning services in environmental service industry in Hong Kong increased from approximately HK\$5,270 per month in 2009 to approximately HK\$7,536 per month in 2013, at a CAGR of approximately 9.4%. Moreover, according to Census and Statistics Department in Hong Kong, nominal wage index for all industries increased at a CAGR of about 5.4% from 2009 to 2013. The cost pressure was also influenced by the inflation rate of approximately 4.3% in 2013.

The following charts sets out the average wages of workers (in HK\$ per month) for cleaning and non-cleaning services respectively in the environmental service industry in Hong Kong from 2009 to 2013.



Source: Ipsos Report; Census and Statistics Department, HK Government

In May 2011, the HK Government introduced the requirement of minimum wage of HK\$28 per hour. In May 2013, such statutory minimum wage was raised to HK\$30 per hour. The nature of the environmental service industry requires the workers to work long hours, carrying out manual labour work and working in shifts. The longer working hours, intensive manual labour work and relatively more competitive pay from other industries, such as security guard service, have led to a low retention rate among the workers in the environmental service industry. With the implementation of minimum

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wages, there are other choices of higher-paying jobs for workers, who may be driven away from the environmental service industry. This poses a threat to the manpower supply to the industry. In order to retain the workers or find replacement workers, the environmental service providers in Hong Kong increased the benefits provided to workers such as by increasing wages and improving working environment like offering compensated break time and lounges for their breaks.

Moreover, another characteristic of the industry is that part-time workers are hired during peak season or for a new project tendered that requires extra manpower. This group of highly mobile temporary workers together with the nature of the industry adds to the relatively high turnover rate, ranging from about 5.0% to 8.0% per month.

Growth in job-related injuries in the industry and increasing insurance premiums

As a labour intensive industry with a significant amount of manual labour, there is a significant risk of job-related injuries. It is possible that there could be potential litigations made by some injured employees of the environmental service providers against the environmental service providers. This risk of litigation may lead to potential reputational damage for environmental service providers.

The following chart sets out the historical number of job-related injuries among professionals and workers providing cleaning, pest management, sanitary and similar at services from 2009 to 2012 and the forecast figure for 2013:



Source: Ipsos Report; Census and Statistics Department, HK Government; Labour Department, HK Government

A major increase of such injuries were from workers being struck by moving objects. This type of incident increased to approximately 283 in 2012 from 210 in 2009. Injuries involving slipping, tripping or falling also increased to approximately 839 in 2012 from 822 in 2009. Injury rate (calculated by dividing the number of injury cases with the number of workers), however, decreased from about 3.5% in 2009 to about 3.0% in 2012. Such injury rate is calculated by dividing the number of injuries among professionals and works providing cleaning, pest management, sanitary and similar services while the respective statistics for landscaping services are not available according to the information published by the Labour Department of the HK Government, by the total number of professionals and works who

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work for cleaning, pest management, sanitary and similar services according to the information published by the Census and Statistics Department of Hong Kong. Going forward, the Ipsos Report expects that the flat growth will be sustained by the increased safety knowledge and education of the environmental service professionals and the increasing awareness of work place safety of environmental service industry, the HK Government and the general public.

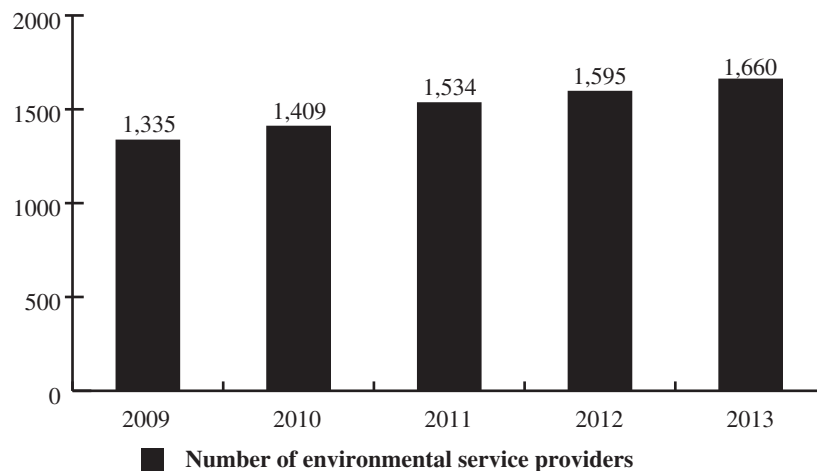
As it is part of legal requirement to insure for their workers, environmental service providers may face increasing insurance premium charged by insurance companies. Currently, there is no regulation or mechanism for controlling the increase of insurance premiums. Any increase in insurance premiums for workers in the environmental service industry will add to the difficulty of the operating environment. Moreover, according to the Ipsos Report, the insurance coverage in the industry is limited and there is no assurance that all risks are insured. There was a decrease in the number of insurance companies that insure for the environmental service industry in the recent years and this may lead to both an increase in insurance premium and a potential decrease in insurance coverage.

COMPETITION

Competitive landscape

A large number of environmental service providers in Hong Kong with varying sizes and skill levels

There are a large number of environmental service providers in Hong Kong and the number continues to grow with approximately 1,660 in 2013 from 1,335 in 2009 or a CAGR of approximately 5.6%. The following chart sets out the historical numbers of cleaning and other environmental service providers in Hong Kong from 2009 to 2013 respectively.



Source: Ipsos Report; Census and Statistics Department, HK Government

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Despite the large number of environmental service providers, individual providers may vary in size and skill level. Smaller companies may only have 10 to 30 workers and focus on serving individual businesses and small households. Larger environmental service providers may have thousands of workers and primarily serve customers such as the government and property management companies who are larger and may require various types of service. Prices charged by environmental service providers may vary based on the depth and frequency of services. However, large-scale environmental service providers generally charge higher prices with small-scale service providers providing more flexible service at a lower price. This is because large-scale environmental service providers are generally better equipped with well-trained employees, advanced tools and equipment and specialised vehicles.

Barriers to entry

According to the Ipsos Report, the barriers to entry for providing environmental services in Hong Kong generally relate to the ability of new entrants to manage the costs for providing such environmental services. In particular, the main barriers to entry are rising wages of workers (such as due to the statutory minimum wage), high initial setup costs (such as for purchasing cleaning equipment and vehicles) and intensifying price competition. New entrants may incur additional costs to differentiate their services from existing players especially if they want to compete with large-scale environmental service providers. In relation to price competition, new entrants generally have to offer lower prices for their services to attract customers while remaining profitable despite not having efficient costs control measures or strong bargaining power as compared to existing service providers particularly large-scale service provider who may receive discounts from bulk purchases.

Top ten environmental service providers in Hong Kong

The environmental service industry in Hong Kong is dominated by certain key players and the top ten environmental service providers in Hong Kong accounted for approximately 70.4% of the total market share for the twelve months ended 31 December 2013. One key to success in the industry is the ability to secure customers such as government authorities, semi-government bodies and public utility companies which tend to sign service contracts with higher contract sums. As such customers tend to demand diverse environmental services covering a larger area, we and other large-scale environmental service providers are in a better position to obtain such contracts.

According to the Ipsos Report, we are ranked first among environmental service providers in Hong Kong in terms of revenue for the twelve months ended 31 December 2013. Our main competitors are large-scale environmental service providers in Hong Kong who also service customers with higher value contracts as such customers expect more comprehensive and quality services.

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The following table sets out the top ten environmental service providers in Hong Kong for the twelve months ended 31 December 2013 in terms of revenue and their respective background^(Note):

<u>Ranking</u>	<u>Company</u>	<u>Share of total industry revenue (%)</u>	<u>Company background</u>
1	Our Group	14.3	
2	Competitor A	12.9	Subsidiary of an international facility service provider headquartered in Denmark and which provides property services, security services and catering services, amongst others.
3	Competitor B	10.8	Subsidiary of a property management company headquartered in Hong Kong
4	Competitor C	5.9	Subsidiary of a property development company headquartered in Hong Kong
5	Competitor D	5.6	An independent company headquartered in Hong Kong providing environmental services in Hong Kong and the PRC
6	Competitor E	5.0	Subsidiary of a property management company headquartered in Hong Kong
7	Competitor F	4.6	Subsidiary of a property development company headquartered in Hong Kong
8	Competitor G	4.1	Subsidiary of a property management company headquartered in Hong Kong
9	Competitor H	3.7	An independent company headquartered and providing environmental services in Hong Kong
10	Competitor I	3.5	An independent company headquartered and providing environmental services in Hong Kong
	Sub-total of top 10	70.4	
	Others	29.6	
	Total	100	

Source: Ipsos Report

Note: We are not aware of any more recent ranking provided by Ipsos and we have no reason to believe that the latest ranking is no longer accurate as at the Latest Practicable Date.

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Competitive advantages of our Group

According to the Ipsos Report, we have the following competitive advantages when compared to our competitors in the environmental service industry.

One-stop solution for comprehensive environmental services

Our Group is able to provide a wider range of environmental services than many competitors in the environmental service industry in Hong Kong. Furthermore our strong manpower and substantial assets give us more flexibility to provide services in various scales and better accommodate additional requests of services from customers.

The ability to provide comprehensive services is a distinct feature of our Group in our industry. Most environmental service providers specialise in certain services, such as cleaning services, instead of offering comprehensive services to their customers. As cleaning services have lower skill and equipment requirements, most environmental service providers provide such services. On the other hand environmental services which are considered high-skilled tasks, such as sensitive and confidential document disposal services and waste management services, are more commonly provided by large-scale environmental service providers. According to the Ipsos Report, most environmental service providers in Hong Kong only offer two to three types of environmental services and less than 2% of them offer a full range of services which include cleaning services, landscaping services, pest management services and waste management and recycling services. Our service range therefore gives us a competitive advantage over many other environmental service providers in providing comprehensive and one-stop environmental services to customers. Our ability to provide landscaping services combined with our substantial assets also distinguishes us from other top 10 environmental service providers in Hong Kong, as we are one of the very few players who has the capacity to provide landscaping services to the HK Government according to the Ipsos Report.

Compliance with stringent standards for environmental services including those of the HK Government

Environmental services concerning public area are usually under more stringent standards. We have been able to satisfy stringent standards for environmental services of the HK Government and we have succeeded in obtaining contracts with the HK Government through tendering for a number of years. In particular, Tak Tai, one of our subsidiaries, is currently one of 19 companies on the HK Government's list of Approved Suppliers of Materials and Specialist Contractors for Public Works. Our major customers during the Track Record Period include two departments of the HK Government as well as certain semi-government bodies which demonstrates our Group's capacity and ability to satisfy the relevant qualifications to successfully tender for government projects.

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operation and business.

LABOUR, HEALTH AND SAFETY

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplaces; and
- Providing and maintaining a safe and healthy work environment.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertaking Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplace; and
- Providing and maintaining a safe and healthy work environment.

Under the same ordinance, a proprietor shall only hire such person with a valid certificate in relation to the relevant industrial undertaking such person is engaged in.

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Factories and Industrial Undertakings (Confined Spaces) Regulation (Chapter 59AE of the Laws of Hong Kong)

Under the Factories and Industrial Undertakings (Confined Spaces) Regulations, the proprietor shall appoint a competent person to inspect the confined area which its workers are required to work at regularly. The proprietor shall ensure that only competent workers who hold valid certificates for working in a confined space shall enter into the confined space and that they have taken all required safety precautions when doing so.

Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Chapter 59AC of the Laws of Hong Kong)

Under the Factories and Industrial Undertakings (Suspended Working Platforms) Regulation, the owner, lessee, hirer or any person in charge or having the control or management of contractor of a suspended working platform (collectively the “Owners”) must ensure that the suspended working platform is maintained and constructed in accordance with the requirement of the regulation. The Owners shall also ensure that any person who is authorised by him to be on the suspended working platform shall be a licensed operation of the suspended working platform and has taken all required safety precautions when doing so.

Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)

Any person or firm engaged in carrying out construction work by way of trade or business is required to take statutory safety measures to ensure the safety at the construction sites.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under the Mandatory Provident Fund Schemes Ordinance, the employers shall participate in a Mandatory Provident Fund (“MPF”) Scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000. Contributions to the plan vest immediately.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

Pursuant to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a sub-contractor on any work involving, inter alia, external cleaning of any building, dock or pier which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every sub-contractor jointly and severally. However, such payment of wages is recoverable from the sub-contractor pursuant to section 43F of the Employment Ordinance.

REGULATORY OVERVIEW

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

Under the Employees' Compensation Ordinance all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees)

Further, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractor's employees who are injured to the execution of the work which the subcontractor has contracted to perform. The principal contractor is nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The current Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

ENVIRONMENTAL PROTECTION, WASTE DISPOSAL AND RECYCLE

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Section 9 of the WDO allows the Collection Authority to provide service for the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste.

Section 10 of the WDO provides that the Collection Authority may, by licence, permit any person to provide services for the collection or removal of chemical waste or clinical waste and all or any of the matters referred in Section 9 of the WDO.

Section 11 of the WDO prohibits the collection, removal and disposal of chemical waste, clinical waste, household waste, street waste, trade waste, livestock waste and animal waste by any person or entities (the "Services") unless such person or entity is licensed by the EPD or the FEHD. For details, please refer to the section headed "Business — Regulatory compliance — Compliance with the WDO" of this prospectus.

Section 12(1) of the WDO provides that it shall not be an offence under section 11 of the WDO for an occupier of any building, or any person responsible for the management of any building, to remove household waste from any building if:

- (a) the Collection Authority or any person holding a waste collection licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the authority or person provides that service under section 9 or section 10 of the WDO; or
- (b) no such service for the removal of household waste is provided by the Collection Authority or a person holding a waste collection licence.

REGULATORY OVERVIEW

Section 16 of the WDO provides that a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of EPD to use the land or premises for that purpose. This section does not apply to:

- (a) the use of land or premises for the deposit of any substance (other than chemical waste or clinical waste) which is being used in the course of agricultural or horticultural operations;
- (b) the disposal of chemical waste or clinical waste by a person who is authorised pursuant to any regulation made under section 33(1)(da), to use the land or premises for that purpose; and
- (c) the disposal of such wastes or classes of wastes in such circumstances as may be prescribed.

Under Section 21A of WDO, the licensing authority shall not grant a waste disposal licence in respect of chemical waste or clinical waste (as the case may be) under that section unless he is satisfied that the land or premises in respect of which the licence is sought has a waste disposal facility which has the capacity to dispose of such minimum quantity of chemical waste or clinical waste (as the case may be) and within such period or is capable of disposing of chemical waste or clinical waste (as the case may be) in such other manner as may be prescribed.

Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong)

The Waste Disposal (Chemical Waste) (General) Regulation provides for the definition of chemical waste, waste producer and the requirements for control of the possession, storage, collection, transport and disposal of chemical waste. In particular, section 6 provides that a person shall not produce or cause to be produced chemical waste unless he is registered.

Waste Disposal (Refuse Transfer Station) Regulation (Chapter 354M of the Laws of Hong Kong)

Under the Waste Disposal (Refuse Transfer Station) Regulation, any person who disposes waste at the refuse transfer station shall comply with the relevant account registration requirements and shall pay for the fee as prescribed in the regulation.

Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, any person who disposes of construction waste shall be a holder of a valid billing account and shall pay for the fee as prescribed in the regulation.

Waste Disposal (Clinical Waste)(General)Regulation (Chapter 354O of the Laws of Hong Kong)

Pursuant to section 5 of the Waste Disposal (Clinical Waste) (General) Regulation, unless the Director of EPD provides otherwise in writing, a licensed waste collector who collects any clinical waste must, within 24 hours of collecting it, deliver the clinical waste to a reception point.

REGULATORY OVERVIEW

Country Parks Ordinance (Chapter 208 of the Laws of Hong Kong)

Section 26 of the Country Parks Ordinance provides that the Chief Executive in Council may make regulations to provide for prohibiting or restricting the entry into, or movement within, country parks and special areas of persons, vehicles, boats and animals.

Country Parks and Special Areas Regulations (Chapter 208A of the Laws of Hong Kong)

Regulation 4 of the Country Parks and Special Areas Regulations provide that except for those ordinarily resident within country parks or special areas, or public officers on official duties within country parks or special areas, no person shall, except with the consent of the Agriculture, Fisheries and Conservation Department (“AFCD”), bring into a country park or special area any vehicle or bicycle, or drive, use or be in possession of any vehicle or bicycle within a country park or special area. Further, the Guidelines on Permit to bring vehicles into Country Parks or Special Areas issued by AFCD provides that vehicles over 5.5 tonnes are not allowed to enter country parks.

STORAGE AND USAGE OF CHEMICAL SUBSTANCE

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities.

Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong)

The Dangerous Goods (General) Regulations provide the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and usage of the dangerous goods.

Pesticides Ordinance (Chapter 133 of the Laws of the Hong Kong)

The Pesticides Ordinance divides pesticides into two categories, registered and unregistered. It provides for the licensing requirements for, inter alia, importing, manufacturing, selling, offering or exposing for sale or supplying for offering to supply pesticides of both registered and unregistered pesticides. With respect to the usage of registered pesticides, no licence is required so long as the user is not engaged in the trade or business, whether for wholesale, retail or otherwise, of selling, offering or exposing for sale, supplying or offering to supply registered pesticides and sells, offers or exposes for sale, supplies or offers to supply any registered pesticides which he acquired for his own use.

IMPORTATION AND SUPPLY OF PLANTS

Plant (Importation and Pest Control) Ordinance (Chapter 207 of the Laws of Hong Kong)

Under the Plant (Importation and Pest Control) Ordinance, it is illegal to import plants, plants pests or soil into Hong Kong without a valid plant import licence authorisation or phytosanitary certificate issued in advance by the Agriculture, Fisheries and Conservation Department. This requirement shall not apply to any plant, plant pest or soil which is in transit, or plants stipulated in Schedule 2 of the Ordinance, such as cut flowers, fruit and vegetables for consumption, and plants produced in and imported from any place in the PRC outside Hong Kong.

Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of Laws of Hong Kong)

Hong Kong has implemented the International Convention on International Trade in Endangered Species of Wild Fauna and Flora (“CITES”) in 1976 through the enactment of the Animal and Plants (Protection of Species) Ordinances (Chapter 187). The Ordinance was replaced by the Protection of Endangered Species of Animals and Plants Ordinance in December 2006. Under the Ordinance, commercial trade in Appendix I species of wild origin is not allowed and the Department of Agriculture, Fisheries and Conservation Department would not issue a licence. However, the import of Appendix II and III species may be allowed, subject to the production of a valid CITES export permit or a certificate of origin and inspection by an authorised officer upon its landing in Hong Kong. Anyone who contravenes the requirements of the Ordinance will be prosecuted.

HISTORY AND DEVELOPMENT

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to 1980 when Mr. Ng and his brother, Mr. Ng Wing Sun (who left our Group to focus in his other business in 2010), formed a partnership under the name of Baguio Cleaning Services Company which started off as a cleaning service provider in Hong Kong and which was financed by their own capital. As our business grew, we gradually conducted our business through Baguio Cleaning and operated as an environmental service provider by expanding our business into the provision of cleaning services, landscaping services, pest management services and waste management and recycling services. As Baguio Cleaning Services Company no longer conducted any business since 2001, such partnership ceased in 2013 and is therefore not incorporated into our Group.

Mr. Ng believed that our Group's extensive range of services could be further streamlined and systematised through the establishment of Baguio Landscaping in 1995, Baguio Pest in 2005 and Baguio Waste in 2008, in order to better focus and specialise in the development of our environmental business sectors.

In 1997, our Group acquired Tak Tai, a company which was and continues to be on the HK Government's List of Approved Supplier of Materials and Specialist Contractors for Public Works in the category of landscaping services and leased a plant nursery, to further expand our customer base and to better cope with the contractual requirements of various departments of the HK Government.

In 2004, we also established our own vehicle maintenance depot and workshop to ensure our fleet is properly maintained to a high standard of quality, safety and efficiency. In addition, with our own vehicle maintenance depot and workshop, we could ensure timely and consistent maintenance and repair of our vehicles.

Our Directors believe that our leading market position and our history and experience in the industry together with our provision of comprehensive environmental services attract various departments of the HK Government and renowned corporations, institutions and organisations such as amusement parks, public utility providers, bus operators, universities and airport in Hong Kong as our major customers.

Since our establishment, we have expanded and diversified our business over the years and we believe that our commitment to create and maintain a "Clean & Green" environment for the society has led us to become a leading environmental service provider in Hong Kong.

HISTORY AND DEVELOPMENT

Business milestones

We believe the key milestones in the development of our Group are as follows:

1980	Mr. Ng, together with his brother, Mr. Ng Wing Sun, formed a partnership under the name of Baguio Cleaning Services Company, which operated as a professional cleaning service provider in Hong Kong
1982	Establishment of Baguio Cleaning and Mr. Ng's brother, Mr. Ng Wing Chuen, joined the Group as one of Baguio Cleaning's directors
1995	Establishment of Baguio Landscaping
1997	Acquisition of Tak Tai
1998	First obtained ISO 9001
2004	First obtained ISO 14001 and OSHAS 18001
2004	Establishment of our first vehicle maintenance depot
2005	Establishment of Baguio Pest
2008	Establishment of Baguio Waste
2008	Establishment of SHEQ department
2008	Expansion of our office from total gross floor area of approximately 3,893 sq.ft. to total gross floor area of approximately 14,335 sq.ft.
2009	First awarded government contracts for the provision of integrated pest management
2010	First awarded government contract for the provision of waste collection and recycling services
2011	Formation of a social group to conduct social welfare activities
2013	First obtained clinical waste collection licence
2014	First obtained chemical waste collection licence

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as a company with limited liability on 8 November 2013. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each. As part of the Reorganisation, our Company became the ultimate holding company of our Group.

For details of changes in the share capital of our Group, please refer to the section headed “Statutory and general information — Further information about our Company — 2. Changes in share capital of our Company and our subsidiaries” in Appendix IV to this prospectus.

A summary of the corporate history of the major operating subsidiaries of our Group (all of which are private companies) is set out below:

Baguio Cleaning

On 7 May 1982, Baguio Cleaning was incorporated in Hong Kong with an authorised share capital of HK\$200,000 comprising 200,000 shares of HK\$1.00 each, of which 30,000 shares were allotted and issued to each of Mr. Ng, Mr. Ng Wing Chuen and Mr. Ng Wing Sun for cash at par value each. Baguio Cleaning commenced business in around 1996.

On 6 July 1998, the authorised share capital was increased from HK\$200,000 to HK\$5,000,000 by the creation of an additional 4,800,000 shares of HK\$1.00 each. On the same day, Mr. Ng Wing Chuen, Mr. Ng and Mr. Ng Wing Sun subscribed for and were allotted 1,636,667, 1,636,667, and 1,636,666 shares for cash at par value each.

On 9 July 2001, the authorised share capital was increased from HK\$5,000,000 to HK\$10,000,000 by the creation of an additional 5,000,000 shares of HK\$1.00 each. On the same day, Mr. Ng Wing Chuen, Mr. Ng and Mr. Ng Wing Sun subscribed for and were allotted and issued 1,666,667, 1,666,667, and 1,666,666 shares for cash at par value each.

On 19 March 2002, Mr. Ng Wing Chuen disposed of his entire equity interest in Baguio Cleaning by transferring 1,666,666 and 1,666,668 shares in Baguio Cleaning, together representing approximately 33.3% of the issued share capital of Baguio Cleaning, to Mr. Ng and Mr. Ng Wing Sun for cash at par value each respectively for emigration purposes.

On 23 November 2010, Mr. Ng Wing Sun disposed of his entire equity interest in Baguio Cleaning by transferring 2,000,000 shares and 3,000,000 shares in Baguio Cleaning to Mr. Ng and Baguio Group for cash at par value each respectively to focus on his other business. Baguio Group is wholly-owned by Mr. Ng and during the Track Record Period and up to the Latest Practicable Date, Baguio Group did not engage in any business activities. As a result of these transfers, 7,000,000 shares and 3,000,000 shares in Baguio Cleaning were held by Mr. Ng and Baguio Group respectively.

Baguio Cleaning is primarily engaged in providing cleaning services to our customers.

HISTORY AND DEVELOPMENT

Baguio Waste

On 28 January 2008, Baguio Waste (formerly known as Baguio Waste Management Limited (碧瑤廢物處理有限公司)) was incorporated in Hong Kong with an authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each, of which 10,000 shares, representing the entire issued share capital of Baguio Waste, was issued to Mr. Ng on the same date for cash at par value each. Baguio Waste commenced business in around 2008.

Baguio Waste is primarily engaged in providing waste management and recycling services to our customers.

Baguio Pest

On 28 January 2005, Baguio Pest (formerly known as Grand Equity Development Limited (栢昌發展有限公司)) was incorporated in Hong Kong with an authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each and its subscriber share was transferred to Baguio Cleaning. On the same day, the authorised share capital was increased from HK\$10,000 to HK\$200,000 by the creation of an additional 190,000 shares of HK\$1.00 each and Baguio Cleaning subscribed for and was allotted 199,999 shares for cash at par value each. Baguio Pest commenced business in around 2005.

On 29 December 2006, Baguio Cleaning disposed of its entire equity interest in Baguio Pest by transferring 200,000 shares, representing the entire issue share capital of Baguio Pest, to Mr. Ng for cash at par value each.

Baguio Pest is primarily engaged in providing pest management services to our customers.

Baguio Landscaping

On 10 January 1995, Baguio Landscaping was incorporated in Hong Kong with an authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each, of which 9,999 shares were subscribed by Baguio Cleaning and 1 share was subscribed by Mr. Ng. On 11 January 1995, Baguio Cleaning transferred 1 share to Mr. Ng Wing Chuen for cash at par value. Baguio Landscaping commenced business in around 1995.

On 6 July 1998, the authorised share capital was increased from HK\$10,000 to HK\$2,000,000 by creation of an additional 1,990,000 shares of HK\$1.00 each. On the same day, Baguio Cleaning subscribed for and was allotted 1,990,000 shares for cash at par value each.

On 19 March 2002, Mr. Ng Wing Chuen disposed of his entire equity interest in Baguio Landscaping by transferring 1 share to Mr. Ng Wing Sun for cash at par value each for emigration purposes and subsequently on 23 November 2010, Mr. Ng Wing Sun disposed of his entire interest in Baguio Landscaping by transferring 1 share to Mr. Ng for cash at par value each to focus on his other business. As a result of these transfers, 2 shares and 1,999,998 shares were held by Mr. Ng and Baguio Cleaning respectively, representing its entire issued share capital.

Baguio Landscaping is primarily engaged in providing landscaping maintenance services to our customers.

HISTORY AND DEVELOPMENT

Modern Automobile

On 20 August 2004, Modern Automobile was incorporated in Hong Kong with an authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each, of which 10,000 shares, representing the entire issued share capital of Modern Automobile, were subscribed by Mr. Ng. Modern Automobile commenced business in around 2004.

Modern Automobile is primarily responsible for our Group's vehicle maintenance matters.

Tak Tai

On 21 August 1984, Tak Tai was incorporated in Hong Kong with an authorised share capital of HK\$200,000 comprising 20,000 shares of HK\$10.00 each, of which the three founders of Tak Tai each subscribed 1 share. On 25 January 1989, the authorised share capital was increased from HK\$200,000 to HK\$2,300,000 by creation of an additional 210,000 shares of HK\$10.00 each.

Subsequent to various allotments and transfers, on 23 April 1997, Mr. Mo Yuk Shan disposed of his entire equity interest in Tak Tai by transferring 172,500 shares to World Creation, a company directly and wholly-owned by Mr. Ng, for cash at par value each. The consideration was arrived at after arm's length negotiation on commercial basis. On the same day, Ms. Pang Pui Fong Karen disposed of her entire interest in Tak Tai by transferring 57,500 shares to Composil, of which its entire beneficial interest was indirectly owned by Mr. Ng, for cash at par value each. To the best of the Directors' knowledge, Mr. Mo Yuk Shan and Ms. Pang Pui Fong Karen are Independent Third Parties.

On 27 July 2001, the authorised share capital was increased from HK\$2,300,000 to HK\$4,000,000 by the creation of an additional 1,700,000 shares of HK\$10.00 each. On the same day, World Creation and Composil subscribed for and were allotted 127,500 shares and 42,500 shares for cash at par value each respectively.

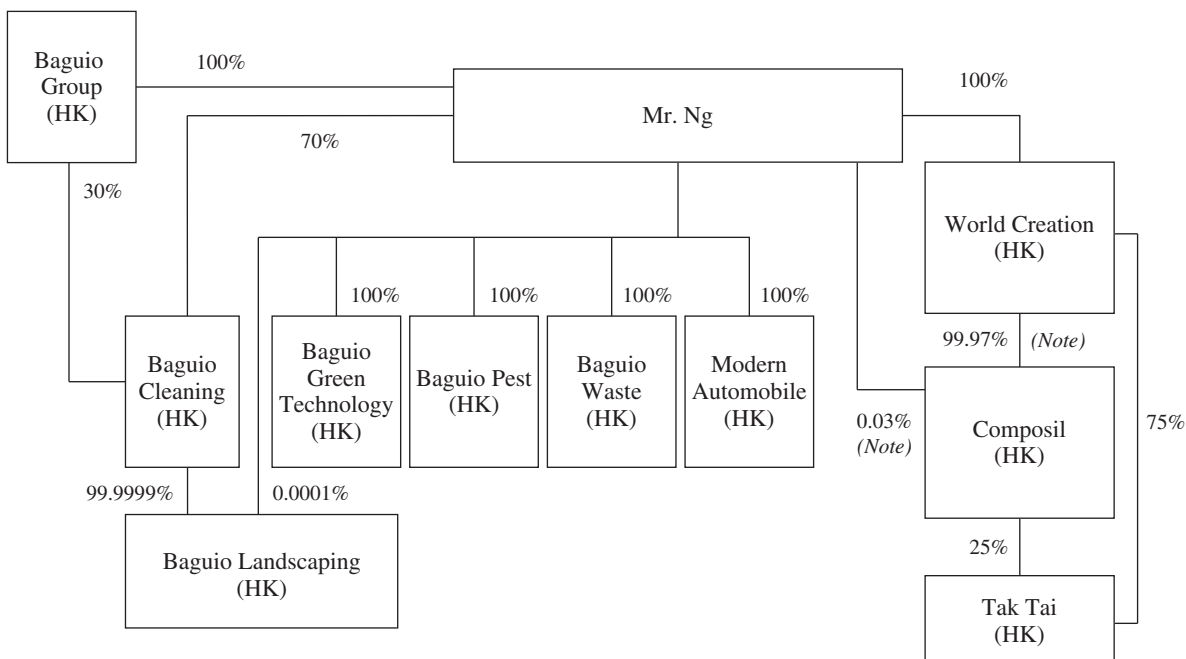
On 16 November 2009, the authorised share capital was increased from HK\$4,000,000 to HK\$8,100,000 by the creation of an additional 410,000 shares of HK\$10.00 each. On the same day, World Creation and Composil subscribed for and were allotted 307,500 shares and 102,500 shares for cash at par value each respectively.

Tak Tai is primarily engaged in providing services for new landscaping works or projects which require the qualification of being on the HK Government's List of Approved Suppliers of Materials and Specialist Contractors for Public Works in the category of general landscaping works.

HISTORY AND DEVELOPMENT

Reorganisation

The following is the shareholding structure of our Group immediately before the implementation of the Reorganisation.

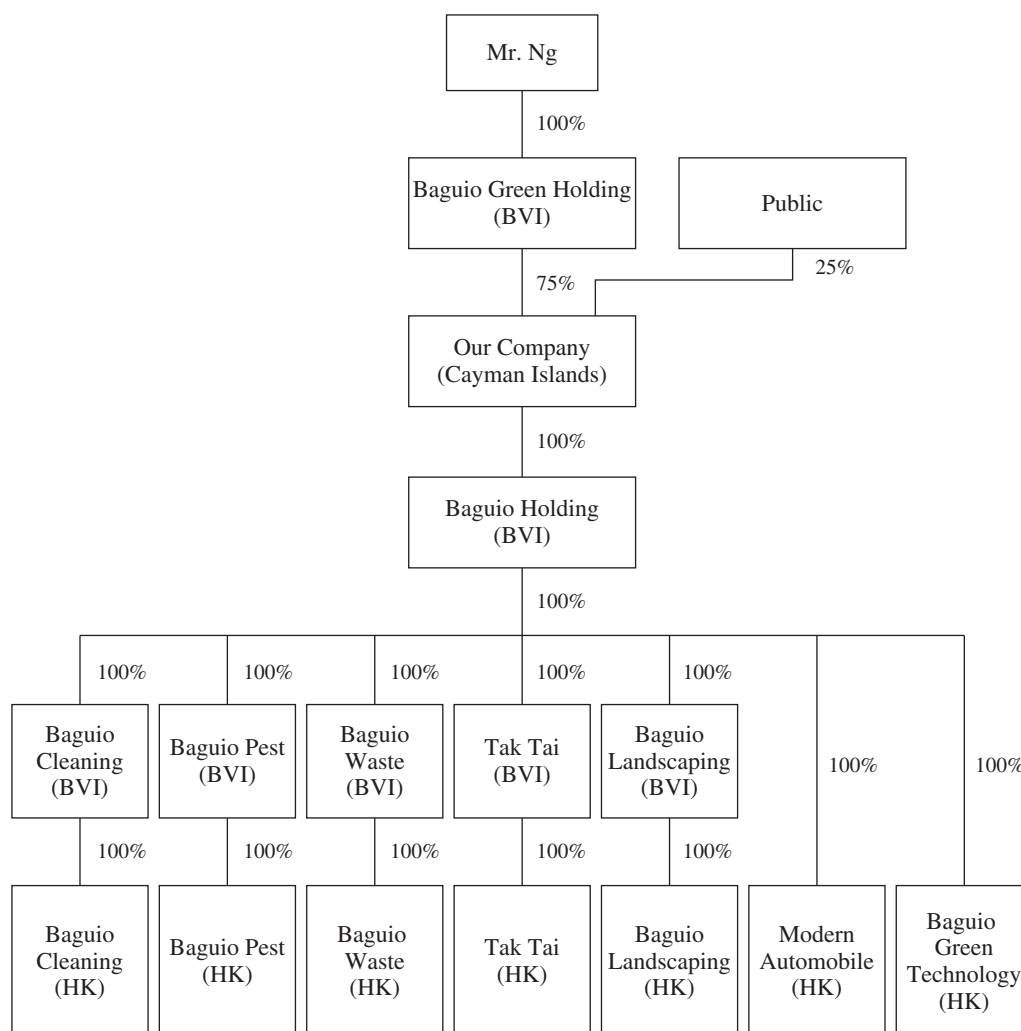


Note: Figures are rounded to the nearest hundredth decimals

As part of the Reorganisation, (i) Mr. Ng transferred his entire issued share capital of Baguio Pest and Baguio Waste to Baguio Pest (BVI), and Baguio Waste (BVI) respectively for nominal consideration; (ii) Mr. Ng and Baguio Group Limited transferred their respective 70% and 30% issued share capital in Baguio Cleaning to Baguio Cleaning (BVI) for nominal consideration; (iii) Mr. Ng transferred his 2 shares in Baguio Landscaping and Baguio Cleaning transferred its 1,999,998 shares in Baguio Landscaping, together representing the entire issued share capital of Baguio Landscaping to Baguio Landscaping (BVI) for nominal consideration; (iv) Mr. Ng transferred his entire issued share capital of Modern Automobile and Baguio Green Technology to Baguio Holding (BVI) for nominal consideration; (v) World Creation transferred its 607,500 shares in Tak Tai and Composil transferred its 202,500 shares in Tak Tai, together representing the entire issued share capital of Tak Tai, to Tak Tai (BVI); and (vi) Mr. Ng transferred his entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares credited as fully paid to Baguio Green Holding (BVI) (being Mr. Ng's nominee). Further details of the Reorganisation are set out in the section headed "Statutory and general information — A. Further information about our Company — 4. Corporate reorganisation" in Appendix IV to this prospectus.

HISTORY AND DEVELOPMENT

The following is the shareholding structure of our Group immediately after the completion of the Capitalisation Issue and the Global Offering but taking no account of Shares that may be allotted and issued under the Adjustment Option and upon exercise of options to be granted under the Share Option Scheme.



OVERVIEW

We are a leading environmental service provider in Hong Kong. According to the Ipsos Report, we are ranked first among environmental service providers in Hong Kong in terms of revenue and have approximately 14.3% market share in terms of the total industry revenue for the twelve months ended 31 December 2013^(Note).

As a comprehensive environmental service provider, we provide four major types of services, namely, cleaning services, landscaping services, pest management services and waste management and recycling services. We also offer specialised cleaning services such as high level cleaning with mobile elevated platform or scaffolding, enhanced street washing with high pressure hot water cleaner, confined space cleaning and marble cleaning and restoration. According to the Ipsos Report, most environmental service providers in Hong Kong only offer two to three types of environmental services and less than 2% of them offer a full range of services which include cleaning services, landscaping services, pest management services and waste management and recycling services. Our service range therefore gives us a competitive advantage over many other environmental service providers in providing comprehensive and one-stop environmental services to customers.

Our major customers during the Track Record Period include various departments of the HK Government, semi-government entities, public utility companies, subsidiaries of multi-national companies and other companies in the private sector. We serve a wide range of premises including streets, markets and other public areas, cultural, leisure and recreational premises, airport, hospitals, shopping centers, commercial and industrial buildings and residential premises. For the year ended 31 December 2013, our total revenue was contributed as to approximately 67.2% by our cleaning services, approximately 16.8% by our landscaping services, approximately 9.1% by our pest management services and approximately 6.9% by our waste management and recycling services.

Our over 34 years of history and foothold in Hong Kong can be traced back to the establishment of Baguio Cleaning Services Company in 1980 as a partnership. The name of our Group, “Baguio”, has established goodwill and gained name recognition in Hong Kong. Led by our experienced management team, we have grown into a comprehensive environmental service provider, equipped with the resources that enable us to handle relatively larger scale projects. As at 31 December 2013, we had 6,732 employees (including both full-time and part-time). In addition, our vehicle fleet comprised more than 350 vehicles as at 31 December 2013. Our fleet includes specialised vehicles such as refuse compaction vehicles, hooklift trucks, road sweeper, water wagons, aerial platform vehicle, lorries, grab tippers, tippers and vans.

Furthermore, we leased an area of approximately 25,000 sq.ft. in Shek Kong, Hong Kong where we operate a depot and workshop for the maintenance of our vehicles to ensure that our vehicles are in good condition in providing service. We also leased an area of approximately 254,751 sq.ft. in Tai Po, New Territories, Hong Kong for our own plant nursery such that the plants that we purchase from third party suppliers and for use in our landscaping projects can acclimatise to the environment in Hong Kong and are maintained in a good condition. With our work force and vehicle fleet in place, we can respond to our customers’ demand in a prompt and flexible manner, and to fulfill our customers’ requirements in terms of compliance and quality. During the Track Record Period, we were generally able to carry out

Note: We are not aware of any more recent ranking provided by Ipsos and we have no reason to believe that the latest ranking is no longer accurate as at the Latest Practicable Date.

BUSINESS

our operation primarily with our own resources and the aggregate sub-contracting fees paid by our Group was relatively immaterial being approximately HK\$7.5 million, HK\$8.2 million and HK\$8.2 million for each of the years ended 31 December 2011, 2012 and 2013 respectively, representing approximately 1.3%, 1.4% and 1.1% respectively of our total costs of services for such periods.

We also implement procedures for maintaining a high standard of occupational health and safety, environment and quality control. We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our strengths and abilities are evidenced by our proven track record as we maintain a long term relationship with a majority of our major customers. For instance, the number of years that we have provided services to our five largest customers (in terms of revenue) for the year ended 31 December 2013 ranged from two to 21 years.

Given our well-established position in the environmental service industry in Hong Kong, we are committed to creating and maintaining a "Clean and Green" environment for the society and we take our corporate social responsibility seriously. As a socially responsible company, we conduct activities to protect our environment, care for our employees, reach out to the community as well as promote workplace safety and health. We also organise and encourage our staff to participate in environmental conservation-related activities. In 2014, we were recognised as a "Manpower Developer" by the Employees Retraining Board and recognised again as a "Caring Company" by The Hong Kong Council of Social Service. For details of our membership in various industry bodies, social works and awards and recognitions, please refer to the paragraph headed "Awards, recognitions and corporate social responsibilities" in this section.

According to the Ipsos Report, there is much growth potential in the environmental service industry in Hong Kong. The growth drivers include, among others (i) demand for environmental services as driven by public awareness for proper hygiene and demand for cleanliness due to past outbreaks; (ii) the HK Government's efforts to promote waste management and recycling efforts in Hong Kong; (iii) outsourcing of landscaping and other environmental services; and (iv) increased focus on corporate social responsibility and environmental protection from the private sector (please refer to the section headed "Industry Overview — Overview of the environmental service industry in Hong Kong — Growth drivers" of this prospectus for details). Riding on our operational resources and long experience, our Directors believe that we have competitive edge in the industry, particularly in carrying our larger projects and in satisfying stringent demands from customers. Our Directors believe that we are well-positioned to capture the growing demand for environmental services in Hong Kong.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

A leading environmental service provider in Hong Kong

We are a leading environmental service provider in Hong Kong. According to the Ipsos Report, we rank first among environmental service providers in Hong Kong in terms of revenue for the twelve months ended 31 December 2013. Riding on our operational resources and long years of experience, our Directors believe that we have a competitive edge in the industry, particularly in

carrying our larger projects and in satisfying stringent demand from customers. Our Directors believe that we are well-positioned to capture the growing demand for environmental services in Hong Kong.

Substantial resources to ensure quality and reliability of our services

As at 31 December 2013, we had approximately 6,732 employees (including both full-time and part-time) and owned a fleet of over 350 vehicles as at 31 December 2013 to support our daily operation. A number of our full-time staff employees possess certifications of various types for our operations as detailed in the paragraph headed “Workplace safety — Employees with relevant certificates and safety training” of this section. Our substantial resources allow us to cater for our customers’ demands with flexibility, competitive pricing, timeliness and reliable quality standard.

Our specialised vehicles include refuse compaction vehicles, hooklift trucks, road sweeper, water wagons, aerial platform vehicle, lorries, grab tippers, tippers and vans. Most of our vehicles are equipped with GPS through which we can monitor and allocate our vehicle resources more efficiently and optimise our service schedules. Our Directors believe that having our own fleet enables us to achieve cost savings and to provide reliable and efficient services to our customers in a timely manner.

We leased an area of approximately 25,000 sq.ft. in Shek Kong, Hong Kong where we operate a depot and workshop for the maintenance of our vehicles. With this depot, we can (i) exercise direct control over the quality of maintenance, turnaround time and costs; (ii) perform tailor-made modification work to our vehicles to meet job specific requirements; and (iii) determine the timing and logistics of the maintenance of our vehicles.

In addition, we leased an area of approximately 254,751 sq.ft. for operating our plant nursery in Tai Po, New Territories, Hong Kong to store the plants purchased from third party suppliers in support of our landscaping services. With this plant nursery, we can ensure that the various species of plants that are not immediately used in our landscaping projects are being taken care of and well managed, and are readily available for use in our landscaping projects.

Long established business relationship with our key customers

We have long business relationships with a number of our customers and the longest of which is at least 21 years. Among our five largest customers (in terms of revenue) during the Track Record Period, we have been providing services to them for a period ranging from two to 21 years and a majority of such periods being over ten years. We believe that our comprehensive service range, quality management system and on-time service delivery are our key edges in maintaining long term relationships with our customers. Our Directors believe that we can leverage on our existing customer base to further develop new business opportunities through cross-selling our comprehensive range of services.


Provisions of customised and integrated total solutions to our customers

Our four environmental services segments are complementary to each other. We can integrate our existing services to customise solutions that meet our customers’ unique requirements. As at the Latest Practicable Date, (i) Tak Tai is one of only 19 companies on the HK Government’s List

of Approved Suppliers of Materials and Specialist Contractors for Public Works in the category of general landscaping works; and (ii) Baguio Waste is one of only seven licensed clinical waste collectors in Hong Kong and one of a limited number of licensed chemical waste collectors in Hong Kong for certain wastes according to the lists of licensed waste collectors on the EPD website. Our customers can enjoy the benefit of time and costs saving by using fewer service providers while we can offer services at a competitive pricing due to reduced administrative costs. Our range of services gives us a competitive advantage as most environmental service providers in Hong Kong only offer two to three types of services. Furthermore, less than 2% of environmental service providers offer a full range of environmental services which include cleaning services, landscaping services, pest management services and waste management and recycling services according to the Ipsos Report. We will continue to focus on cross-selling by providing comprehensive services to our customers and continue to expand our scope of services.

Long history, proven track record and long established brand “Baguio”

Since the establishment of Baguio Cleaning Services Company in 1980 as a partnership, our “Baguio” brand has been recognised and our Group during its long operating history has acquired numerous awards and recognitions. Recent examples include “Hong Kong’s Most Valuable Companies Awards 2014 (Most reliable environmental services)” award from Mediazone Group; “18 Districts Caring Employers 2012 Award” from Labour and Welfare Bureau; “Manpower Developer” award from the Employees Retraining Board; “Hong Kong Awards for Environmental Excellence” from Environmental Campaign Committee; and recognition as a “Caring Company” from the Hong Kong Council of Social Service for our membership in various industry bodies, social works and awards and recognitions, please refer to the paragraph headed “Awards, recognitions and corporate social responsibilities” of this section.

Our distinctive logo, , printed on our vehicles and uniform of our operation team has helped us establish a strong brand recognition and awareness among our customers and the general public. Our Directors believe that our positive goodwill, brand image and strong brand awareness would help us attract new customers and talents.

Recognised stringent safety, quality and environmental management system

We recognise the importance of safety, quality and environmental controls as it can directly affect our reputation as well as our profitability. Accordingly, we have established and implemented an integrated management system for safety, environment and quality management. We have received a certificate of achievement from HKQAA for our integrated management system’s current compliance with the ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our Directors believe that an effective occupational health and safety management system would help reduce our exposure to these claims and improve our overall profitability.

Furthermore, some of our existing and potential customers emphasise workplace safety and environmental compliance as assessment criteria for their services providers. Thus, a good compliance track record and management system would increase our chance in obtaining contracts from those customers.

Leadership under a well-qualified and experienced management team with a proven track record

Our management team is well-qualified and experienced in the environmental service industry. Our Group is led by Mr. Ng, our founder and an executive Director, who has over 34 years of experience in the environmental service industry and who is a certified arborist and tree assessor. A majority of our other executive Directors have more than 15 years of experience in the environmental service industry and some of them have received additional safety trainings such as Ms. Ng Yuk Kwan, Phyllis who completed the ISO 9000:2000 internal auditor training course in 2002 and Ms. Leung Shuk Ping who completed a Pest Control and Pesticide Safety for Industrial Undertakings course in 2009. In addition, Ms. Ng Yuk Kwan, Phyllis, Ms. Leung Shuk Chu and Ms. Leung Shuk Ping have all completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. Further details of the qualification and experience of our Directors and senior management are set out in the section headed “Directors, senior management and staff” of this prospectus.

Each member of our senior management team has at least six years of experience in the environmental service industry. Their in-depth industry knowledge and extensive project management experiences facilitate the formulation of competitive tenders in a timely manner. This has allowed us to secure numerous tenders over the years. This has also assisted our cost estimation during the tendering process and thereby reduce situations of cost overrun.

CORPORATE STRATEGIES

Our vision is to become the most comprehensive and reliable environmental service provider in Hong Kong. Our corporate objectives are to achieve sustainable growth in our business and to create long-term shareholder value. We intend to achieve this by implementing the following corporate strategies:

Continue to expand our service capacity and broaden our spectrum of services

There has been rising concern for quality of living, public hygiene and environmental protection in Hong Kong. As a comprehensive environmental service provider, we are well positioned to provide various services and provide a total solution to our customers. In this light, we plan to expand our service capacity to capture the growth opportunities in the environmental service industry in Hong Kong. We plan to purchase additional specialised vehicles and equipment (such as refuse compaction vehicles, grab tippers, hook-lift trucks, clinical and chemical waste collection vehicles, food waste collection vehicles, suction tanker for waste oil and street sweepers). In particular, we have applied to the EPD in October 2013 to be licensed as a collector in Hong Kong of certain chemical wastes and clinical wastes. Subsequently, we received a clinical waste collection licence from the EPD in December 2013 and a chemical waste collection licence in February 2014. According to the lists of licensed waste collectors on the EPD website, we are one of only seven licensed clinical waste collectors in Hong Kong and one of a limited number of licensed chemical waste collectors in Hong Kong for certain wastes as at the Latest Practicable Date. In this light, we decided to purchase additional clinical and chemical waste vehicles in order to expand our service scope in waste management. Besides, during the Track Record Period, we have carried out services for collection of food waste. Our Directors consider that there would be increasing demand for food waste handling services in Hong Kong amid the concerns of shortage

of landfills problem in Hong Kong, and we plan to purchase additional food waste collection vehicles to expand this line of services. With the aforesaid additional vehicles and equipment, riding on our experience in the industry and established client base, we will be well positioned to capture business opportunities and additional income stream.

According to the Ipsos Report and as discussed in the section headed “Industry overview” of this prospectus, a steady growth in historical revenue for major types of environmental services in Hong Kong has been observed. Moreover, the growth drivers in the environmental industry included, among other things, hygiene awareness due to past outbreaks, government’s encourage and efforts for waste management and recycling in Hong Kong, and outsourcing of landscaping services and other environmental services. According to the Ipsos Report, our market share was approximately 14.3% in terms of revenue for the 12 months ended 31 December 2013. With our competitive edge, we believe that we have much room to expand and to increase our market penetration. In particular, if we increase our service capacity, we would be able to participate in more tendering and such opportunity may otherwise not be available to us if we do not have the capacity. Moreover, as set out in the government paper “A food waste and yard waste plan for Hong Kong 2014–2022” published by the Environment Bureau of Hong Kong in February 2014, the HK Government targets to cut down the amount of food waste and yard waste that goes to landfills. The strategy to reduce food waste is (i) to mobilize the community to prevent and reduce food waste at source; (ii) to promote food waste separation; (iii) to recycle and treat separated food waste; and (iv) to treat non-separated food waste and final disposal. The strategy to reduce yard waste (also known as horticultural waste) is to collect data, promote reduction at source, encourage separation and collection, and find the best ways to treat the unavoidable portion. The HK Government envisages that Hong Kong needs to build a network of around five to six organic waste treatment facilities between 2014 and 2024 with a total recycling capacity of about 1,300 to 1,500 tonnes per day. The first facility at Siu Ho Wan (North Lantau Island) is already under tender. It is expected that such facility will cater for 200 tonnes of food waste per day and will become operational in 2016. The series of policies will create demand for relevant environmental services, such as separating, collecting, transporting and processing various types of waste. We note that there are tenders open for bidding from time to time and we receive enquiries from the private sector from time to time about various environmental services. Based on the above, the Directors consider that our intended expansion of service capacity is supported by adequate demand for the relevant services.

Total capital expenditure is estimated at about HK\$16.6 million for the acquisition of the aforesaid vehicles and equipment. We plan to spend such capital expenditure by stages within 24 months after Listing. We plan to finance such expenditure by the proceeds from the Global Offering. If there is deficiency in funding, such expenditure would be financed by our internal resources and finance leases.

Further expand our waste management and recycling services to include handling specific types of waste or materials for proper disposal, destruction or treatment for recycling

There are increasing concerns about limitation of landfill sites in Hong Kong and call for waste reduction and recycling. According to the Ipsos Report, one of the growth drivers in the environmental service industry in Hong Kong is the HK Government's encouragement and efforts for waste management and recycling. In the latest 2014 policy address, the HK Government has earmarked approximately HK\$1.0 billion for a recycling fund with use of the fund to be formulated in the future. Furthermore, the address also includes the development of a green station in each of the 18 districts in Hong Kong which is expected to cost approximately HK\$400 million. These stations will be operated by non-profit-making organisations to enhance environmental education and help collect different types of recyclables in the local community, with a view to promoting green living at the community level. These new supporting policies together with HK Government's goal to achieve a 55% waste recycling rate in Hong Kong on or before 2022 suggests that demand by government and semi-government authorities for waste management and recycling services will continue to increase.

In May 2013, the Environment Bureau of Hong Kong also published "Hong Kong: Blueprint for Sustainable Use of Resources 2013–2022" (the "Paper") to map out a comprehensive strategy, targets, policies and action plans for waste management in Hong Kong for the coming 10 years. As stated in the Paper, one of the strategies to reduce municipal solid waste ("MSW") is to introduce quantity-based MSW charging in Hong Kong to encourage behavioral change for waste reduction at source. A pilot scheme for MSW charging is going to be launched by the EPD in first half of 2014 which involves a 7-month trial program targeted at six residential housing estates in Hong Kong, comprising a 1-month baseline survey and a 6-month charging trial. In connection with the pilot scheme, we entered into a contract with EPD in March 2014 for the provision of services including developing assessment module; performing waste, recovery and compliance assessments in the participating estates; performing preliminary data analysis on performances of different quantity-based charging mechanisms; and identifying and modifications required on waste disposal and collection system of residential estates to complement different quantity-based charging mechanisms.

The aforesaid government policy will increase public awareness on waste reduction, waste separation and recovery, and increase the demand for and thus spending on waste management and recycling services in the private sector. In particular, some of our customers and/or potential customers which are relatively large corporations having increasing concerns about their social responsibility and request their waste management contractors to facilitate recycling to the extent possible. They require comprehensive scope of waste management services which incorporate recycling arrangement and reduce disposal to landfills. Accordingly, our Directors consider that such government policy will boost the demand for waste management and recycling services.

Some of our customers and/or potential customers may also require assured destruction service for their confidential or sensitive materials. Our Directors consider that by going further vertically on the waste management and recycling via expanding our scope in recycling services, we will be in an advantageous position to seize business opportunities and obtain contracts from larger corporations which require comprehensive scope of services from a single total solution provider. To achieve the above aims, we intend to implement the following plan:

- ***Sorting:*** To reduce dumping in landfills, we plan to install a sorting facility to meet the requirement of our customers to sort their waste to recover useful materials to the extent possible before disposing of the residual waste to the landfill. Our Directors consider that this service would particularly help us to obtain service contracts with larger corporations who have increasing concerns about their environment and social responsibility and require their service providers to arrange recycling to the extent possible and to reduce dumping in landfills.
- ***Glass bottles:*** Glass is a kind of inert material and has a slow decomposition rate. Waste glass containers collected can be turned into glass sand, which substitutes river sand as engineering materials and/or other construction materials. We intend to collect beverage glass containers and bottle containers from where they exist in large quantities and which are easy to handle (e.g. from factories, hotels and restaurants). We also plan to acquire equipment for glass bottles treatment and crushing, and then sell such treated glasses materials to specialised processing plants for further processing and recycling.
- ***Plastic:*** There is currently a lack of recycler of plastic materials in Hong Kong. Nevertheless, rather than sending to the landfills, the plastic can be exported to the PRC for recycling subject to certain requirements. For the plastic that we collected from our customers, we plan to install a processing facility with which PET (Polyethylene terephthalate) and HDPE (High-density polyethylene) will be cut into flakes, washed and cleaned to meet the import requirements of overseas markets, particularly the PRC.
- ***Food waste and horticultural waste:*** We intend to collect food waste which includes uncooked vegetables (e.g. overproduction and trim waste) and horticultural waste (e.g. leaves and grass trimming) which are relatively easy to handle. We plan to acquire composting equipment in which biological process is carried out to break up the organic waste into humus-like substance which could be used as organic fertilisers in gardening. We plan to apply the compost to the farming soil in our landscaping services. The residual to be disposed as waste would be reduced in volume. Where necessary, the residual from the composting process would be sent to specialised waste treatment plants and/or waste water treatment plants for proper disposal.
- ***Assured destruction of confidential information and other sensitive materials as required by customers:*** In the course of providing waste management service to our customers, we note that there is customers' demand for assured destruction of some of their waste or materials which are sensitive or confidential. Such materials include confidential documents, computer hardwares and storage, excessive purchases or production, and expired or defective consumer goods. We plan to acquire equipment to

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carry out the destruction process. Furthermore, in order to provide the required assurance to customers, we would implement tight control and monitor closely the whole collection, destruction and disposal process.

In connection with our aforesaid plan to expand our waste management and recycling services, total expenditure is estimated at about HK\$11.7 million and our plan of spending is as follows:

	<i>Approx. HK\$ million</i>
Sorting facility and other relevant capital expenditure	5.2
Research and equipment for food waste and horticultural waste handling and composting	1.4
Equipment for handling glass bottles	0.9
Equipment for handling plastic cutting and cleaning	2.5
Equipment for assured destruction of confidential information or other sensitive materials	<u>1.7</u>
	<u><u>11.7</u></u>

We plan to spend capital expenditure by stages within 24 months after Listing. We plan to finance such expenditure by the proceeds from the Global Offering. If there is deficiency in funding, such expenditure would be financed by our internal resources and finance leases.

Continue to increase our operational efficiency and enhance our quality of service

With our continuous growth in business scale and scope, we plan to invest in ERP which would help us to collectively analyse information and records of our financials, human resources, sales and customer relationship management. Along with our business expansion, we would also need to upgrade our network backbone, hardware and other information technology applications. By upgrading our information technology and management systems, we expect that our operational efficiency would be increased and our administrative costs would be reduced in the long term.

Furthermore, as our fleet size is over 350 vehicles as at 31 December 2013, we plan to invest in our fleet management system. Most of our vehicles are already installed with GPS which help us to locate them. Using the information technology of fleet management system, we can more efficiently monitor the status of our fleet, including their locations, their mileages, their usages of fuel and drivers information. This would again reduce our administrative cost and enhance our operational efficiency and quality of service.

Regarding the above operational and information technology infrastructure, we estimate that total expenditure would be about HK\$7.7 million, which would be incurred within 24 months after Listing, and would be financed by our proceeds from the Global Offering.

Further promote our brand and increase our market penetration

We will build on our existing efforts to promote our brand and put sales and marketing effort to increase our market share. According to the Ipsos Report, we are the leading environmental service provider in Hong Kong. Our Directors believe that we can further expand and increase our market share by further enhancing our sales force as well as our quality of services. Our plans include (i) participating in exhibitions in relation to environmental services; (ii) preparing company brochure and marketing materials; (iii) recruiting additional staff to carry out sales and marketing work, solicit new customers, and provide customer service for our expanded client base; (iv) continuing to support and participate in social campaigns related to green awareness and environment protection, whereby enhancing our public exposure and corporate image; and (v) continuously providing training to our staff in respect of, among other things, workplace safety, operational skills and supervisory skills so as to raise our standard and quality of services. In this regard, we plan to apply a total of approximately HK\$5.7 million of our proceeds from the Global Offering within 24 months after Listing.

For further details in relation to our use of proceeds to implement the plans set out above, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Continue to strengthen our leading market position in the industry and expand our market share

We plan to strengthen our position in the industry by improving our services to meet the rising demands of our customers. We will keep track of the latest technologies in the industry and acquire those that will be able to improve our service quality. During the Track Record Period, revenue from the government sector contributed the largest part of our revenue. Our Directors consider that there is much room for our business expansion and market penetration in the private sector. We will continue to leverage on our experience in the industry and our comprehensive scope of services and capacity to explore the market. In addition to marketing effort and raising our quality of services as mentioned above, we will also initiate more direct communications with potential clients in the private sector (such as property management companies and owners' corporations).

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OUR BUSINESS AND OPERATIONS

Scope of services

During the Track Record Period, all of our revenue was derived from the environmental services provided by us in Hong Kong. The following table sets out a breakdown of our total revenue during the Track Record Period according to our four major types of services:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cleaning services	405,309	65.6	401,894	62.3	551,694	67.2
Landscaping services	120,375	19.5	138,443	21.5	138,193	16.8
Pest management services	76,422	12.3	61,711	9.6	74,696	9.1
Waste management and recycling services	16,042	2.6	42,666	6.6	56,676	6.9
Total	618,148	100.0	644,714	100.0	821,259	100.0

Cleaning services

Baguio Cleaning is primarily engaged in providing the cleaning services to our customers. As at 31 December 2013, we had approximately 5,065 employees (including full-time and part-time) in our operation team for provision of cleaning services.

We provide cleaning services in a wide range of venues including basic janitorial services in streets, markets and other public areas, cultural, leisure and recreational premises, an airport, hospitals, shopping centers, industrial buildings and residential premises. A large part of our cleaning work was generated from contracts with the HK Government that we obtained from tendering and such contracts generally dealt with cleaning public areas in specific districts in Hong Kong or public facilities in Hong Kong. Examples of the cleaning services provided include street sweeping, street washing, emptying and cleaning / washing of litter containers and cleaning for recyclable collection bins, gully cleansing, removal of illegal posters, banners and billboards, toilets cleaning services (including minor repair and maintenance, provision of toilets attendants, supply of consumable items), provision of attendant to refuse collection points and bin sites. Our services for public area cover streets and roads, lanes, public transport interchanges, footbridges, pedestrian subway, sitting-out area, bus terminus, lift tower, footpaths and carparks. We deploy specialised vehicles (such as road sweeper), cleaning equipment and sufficient cleaning staff and supervisors in carrying out such services. As we possess a sizeable workforce and fleet, we are able to provide cleaning services for multiple districts in Hong Kong. We also provide specialised cleaning services such as high level cleaning with mobile elevated platform or scaffolding, enhanced street washing with high pressure hot water cleaner, confined space cleaning and marble cleaning and restoration.

Landscaping services

Baguio Landscaping and Tak Tai are primarily engaged in providing landscaping services to our customers. As at the Latest Practicable Date, Tak Tai is one of only 19 companies on the HK Government's List of Approved Suppliers of Materials and Specialist Contractors for Public Works in the category of general landscaping works and therefore can tender for projects which require such qualification. Generally, Baguio Landscaping provides landscaping maintenance services and Tak Tai provides services for new landscaping works or which require the aforesaid qualification.

As at 31 December 2013, we had approximately 873 employees (including full-time and part-time) and seven employees in our horticulturalist and arborist team to deliver professional landscaping services to our customers. To enable us to provide a wide range of landscaping services, we are equipped with specialised vehicles, equipment and safety gears for our operation teams.

Our landscaping services can be generally divided into five sub-types: (i) landscape design and construction; (ii) arboricultural works; (iii) horticultural maintenance; (iv) special projects; and (v) supply of plant products. Further details are set out in the below table:

<u>Sub-types of landscaping services</u>	<u>Details of services</u>
<i>Landscape design and construction</i>	We provide landscape design services as well as soft and hard landscaping services which include basic soiling and planting. We also perform landscape construction works and implement designs provided to us or designed by us in conjunction with our landscape design services.
<i>Arboricultural works</i>	We have certified arborists and tree teams to provide tree survey and arboricultural works. Our services include tree survey, tree risk assessment and mitigation, tree preservation, transplanting, pruning, felling and compensatory planting. Trees which have hidden defects may pose as threats to passengers on the road. We assess the condition of the trees, the risks and provide mitigation work.
<i>Horticultural maintenance</i>	Garden cultivation and lawn maintenance services such as weeding, fertilising, mowing and irrigation works.
<i>Special projects</i>	We can provide more technical works such as planting and maintenance of green roofs, vertical green walls and irrigation of such.
<i>Supply of plant products</i>	We have our own plant nursery in Hong Kong for maintaining plants for our landscaping projects. In connection with our landscaping services, we supply seasonal flowers, potted plants, shrubs and trees. We also supply ancillary materials such as top soil, soil conditioners, protective fencings, landscaping sculptures, stones and irrigation systems.

During the Track Record Period, we provided landscaping services to a wide range of premises and venues in Hong Kong, including parks, gardens, recreational venues, educational institutions, hospitals, cemeteries and residential buildings etc.

Pest management services

Baguio Pest is primarily engaged in providing pest management services to our customers. As at 31 December 2013, we had approximately 532 employees (including full-time and part-time) in our operational team and one pest specialist for provision of pest management services.

We help our customers to combat common pests in Hong Kong, including termites, rodents, cockroaches, mosquitos and flies, red fire ants, fleas, midges and centipedes. During the Track Record Period, we provided pest management services to a wide range of premises and venues, including airport, streets, hospitals and clinics, household, residential, industrial premises, restaurants, landscapes, theme parks, shopping centers and cemeteries. Our pest management aims to eradicate harmful pests while taking into account the basic principles of public health and environmental protection. Our customers request for our pest management services either on an ad hoc or recurring basis.

We adopt an integrated pest management approach to handle our customers' pest problems, which comprises pest management consultancy; solution design and implementation; and post-implementation review and follow-up actions.

We provide pest management consultancy services whereby we inspect the site, identify the specific problem areas, and propose solutions for customer's consideration. We aim to adopt non-chemical solutions if practicable. Where chemicals are required, we select chemical solutions by taking into account the lowest toxicity option and thereby reduce biological resistance and harm to the environment. The relevant pesticides we use have been registered under the Pesticides Ordinance. We make regular scheduled visits to potential pest breeding places, eliminate breeding sources by, among other things, removal of stagnant water, filling up shallow pools, and applying pesticides as required and appropriate. As requested by customers, we can carry out emergency pest control services as well as around-the-clock live rodent collection services. We also take care of the disposal of dead rodents. Given the common recurrence of pest problems, we provide post-implementation review of the effectiveness of the solution and take follow-up actions, if required. We also recommend preventative measures to customers to reduce the risk of pest problems recurring.

Waste management and recycling services

Baguio Waste is primarily engaged in providing waste management and recycling services to our customers. As at 31 December 2013, we had approximately 141 employees (including full-time and part-time) for provision of professional waste management and recycling services. We also possess a fleet of specialised vehicles such as grab tippers, tippers, hook-lift trucks and refuse compaction vehicles to handle the waste collection services.

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We commenced our waste management and recycling services in 2010 by obtaining a contract with the HK Government through tendering in respect of waste management services in a district in Hong Kong. Subsequently, we further obtained similar contracts in 2011 and 2012 with the HK Government through tendering covering other districts in Hong Kong. As at the Latest Practicable Date, our waste management services cover a total of four districts in Hong Kong. Our services in this respect include:

- everyday collection of waste from specified waste collection points in the district;
- properly dispose of all the collected waste on the day at the disposal sites (government refuse transfer station/landfills);
- provide and apply disinfecting agent to the waste collection vehicles;
- provide waste collection points with mobile refuse compactors and towing service for the mobile refuse compactors; and
- provide towing service by hook-lift trucks for refuse containers for the proper disposal of waste at the disposal sites at the frequency and time as stipulated in the relevant tenders or contracts.

Apart from providing services for the public, we also provide waste management services to the private sector. We collect waste from waste collection points at our client's location and dispose of the waste in government designated waste disposal facilities for disposal. During the Track Record Period, we provided such services in commercial buildings, industrial buildings, residential estates and buildings, hospitals, exhibition and convention centers, university and schools, cargo containers and pier terminals.

During the Track Record Period, we also participated in a recycling programme and provided recycling services as part of our waste management total solutions to our customers. We participated in a glass containers recycling program carried out by the EPD by collecting glass containers from various locations and delivered them to designated glass recycling plants. For a customer in the semi-government sector, we assisted in their recycling programme by handling, sorting and compacting recyclables as well as transported such recyclables to various stations and handled the sale of such recyclables to recyclers. For customers in the private sector where mixed wastes were generated, our frontline workers provided sorting service to recover paper, plastics and metal from the mixed wastes collected. These recyclables were then transported off-site and disposed of separately to other downstream recyclers in Hong Kong for further processing while non-recoverable residual wastes were disposed of to the landfill. We use and in certain cases provide various containers including recycling bins to suit our clients' specific operations and environments.

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With such experience, equipped with our fleet of specialised vehicles and our workforce as well as our existing customer base, we plan to further expand our recycling services by expanding our collection fleet and installing recycling facilities to carry out preliminary treatment. We believe that this will help us to explore business opportunities and obtain contracts from larger and socially responsible corporations which demand for comprehensive scope of services from a single total solution provider and to recover useful materials before disposing of the residual wastes to the landfill. To achieve this aim, we plan to further develop our service scope in connection with food waste, glass bottles, plastic, horticultural waste, and confidential information or materials. Please refer to the paragraph headed “Corporate strategies” in this section for further details. Furthermore, we aim to provide total waste management solutions to our customers for handling all kinds of waste. In October 2013, we applied to the EPD to be licenced as a collector of chemical waste and clinical waste. Subsequently, we received a clinical waste collection licence from the EPD in December 2013 and a chemical waste collection licence in February 2014. Such licences enable us to provide specialised clinical wastes and chemical waste handling services in the future. We believe that potential clients include the HK Government, hospitals and other industrial corporation in Hong Kong.

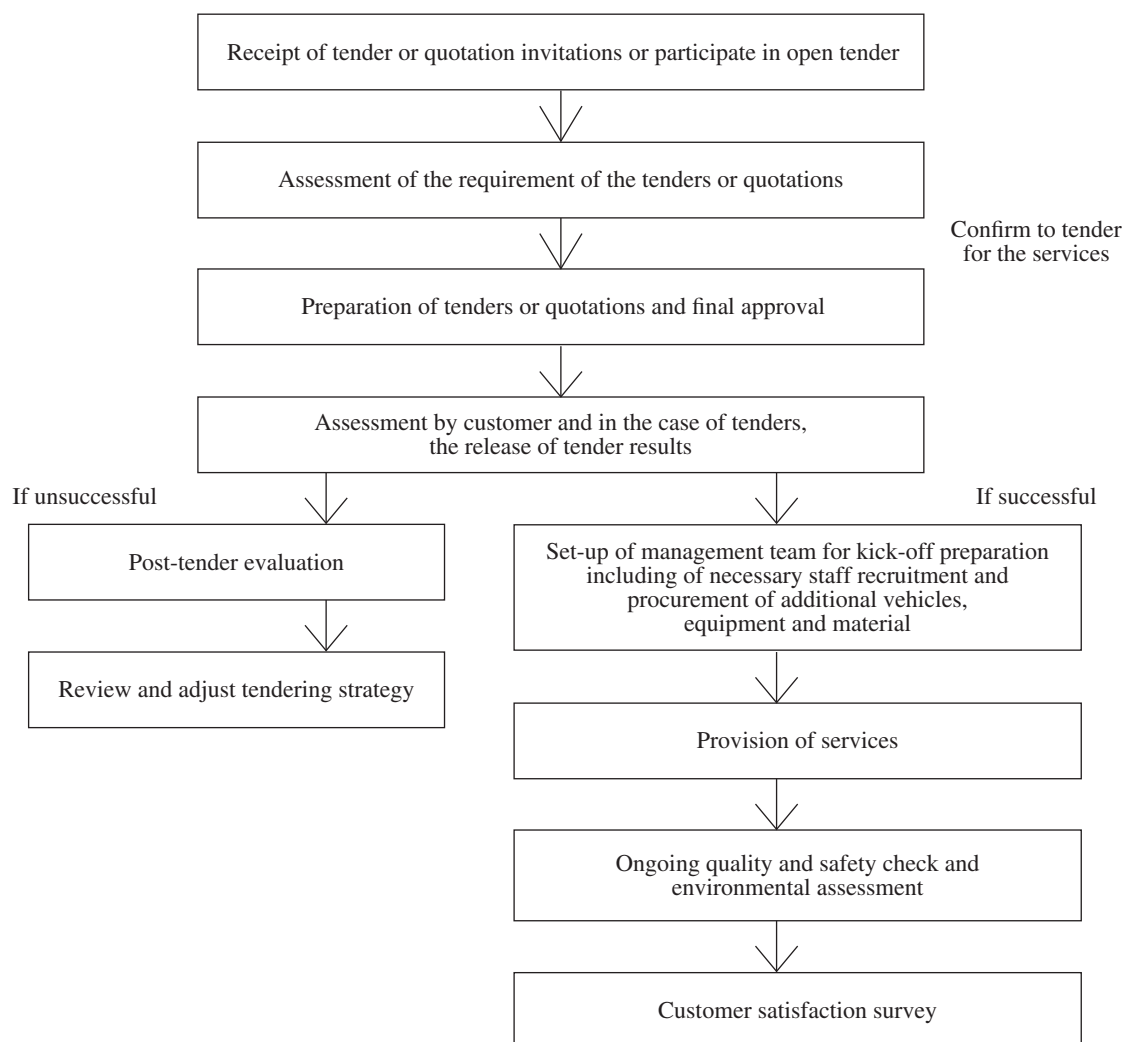
In accordance with the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong), we are required to and we maintained billing accounts with the EPD and paid the charges for disposal of construction waste.

WDO prohibits the collection, removal and disposal of waste by any person if the FEHD already provides such services at the location unless such person is licenced by the EPD or the FEHD. We collect waste from waste collection points at our client’s location and dispose of the waste in government designated waste disposal facilities for disposal only if neither the FEHD nor the EPD provides the same service at the same location in accordance with the relevant waste disposal regulations. Pursuant to a written confirmation dated 27 November 2013, the FEHD has confirmed that they had not established any system to grant licences for the provision of waste collection and disposal services and as advised by our Hong Kong Legal Advisers, we are in compliance with the WDO despite the fact that we currently provide the waste management and disposal services without obtaining a licence. Please refer to the paragraph headed “Regulatory compliance — Compliance with the WDO” in this section for details.

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General workflow

The general work-flow of our operations follow the below pattern:



Invitation for tender/quotation or participation in open tender

We may receive tender or quotation invitations from our customers or otherwise participate in open tenders. We generally become aware of open tenders by weekly review of publicly available information such as the Government Gazette, local press and for certain customers, their websites. We have also engaged an Independent Third Party service provider to monitor notices, news and information in the media in connection with tenders relating to environmental services works. In relation to our existing service contracts which are near expiry, the general timeframe for submitting new tenders for supplying the same services to that customer is one to five months prior to expiry of the service contract. During the Track Record Period, most of our revenue is derived from Tender Contracts.

After receiving the tender or quotation details, we first make a preliminary assessment of the requirements of the tender or quotation. In our assessment, we consider, among other things, basic details such as customer, location, services to be provided, fees chargeable, timing, payment terms and in

the case of tenders, preliminary hazards and environmental risk analysis noting potential risks of injuries in the specific tender from causes such as falling from heights, exposure to harmful substance, chemical and waste handling. Based on this assessment, we consider whether to bid for the tender or accept the request for a quotation.

While preparing the terms of our initial offer, we take into account a number of factors including (i) our relationship with that customer; (ii) our business strategy on sector penetration; (iii) prevailing market rates and market trends through analysing the information stored in our CRM system; (iv) our available resources (such as available staff, equipment and vehicles); (v) the need for procurement of additional resources (such as equipment or supplies); (vi) the need for engaging third party service providers; (vii) our budget; (viii) our cost and potential increase in cost during contract term (including the potential effect of statutory minimum wage requirement in particular); and (ix) the requirements of the tender or quotation including any specific legal requirements. In tender cases from previous customers, we also make reference to previous contracts with such customers.

Our preparations at this stage consist of preliminary allocation of resources required and ensuring we have sufficient resources for current and future works. Where additional supplies, equipment or service provider are required, we obtain terms and quotations and adjust our initial offer with reference to such additional costs accordingly. To ensure quality of our services, we have a stringent procedure for selecting suppliers as set out in the paragraph headed “Suppliers and service providers — Criteria for selecting suppliers” of this section. In relation to tenders, we will also inspect the site for any other information material for considering the initial offer. Details of our initial offer is reviewed and endorsed by our management before being submitted to the customer for consideration.

Tak Tai, one of our subsidiaries, is on the HK Government’s List of Approved Suppliers of Materials and Specialist Contractors for Public Works for general landscaping works and therefore, we participate in the tendering of landscaping services to the HK Government through Tak Tai as appropriate.

Pre-contract negotiations

As the fees charged by us are generally fixed upon contract, we may bear the risk of cost fluctuations. To mitigate cost fluctuation risks, we carefully consider during the pre-contract negotiations stage, the terms of the Tender Contract or Quotation including but not limited to the service fees chargeable in light of our pricing policy, circumstances for service fee adjustment and the payment terms offered to customers as detailed in the paragraph headed “Service fees pricing policy, adjustments, payment terms and credit period” of this section. In certain cases involving Tender Contracts, our customers may require a performance deposit or a surety bond in favour of the customer for due performance of the contract as detailed in the paragraph headed “Customers, sales and marketing — General terms of contracts with customers” of this section.

After the general terms are negotiated and agreed, we generally enter into a formal contract with the customer. The general terms of the Tender Contract or Quotation are set in the sub-paragraph headed “General terms of contracts with customers” of this section. Prior to signing, our corporate development team and operation team will cross check the terms of the initial offer with that of the Tender Contract or Quotation for material variation.

BUSINESS

Assessment by customer and release of tender result

If we are awarded the Tender Contract or agree on the terms of the Quotation, we proceed to the contract performance stage. However, in the event that we do not secure the tender, we will gather information on the winning tender from public tender results or by asking the customer. We will also store such information in our CRM system as we can use such information to trace and analyse market trends.

Contract Performance

During the contract performance stage and taking into account the agreed timeline and delivery dates, our operation department will provide high-level supervision of the on-going performance of the works including coordinating with site supervisors, foremans and if applicable, third party service providers for performance of the contract.

The ground staff required for contract performance depends on the scope of services and our available resources. Generally, it consists of a team of workers and technical staff led by a site supervisor or foreman. The site supervisor or foreman is responsible for ground-level supervision of service quality, adherence to our operational guidelines, coordination with ground staff, ensuring sufficient resources are available, ensuring the performance is on schedule and reporting to the operation department. Follow-up actions may be required if potential problems are discovered by our staff during our on-going quality and safety inspection process, environmental assessment or in response to customer feedback from their customer satisfaction survey. During the Track Record Period, we did not receive any material claims from our customers in respect of the quality of our services.

CUSTOMERS, SALES AND MARKETING

Customers

The following table sets out a breakdown of our total revenue during the Track Record Period according to our customers' categorisation:

	For the year ended 31 December					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Government ^{Note 1}	452,905	73.3	452,404	70.2	581,479	70.8
Semi-government ^{Note 2}	44,790	7.2	54,448	8.4	58,033	7.1
Public utility ^{Note 3}	35,236	5.7	27,459	4.3	40,936	5.0
Private ^{Note 4}	85,217	13.8	110,403	17.1	140,811	17.1
Total	618,148	100.0	644,714	100.0	821,259	100.0

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Notes:

- (1) **Government** mainly consists of departments of the HK Government.
- (2) **Semi-government** mainly consists Hong Kong authorities and companies or entities with substantial government investment or influence e.g. certain entities responsible for operating hospitals, airport, parks and educational institutions.
- (3) **Public utility** mainly consists of public utility companies, e.g. telecommunication companies and electricity companies.
- (4) **Private** mainly consists of privately-owned companies.

We have established a relatively broad customer base for our services ranging from various government departments in Hong Kong and subsidiaries of multi-national companies to small households. During the Track Record Period, services provided to our five largest customers are summarised as follows:

	Services provided by our Group during the Track Record Period (Note 7)	Approximate number of years we have provided services to each customer (or its predecessor)	For the year ended 31 December		
			2011	2012	2013
			HK\$'000	HK\$'000	HK\$'000
Customer A (Note 1)	(i), (ii), (iii) and (iv)	21	232,887	285,893	330,173
Customer B (Note 2)	(i), (ii) and (iii)	21	215,897	159,030	241,993
Customer C (Note 3)	(i) and (ii)	10	16,700	19,300	13,079
Customer D (Note 4)	(i)	3	14,901	15,610	14,947
Customer E (Note 5)	(i) and (iii)	10	16,258	15,007	17,899
Customer F (Note 6)	(i)	2	—	10,479	19,206

Notes:

- (1) A HK governmental department responsible for food and hygiene. The calculation for the number of years we have provided services includes the services provided to its predecessor HK governmental department, which was responsible for municipal services.
- (2) A HK governmental department responsible for leisure and cultural services. The calculation for the number of years we have provided services includes the services provided to its predecessor HK governmental department, which was responsible for municipal services.
- (3) A HK statutory body responsible for the operation of the airport in Hong Kong.
- (4) An airline catering and HK incorporated company which is a subsidiary of a HK listed company whose principal business is operating scheduled airline services, airline catering, aircraft handling and engineering.
- (5) An electricity and HK incorporated company which is a subsidiary of a HK listed company whose principal business includes the generation and supply of electricity in Hong Kong.

BUSINESS

- (6) An asset management and HK incorporated company which is a subsidiary of a HK listed real estate investment trust whose principal business includes investment in non-residential properties in Hong Kong.
- (7) Types of services provided
- (i) Cleaning services
 - (ii) Pest management services
 - (iii) Landscaping services
 - (iv) Waste management and recycling services

For each of the years ended 31 December 2011, 2012 and 2013:

- (i) the aggregate revenue generated from our five largest customers represented approximately 80.3%, 76.8% and 76.0% of our total revenue respectively; and
- (ii) revenue from our largest customer represented approximately 37.7%, 44.3% and 40.2% of our total revenue respectively.

All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of the five largest customers of our Group during the Track Record Period. Save for Customer D, all of the above mentioned customers continued to have service contracts with us subsequent to the Track Record Period.

Service contracts

The number of our customers may change from year to year subject to our success in attracting new customers as well as existing customers which require continuous service. In certain cases, a customer may only require a one-off service to address a specific situation which generally involves a relatively limited scope of service, time commitment and contract sum as compared to our continuous services. During each of the years ended 31 December 2011, 2012 and 2013, the number of customers that we served was 279, 386 and 432 respectively (excluding the customers requesting one-off services). The following table sets out the movement of our customers (excluding customers requesting one-off services) during the Track Record Period:

	<u>For the year ended 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Number of customers served during the previous year	308	279	386
Number of new customers served during the year	65	159	103
(Number of customers which we served during the previous year but did not enter into service contracts with us during the year)	<u>(94)</u>	<u>(52)</u>	<u>(57)</u>
Number of customers served during the year	<u><u>279</u></u>	<u><u>386</u></u>	<u><u>432</u></u>

Note: This table did not include customers requesting one-off service.

BUSINESS

As of 31 December 2011, 2012 and 2013, we had 320, 400 and 425 customers respectively (including those customers requesting one-off services but excluding those customers with their contracts ended before the year-end date).

For most of our service contracts, we need to bid for new tenders again before expiry of the relevant contracts and we normally do not have the right of first refusal for the contracts of the next period. This is especially true for those of our customers who are governmental departments or who are larger scale corporations as they normally choose service providers through open tender process. In addition, the need of customers may vary from year to year and the tenders which are opened for bidding vary from year to year. Depending on the requirements of the tenders and factors including competition, pricing and budgets, we may or may not participate in or successfully bid for the same tenders each year. Accordingly, as set out in the table above, there were customers who did not enter into service contracts with us during the Track Record Period. Nevertheless, as set out in the table above, our customer base has been expanding during the Track Record Period and we served 279, 386 and 432 customers during each of the years ended 31 December 2011, 2012 and 2013 respectively.

The following table summarises the details of our service contracts with reference to our customer sector during the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
Number of contracts (<i>Note 1</i>)			
Government	55	63	97
Semi-government	74	90	99
Public utility	15	7	12
Private	358	564	641
	<u>502</u>	<u>724</u>	<u>849</u>

Range of contract period (months) (*Note 2*)

Government	6–60	6–60	6–60
Semi-government	6–60	6–60	11–36
Public utility	4–57	4–57	12–57
Private	2–60	6–60	3–60

Range of approximate monthly service fee per contract (*HK\$'000*)

Government	2–6,177	1–5,530	1–8,772
Semi-government	1–878	1–878	1–869
Public utility	17–1,710	17–1,335	28–1,624
Private	1–1,552	1–1,424	1–1,708

BUSINESS

For the year ended 31 December

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Approximate average monthly service fee per contract (<i>HK\$'000</i>)			
Government	1,212	713	731
Semi-government	74	64	73
Public utility	453	440	402
Private	<u>26</u>	<u>18</u>	<u>22</u>
	<u>164</u>	<u>82</u>	<u>115</u>

Notes:

- (1) The number of contracts during the year includes both contracts which expired during the year and newly entered into during the year.
- (2) We have quotations which do not specify a specific period but instead end on completion of the service or prior notice to the other party. This kind of quotations is not included for the purpose of analysing the range of contract period in this table.

During the Track Record Period, our capacity expanded as our workforce and vehicle fleet also expanded. With an enlarged scale of business and service capacity, our customer base also expanded, our number of service contracts increased and the range of monthly service fee per contract gradually widened. Our average monthly service fee per contract during the Track Record Period fluctuated as the number of contracts with lower service fee but for a smaller scope of services also varied during the Track Record Period.

The following tables summarise the details of our unexpired services contracts as at the Latest Practicable Date:

	Approximate aggregate contract value of current contracts expiring on or before 30 June 2014		Approximate aggregate contract value of current contracts expiring on or before 31 December 2014		Approximate aggregate contract value of current contracts expiring after 31 December 2014	
	<i>(Note)</i>		<i>(Note)</i>		<i>(Note)</i>	
	<i>(HK\$ million)</i>	%	<i>(HK\$ million)</i>	%	<i>(HK\$ million)</i>	%
Government	130.9	77.6	383.0	81.2	950.7	86.2
Semi-government	12.5	7.4	25.9	5.5	33.0	3.0
Public utility	6.1	3.6	14.7	3.1	9.2	0.8
Private	<u>19.2</u>	<u>11.4</u>	<u>48.1</u>	<u>10.2</u>	<u>110.3</u>	<u>10.0</u>
	<u>168.7</u>	<u>100.0</u>	<u>471.7</u>	<u>100.0</u>	<u>1,103.2</u>	<u>100.0</u>

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	Number of current contracts	Approximate aggregate contract value of current contracts (Note) (HK\$ million)	Range of remaining contract period (months)	Approximate average monthly service fee per contract (HK\$'000)
Government	86	1,464.6	1–42	763
Semi-government	86	71.4	1–30	73
Public utility	12	30.0	1–16	253
Private	408	177.6	1–56	26
	<u>592</u>	<u>1,743.6</u>		

Note: Reference to contract value above means revenue not yet recognised to statement of profit or loss and other comprehensive income as at the Latest Practicable Date from such unexpired service contracts.

Out of the approximately 592 unexpired services contracts as at the Latest Practicable Date:

- approximately 134 contracts (with aggregate contract value of approximately HK\$1,525.1 million) have fixed fees or pre-determined fees over different periods of the contract term, and explicitly stated that there shall be no variation to the fees or the calculation of the fees. Such contracts are mainly contracts with government sector. We generally rely on our accurate assessment of costs in the stage of preparing terms of our initial offer to tackle the risk of cost increment over time;
- approximately 445 contracts (with aggregate contract value of approximately HK\$84.9 million) have stipulated fixed fees but without explicitly stated that whether such fees shall be adjusted because of cost increase. Such contracts are mainly contracts with the private sector with relatively shorter contract term. In the event of material cost increment, we may negotiate with the counter party for potential price adjustment; and
- approximately 13 contracts (with aggregate contract value of approximately HK\$133.6 million) have stipulated fixed fees with price adjustment mechanism mainly with reference to statutory minimum wage or price index. Such contracts are mainly with contract term ranging from two to five years.

Despite the relatively small number of contracts with price adjustment mechanisms, we did not have any material loss making contracts during the Track Record Period except for the one contract discussed below. In August 2013, we successfully tendered for a contract which required supplemental services involving linen sorting and folding for an existing customer. As we have less experience in this type of service and for purposes of building our relationship with this particular customer, we factored-in a lower profit margin in our tender price. This contract however only contributed to approximately 0.2% of our total revenue for the year ended 31 December 2013.

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We have two types of contracts: Tender Contracts and Quotations. The following table sets forth the breakdown of our revenue by types of contracts:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tender Contracts	583,705	94.4	606,020	94.0	778,755	94.8
Quotations	34,443	5.6	38,694	6.0	42,504	5.2
Total	618,148	100	644,714	100	821,259	100.0

General terms of contracts with customers

The general terms of service contracts may vary based on negotiations with our customers and in the case of Tender Contracts, the terms of the tender set out by our customers. Generally, the material differences between Tender Contracts with government customers as compared to non-government customers are (i) government customers (and certain semi-government customers) may need additional supporting documents and administrative procedures before payment and therefore the contracts might not specify a credit period; and (ii) more limited circumstances allowing us to terminate the contract.

Except as noted below, the principal terms of Tender Contracts and Quotations are generally similar and principal terms are summarised below:

Scope of services and resource allocation

Following our customer's specifications and needs, the service contracts with customers will set out the exact scope of service(s). Both Tender Contracts and Quotations may include one or a combination of our four main services. During the Track Record Period, none of our service contracts entered into with our customers contained exclusivity clause which restricts our ability to provide services to other customers. Additionally, the service contract may also specify the number of expected staff, machinery and equipment which will be used during the project. Besides managing customer's expectations, this helps us plan and allocate our resources for our projects.

Term and termination

Tender Contracts generally have a service period of two to three years but the service period may range from six months to five years. Our Tender Contracts generally include a termination clause giving both parties the right to terminate in different circumstances. In certain Tender Contracts, each party can terminate the contract by prior notice to the other party.

Grounds upon which Tender Contracts may be terminated by our customers generally include if we (i) fail to remedy within a specified period of time a material breach of the contract; (ii) provide incomplete, untrue or misleading particulars or data in the tender submission; (iii) substantially or persistently fail to comply with the standard of services required by the such

contract; (iv) become bankrupt or go into liquidation or a petition has been filed for our bankruptcy; or (v) make a general assignment, composition or arrangement for the benefit of creditors.

Grounds upon which these contracts may be terminated by us generally include if our customer (i) fails to remedy within a specified period of time a material breach of the contract; (ii) becomes bankrupt or goes into liquidation or a petition has been filed for their bankruptcy; or (iii) makes a general assignment, composition or arrangement for the benefit of creditors.

The service period of Quotations are generally shorter than such period under the Tender Contracts. Quotations may specify no service period but instead continue until completion of the service or prior notice by one party to the other party.

During the Track Record Period, none of our contracts were terminated by reason of material breach by us or liquidation/petition for bankruptcy/winding up of the other party to the agreement.

Services fees chargeable and payment terms

The service contract will set out the services fees chargeable by us (including circumstances for adjustment) and the payment terms. The service fees chargeable are generally fixed or without any clear price adjustment mechanism. For details of our service fees including possible adjustments and payment terms, please refer to the paragraph headed “Service fees pricing policy, adjustments, payment terms and credit period” below.

Security and other protections for customers

There are a number of terms which may be included in our contracts for the protection of our customers such as:

- (a) *Performance deposit/surety bond*: In respect of Tender Contracts generally, to secure our due and timely performance, some of our customers require us to (i) pay a performance deposit to the customer; or (ii) obtain and deliver to the customer a surety bond issued by a bank. The surety bond is generally required to be provided within a period of 14 days to 21 days after a tender is awarded to us. During the Track Record Period, the amounts of surety bonds required generally represented a portion of the relevant contract sum ranging from approximately 2% to 5%.

As at 31 December 2011, 2012 and 2013, performance deposit paid by us to customers amounted to approximately HK\$449,000, HK\$687,000 and HK\$989,000 respectively. Such amounts were accounted for as other receivables in our combined statements of financial position, and would be returned to us from the customers upon completion of the relevant service contracts.

On the other hand, as at 31 December 2011, 2012 and 2013, surety bonds issued by banks to our customers amounted to approximately HK\$88.1 million, HK\$93.0 million and HK\$112.9 million respectively. The surety bonds are generally released from completion of the relevant service contract or a specified period afterwards (generally within 90 days to six months after completion). The surety bonds were issued by our

bank in favour of the relevant customers. As such, we do not recognise any liabilities on our combined statements of financial position until such surety bonds are deducted by our customers due to breaches of contract terms. The Company confirms that during the Track Record Period, there was no deduction from the performance deposits or surety bonds by our customers due to breach of contracts.

- (b) *Indemnity for damage and breach:* In respect of Tender Contracts, we may be required to indemnify our customers for among others, liabilities (i) in respect of personal injury or death of any person or damage to any property arising out of the performance of our services under the formal contract; and (ii) breach of the formal contract by us.

Our Directors confirm that we had not experienced any material claims by our customers arising from breach of contracts during the Track Record Period and up to the Latest Practicable Date.

- (c) *Adequate insurance:* a requirement that we obtain adequate insurance cover for above risks and any other liability in respect of our staff and other persons who may be employed on the works as well as other third party liabilities.

Compliance with safety measures

We are required to comply with the safety requirements under all the relevant laws and regulations in Hong Kong. Relevant laws and regulations include the Factories and Industrial Undertakings Ordinance and Occupational Safety and Health Ordinance. Furthermore, we are responsible for the safety of not only our staff but the public and keeping our works orderly and avoiding dangers during the course of our operations. For this purpose, we have established certain safety measures, details of which are set out in the paragraph headed “Workplace safety” of this section.

Service fees pricing policy, adjustments, payment terms and credit period

Pricing policy

Our pricing policy takes into account various factors and some of the material factors include: (i) prevailing market rates; (ii) cost analysis taking into account services provided, potential increase in wages, resources allocated to the project, the relevant term of service, material costs, fees for any third party service provider, the location, size of project and timetable provided by the customer; (iii) our budget and determination of a reasonable profit margin; and (iv) relationship, reputation or background of the customer.

In light of the increasing labour costs and the labour intensive nature of our business, it is important for us to accurately estimate our cost in preparing tenders or pricing our services. We believe that our customers expect accurate assessment of cost (which should take into consideration potential increases in labour costs) prior to entering into any service contracts or submitting any biddings for tenders. Furthermore, most of our contracts are Tender Contracts and the terms of the tenders are pre-set by the customers which may not include price adjustment mechanism. As set out on page 100 of this prospectus, out of the approximately 592 unexpired services contracts as at the Latest Practicable Date, approximately 134 contracts have fixed or pre-determined fees over different periods of the contract

term, and explicitly stated that there shall be no variation to the fees or the calculation of the fees; approximately 445 contracts have stipulated fixed fees but without explicitly stated that whether such fees shall be adjusted because of cost increase. Such contracts are mainly contracts with the private sector with relatively shorter contract term. In the event of material cost increment, we may negotiate with the counter party for potential price adjustment; and approximately 13 contracts have stipulated fixed fees with price adjustment mechanism mainly with reference to statutory minimum wage or price index. Such contracts are mainly with contract term ranging from two to five years. Accordingly, we generally rely on our accurate assessment of costs in the stage of preparing terms of our initial offer as a way to pass potential increase in service costs to customers and to tackle the risk of cost increment over time, and rely on our cost control measures to avoid cost overrun. Furthermore, as Tender Contracts generally have a service period of two to three years (and the service period for Quotations being even shorter), we have generally been able to take into account potential increase in costs during the contract term when we prepare our tenders.

Service fees adjustments

Some of our formal contracts may include circumstances where the services fees chargeable by us are adjustable such as when additional services are provided. Furthermore, based on the terms of the tender or negotiations between the parties, there may be price adjustment mechanisms (both upward and downward). Examples of price adjustments include adjustments related to inflation of cost or statutory minimum wage requirement. However, we generally have to consider potential changes in labour costs as early as when we estimate our fees during the tendering process rather than adjusting our fees on an ad-hoc basis. Accordingly, we bear the risk of costs overrun as set out in the section headed “Risk factors — Increases in labour costs may adversely affect our profitability.” of this prospectus.

Our service fees may be reduced in cases where the service contracts give customers the right to deduct service fees payable if third party service providers are engaged to rectify defects in our services or other matters not to our client’s satisfaction, execution of outstanding works or if there is delay in completion without a valid and justifiable reason.

Our Directors confirm that we had not experienced any cases that our service fees were materially reduced by our customers for the aforesaid reasons during the Track Record Period.

Payment terms and credit period

We normally send monthly invoices to our customers and require them to settle the service fee monthly in arrears. During the Track Record Period, all revenue from our services was denominated in Hong Kong Dollars. Generally, the payment method is by cheque or autopay and credit term to our customers range from 30 days to 60 days depending on our customers’ creditworthiness. Additional services outside our agreed scope will be charged as further agreed.

In relation to the customers from the government and semi-government sectors, they may need additional supporting documents and administrative procedures before payment and therefore they might not specify the credit period. During the Track Record Period, we did not experience any material difficulty in collecting payment from such customers.

Our trade receivable turnover days were approximately 73 days, 69 days and 71 days for each of the years ended 31 December 2011, 2012 and 2013 respectively (for further analysis of our trade receivable turnover days, please refer to the section headed “Financial information — Trade receivables — Trade receivables turnover days” of this prospectus). We closely and continually monitor the trade receivable balance and overdue balance to consider whether a reminder letter or provision for impairment of trade receivable is necessary.

Cost controls and project monitoring

As at the Latest Practicable Date, we had adopted the following measures to control our Group’s overall operational costs and monitor specific project for the purposes of avoiding cost overrun and incurring excess costs:

Project monitoring

We formulate our budget mainly on a project basis. Based on our experience, we estimate our cost carefully when we provide tender submission or fee quotation to customers. Based on the site supervisor or foreman’s report and customer feedback, we are able to monitor the progress of each project. If we identify material cost overrun with reference to the original estimates of the monthly budget, our management will investigate the causes and assess the overrun to see if any follow-up actions are required.

Approval procedure for incurring additional costs

We also have procedures to accommodate for situations when additional expenditures are required subject to sufficient justification and supporting documentation. For example, departments may submit application forms for purchases of extra equipment and supplies and engagement of part-time staff, third party service providers provided there is:

- (a) *proof as to necessity*: our foreman will inspect the location and assess whether in the situation additional resources are necessary;
- (b) *cost justification*: reasonable estimation as to costs with basis; and
- (c) *final approval*: based on the above information, approval by our management.

I.T. systems

We have installed different I.T. systems in managing our operations particularly our human resources management system (“HRM”), attendance system (“AS”), CRM and GPS systems as detailed below.

Given the number of our employees, our HRM and AS which record employee details, licences held, salary payments, mandatory provident fund payments, rosters, working locations, attendances and leaves allow us to keep track of our sizeable work force and allows us to better comply with relevant labour legislations. Our HRM and AS were custom built and established in around 2010 to 2011.

For the purposes of relevant information for tender and material claims for projects, we have established in around 2008 our CRM record system. We store in our CRM system tender details from successful and unsuccessful tenders gathered from public information or by asking our customers which, allow us to determine market trends and to better assess tender details. We also store details of any public liability claims and employee compensation to ensure such claims are properly dealt with and also to provide our customers with updates of such claims.

We focus on running an efficient operation system as well as maintaining the standard of quality in our services within the agreed schedule with our customers. For this purpose, we established in around 2010 our GPS system, a vehicle positioning and monitoring system that allows us to track our vehicles' locations and as well as their driving speeds and mileages for greater service efficiency. Our GPS system helps us ensure accurate delivery schedules for our projects and analyse how to reduce wasteful gas consumption and minimise the gas emissions while driving on the road.

We have entered into an agreement with a connected party for hardware and networking support (for details of this I.T. agreement, please refer to the section headed "Connected Transactions" of this prospectus).

Marketing activities

Due to our long history in Hong Kong, our competitive strength in bidding for larger scale projects and our well-established relationship with our existing customers, we are able to rely on our existing customer base, reputation and client referrals such that we do not rely heavily on promotional materials. However, to maintain awareness of the "Baguio" brand and given our services in a number of public locations, both our staff uniform and our vehicles have the "Baguio" brand and colour scheme on them.

Our corporate development department is also responsible for liaising and maintaining our relationship with customers as well as other marketing activities. In addition, we have designated in-house staff and engaged an Independent Third Party service providers to monitor notices, news and information in the media in connection with tenders relating to environmental services works.

As mentioned in the paragraph headed "Corporate strategies" of this section, we intend to increase our direct marketing operations by hiring an outside consultant and increasing the staff in our corporate development department.

Seasonality

We have not experienced material seasonal fluctuations in our revenue given that (i) most of our revenue during the Track Record Period derived from Tender Contracts which are generally for a period of two to three years and where we provide monthly invoice to our customers for a relatively fixed amount; and (ii) due to the diversification of our services.

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SUPPLIERS AND SERVICE PROVIDERS

Suppliers

Our suppliers include suppliers of consumables and equipment and third party service providers (as detailed in the sub-paragraph headed “Service providers and sub-contractors” below). During the Track Record Period, our top five suppliers were all Independent Third Parties being suppliers of petroleum and plant products and service providers for car rental, logistics, planting and water tank cleaning services.

During the Track Record Period, goods/services provided by our five largest suppliers to us are summarised as follows:

	Goods/services provided to our Group during the Track Record Period	Approximate length of relationship in years	For the year ended 31 December		
			2011	2012	2013
			HK\$'000	HK\$'000	HK\$'000
Supplier A (<i>Note 1</i>)	Petroleum products	24	10,119	7,789	4,561
Supplier B (<i>Note 2</i>)	Plant products	6	4,936	1,099	931
Supplier C (<i>Note 3</i>)	Cargo van renting and logistics services	3	4,715	901	1,481
Supplier D (<i>Note 4</i>)	Plant products, planting works and logistics services	3	4,590	6,523	12,317
Supplier E (<i>Note 5</i>)	Plant products	2	2,622	2,628	3,318
Supplier F (<i>Note 6</i>)	Petroleum products	2	481	3,894	5,678
Supplier G (<i>Note 7</i>)	Water tank cleaning and car renting services	2	—	2,835	3,278
Supplier H (<i>Note 8</i>)	Petroleum products	2	—	2,953	6,066

Notes:

- (1) A petroleum and chemical supplier and HK incorporated company which is a member of a global group of energy and petrochemical companies. During the Track Record Period, it was one of our top five suppliers for the years ended 31 December 2011, 2012 and 2013.
- (2) A plant products supplier and HK incorporated company. During the Track Record Period, it was one of our top five suppliers only for the year ended 31 December 2011.
- (3) A cargo van renting and logistics service provider and HK incorporated company. During the Track Record Period, it was one of our top five suppliers only for the year ended 31 December 2011.
- (4) A plant products supplier, planting and logistics service provider and HK incorporated company. During the Track Record Period, it was one of our top five suppliers for the years ended 31 December 2011, 2012 and 2013.

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- (5) An individual in the PRC involved in the supply of plant products. During the Track Record Period, it was one of our top five suppliers only for the years ended 31 December 2011 and 2013.
- (6) A petroleum supplier and HK incorporated company. During the Track Record Period, it was one of our top five suppliers only for the years ended 31 December 2012 and 2013.
- (7) A cleaning and pest control services provider and HK incorporated company. During the Track Record Period, it was one of our top five suppliers only for the year ended 31 December 2012.
- (8) A petroleum supplier and HK incorporated company. During the Track Record Period, it was one of our top five suppliers only for the years ended 31 December 2012 and 2013.

For each of the years ended 31 December 2011, 2012 and 2013, our purchases of both goods and services from the five largest suppliers were approximately 42.4%, 35.5% and 35.1% respectively of the total purchases from all suppliers, while our purchases from the top supplier were approximately 15.9%, 11.5% and 13.5% respectively of the total purchases from all suppliers. Our business relationship with the five largest suppliers ranges from approximately two to 24 years. No long term contracts had been entered into between our Group and its top five suppliers during the Track Record Period. Our Directors confirm that we did not have any significant dispute with any of our service providers and other suppliers during the Track Record Period.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, our purchases were all settled in Hong Kong dollars and most of them were settled by cheques or telegraphic transfers. Most of our purchases are settled on a monthly basis and in arrears. Credit terms offered by our suppliers range from due on presentation of invoice to 30 days to 60 days from the date of invoice.

Our materials and inventory

Our inventory represents consumables for use in our course of business, such as garbage bags, toiletries, chemicals and uniforms for our workers. Since these consumables are relatively easy to source, we do not need to maintain a large amount of inventory. As at 31 December 2011, 2012 and 2013, our inventory balance was approximately HK\$3.0 million, HK\$2.8 million and HK\$3.7 million respectively, representing approximately 1.2%, 1.0% and 1.0% of our total assets as at the same dates. Our costs of consumables accounted for approximately 5.4%, 5.6% and 6.4% of our total costs of services during each of the years ended 31 December 2011, 2012 and 2013 respectively.

We closely monitor our inventory levels especially with regard to materials, tool and equipment for cleaning to ensure sufficient resources for our project and place orders with suppliers in advance to avoid any shortage leading to any delays to the schedule for our projects. During the Track Record Period, we maintained multiple suppliers for products to avoid over-reliance on a single or a few suppliers for each material, tool and equipment and did not experience any material difficulties in sourcing products.

Service providers and sub-contractors

We mainly rely on our own work force and our own tools and vehicles in carrying out our business operation. Nevertheless, we may occasionally engage a service provider when additional equipment or staff (including specialised equipment or licensed staff) is needed for a project. During the Track Record Period, examples of service providers that we engaged include a marble cleaning service provider and an air-conditioner cleaning service provider.

Besides, we may encounter some small-scale job requests for which we consider that it is not cost-efficient for us to carry and we may sub-contract such jobs to other third party environmental service providers and thus incur sub-contracting fee which accounted for approximately 1.3%, 1.4% and 1.1% of our total cost of services during the years ended 31 December 2011, 2012 and 2013 respectively.

Criteria for selecting suppliers

As at the Latest Practicable Date, we maintained a separate list of approved suppliers (including service providers and sub-contractors) with details of their contact person for each of our four main services as well as for general car maintenance. This list is updated from time to time. At least once a year, we will review the current list of approved suppliers and consider whether any should be removed/replaced based on the quality of their products or their job performance during the year.

To ensure the quality of our services, we refer to these lists when selecting a supplier for our projects. We take into account the following factors before selection of a new supplier:

- Job references including track record of work completion on schedule
- Experienced and qualified staff
- Safety records and adequate internal controls including staff management
- Sufficient resources and ownership of specialised equipment or other technical know-hows
- Compliance with laws, rules and regulations including labour laws
- Reputation including any current negative publicity

When we receive a new project and we believe a service provider is required, we will generally ask for the basic terms from the service providers such as the scope of services provided, service period and payment terms and prices. In the situations where we engage a sub-contractor, we generally use our standard service contract with sub-contractors as detailed in the next paragraph.

During the Track Record Period, we did not experience any difficulty in procuring services from our service providers or our sub-contractors and did not receive any material claims from our customers in respect of the quality of services performed by our service providers or our sub-contractors engaged by us.

General terms of contract with sub-contractors

As at the Latest Practicable Date, our Group has a standard service contract with sub-contractors. The material terms of this standard service contract are set out below:

Scope of services and resource allocation

Based on the needs of the project and resources of our Group, the scope of services, the resources to be allocated are set out in the contract.

Term and termination

For flexibility, the contract generally does not have a specific length but instead may be terminated by either party by prior notice of one month to the other party.

Services fees chargeable and payment terms

The service fee contract will set out the services fees payable (including circumstances for adjustment) and the payment terms. The service fees chargeable are generally fixed.

Security and other protections for us

We specify in our contracts whether we are or our service provider is responsible for purchasing (i) employee insurance; and (ii) public liability insurance. In the case we are responsible for purchasing the public liability insurance, if the insurer refuses to cover such liability and we are held liable for incident, we require our service providers to indemnify us for such liability.

However, it should be noted that:

- (a) under the Employment Ordinance, we, being the principal contractor, will be jointly and severally liable with every third party service provider in case of non-payment of wages by a service provider to its employee within a specified period therein. However, we will be able to reclaim such payments in accordance with the Employment Ordinance.
- (b) under the Employees' Compensation Ordinance, we, being the principal contractor, will be liable as principal contractor to pay compensation for injuries sustained by an employee of a service provider.

So far as our Directors are aware, during the Track Record Period we did not receive any claims in the circumstances under (a) and (b) above.

QUALITY ASSURANCE

To maintain consistent quality services for our customers, we have since 1998 and 2004 established a quality assurance system which is certified to be in compliance with the requirements of ISO 9001 and ISO 14001 respectively.

This system is maintained by our SHEQ department with six full-time employees as at 31 December 2013. Our SHEQ department is currently overseen by Ms. Leung Shuk Chu, our senior SHEQ officer, who has over five years of experience in the implementation of ISO 9001, ISO 14001 and OHSAS 18001 as well as relevant training, inspection and incident investigation. Furthermore, she is also a Registered Safety Officer with the Labour Department of Hong Kong, with a Bachelor of Science in Environmental Studies from the Open University of Hong Kong and received a Professional Diploma in Occupational Safety & Health and a Higher Diploma in Health Services Management from the School of Continuing Education, Hong Kong Baptist University and the Hong Kong Institute of Vocational Education respectively. Furthermore, she was awarded a Certificate of Competence in Safe Handling of Clinical Waste by the Occupational Safety & Health Council in December 2013 and completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013.

Two of our executive Directors, Ms. Ng Yuk Kwan, Phyllis and Ms. Leung Shuk Ping also have SHEQ training. Besides Ms. Ng's over 19 years of experience in the environmental service industry, she completed the ISO 9000:2000 internal auditor training course in 2002. Ms. Leung has completed a Pest Control and Pesticide Safety for Industrial Undertakings course in 2009. Both Ms. Ng and Ms. Leung completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. For further details of the abovementioned senior SHEQ officer's and executive Directors' experience and qualifications, please refer to the section headed "Directors, senior management and staff" of this prospectus.

Our quality assurance system has received recognition including the "Certificate of achievement in integrated management system" (for other awards and recognitions, please refer to the paragraph headed "Certifications, licences and requirements for our projects" of this section). Our main quality assurance measures are set out below:

Guidelines for quality of work and on-site supervision

As part of our staff training as designed by our quality assurance and training officer and safety officer from our SHEQ department and as managed by our human resource department, our employees must familiarise themselves with our staff manual, guidelines and internal control policies with regards to service quality and workplace safety (as detailed in the paragraph headed "Workplace safety" of this section). For details of our staff training, please refer to the paragraph headed "Employees, management and staff training" of this section.

On site, our site supervisors and foremen and SHEQ staff will check for compliance by both staff and where applicable, third party service providers of our procedures and guidelines regarding workplace safety and quality control during the course of the work. They are responsible for reporting any failures to adhere to our guidance or complaints from customers for follow-up. As our services involve a large workforce and as a substantial part of our services are provided in public area, we receive complaints from customers in the normal course of our business. For the environmental services that we carry out in public area, the general public may make complaints (which may or may not be substantiated) to the relevant departments of the HK Government and the relevant departments may then forward such complaints to us. During the Track Record Period, we did not receive any complaints from the Consumer Council of Hong Kong. When we receive a complaint, we follow our client feedback and complaint procedures as follows. Firstly, we record

the complaint (with any appropriate remedial, corrective and/or preventive action done afterwards) in our complaint log and forward the verbal or written complaint to the responsible personnel, generally being the general manager, assistant general manager or operation manager. Secondly, we will consider the nature of the complaint such as if it deals with the quality of the services, the progress of the work and materials or other issues such as environmental, health or safety concerns. Thirdly, the responsible personnel shall decide on the appropriate response, oversee its implementation and consider the effectiveness of the response.

Self-maintenance of vehicles in our depot and workshop

Our vehicle fleet comprises over 350 vehicles of different types as at 31 December 2013 and are used when we provide our comprehensive range of environmental services, namely, cleaning services, landscaping services, pest management services, waste management and recycling services. We have leased an area approximately 25,000 sq.ft located in Shek Kong, Hong Kong where we operate a depot and workshop for the maintenance of our vehicle fleet. Regular check-ups, maintenance and cleaning of our vehicles are scheduled and performed by our mechanics (or in certain circumstances vehicle's distributor or a third party vehicle service centre) to ensure that our vehicles are properly maintained to a high standard of safety and efficiency.

Plant nursery

We use a large variety of plants, shrubs and trees in connection with our landscaping service. We usually purchase plant products from farms in Hong Kong or the PRC. To ensure the quality of the plant products used in our project, we leased an area of approximately 254,751 sq.ft for operating our plant nursery in Tai Po, New Territories, Hong Kong. Being maintained in our plant nursery, the plants that we purchase can acclimatise to the environment in Hong Kong. Besides, we can ensure that the various species of plants that are not immediately used in our landscaping projects are being taken care of and well managed, and are readily available for use in our landscaping projects.

WORKPLACE SAFETY

We have adopted an occupational health and safety standards system as managed by our SHEQ department to protect our employees during the course of work. In accordance with the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance, our system covers, among others, labour safety and health care education among their workers and prevent accidents during work and reduce occupational hazards. Our Directors have confirmed that no relevant authority has imposed any condition or specific safety requirements on our Group due to breaches of health and safety laws, rules or regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Our system follows international standards and is certified to be in compliance with the requirements of OSHAS 18001 and ISO 14001 both since 2004. Our current occupational health and safety standards system includes the following major features:

Guidelines on and procedures concerning work-place safety

We require our staff to understand and follow our code of practice on work-place safety. As at the Latest Practicable Date, we had issued numerous guidelines. For example, we have a guideline on works using chemical (providing safety measures for handling chemicals), risks of biological hazard (providing preventative measures when handling biological measures and method for handling the occurrence of such incident), use of protective gear (providing explanation on purpose and proper use of various protective gear), among others. Set out below is a non-exhaustive list of the safety measures and procedures for handling of chemical and clinical adopted by us.

**Safety measures/
procedures**

Examples

*Handling, collection and
transport safety
measures and
procedures*

- For purposes of the chemical/clinical waste collection, we shall assign one responsible driver and one responsible operator for the job and such persons shall not smoke or eat during the job
- Before chemical/clinical waste collection, responsible driver/operator shall inspect, among others, the relevant safety equipment and backup containers are in good condition and the waste containers have no fractures or other pollutants. They should also check that in the proximity of the driver are the relevant licenses, permits, operational plan and emergency response guide
- At the chemical/clinical waste collection point and before collection, the responsible driver/operator shall (i) put on or use the relevant safety gear and equipment; (ii) check their instructions including the type and amount of waste to be collected to ensure compliance with the scope of our licenses; and (iii) check the waste is properly sealed in the container with appropriate labelling
- While handling the chemical/clinical waste, the responsible driver/operator should carefully follow the necessary handling procedures such as using the applicable equipment to slowly and steadily lift the waste containers on and off the vehicle and to fasten such containers on the vehicle

**Safety measures/
procedures**

Examples

- The responsible driver/operator shall ensure proper record keeping concerning the chemical/clinical waste collected and delivered and any incidents during this process
- Generally, chemical/clinical collected should be delivered to a designated reception point within 24 hours after collection and therefore we will assess if there is sufficient time by taking into account traffic and weather conditions. When this timeframe cannot be met, the responsible driver/operator shall contact our management to arrange for another delivery time to the reception point and deliver the chemical/clinical waste to a proper storage location in the meantime
- At the reception point, the responsible driver/operator shall liaise with the personnel at the reception point for proper disposal
- We shall ensure GPS tracking system is operational at all times on all vehicles used for handling chemical/clinical waste

*Emergency response
procedures*

- We have an emergency response team which will be contacted by responsible driver/operator in case of emergencies such as material waste spillage. Members of the aforesaid response team have emergency response training and other experience and one of whom is Ms. Leung Shuk Chu, our senior SHEQ officer and whose experience is set out in the section headed “Directors, senior management and staff” in this prospectus
- The emergency response team shall provide a plan and mobilise additional resources to quickly and efficiently deal with the situation and continue to deliver the clinical/chemical to the designated reception point
- If necessary, the emergency response team will also inform the EPD, the police and firefighters of the incident

Regular surveillance audits by the HKQAA

We are certified to be in compliance with the standards of ISO 9001:2008 (Quality management system), ISO 14001:2004 (Environmental management system) and OHSAS 18001:2007 (Occupational health and safety management systems) by HKQAA. According to the regulations of HKQAA, the relevant certification shall be renewable (subject to compliance with HKQAA regulations) every three years, and surveillance audits will be conducted at least once every year of certification. HKQAA conducts a review of our management systems generally every six months. After receiving the report from HKQAA, or if there are any updates based on the assessment of the SHEQ department, we will inform our staff and particularly the on-site supervisors and foremen who are responsible for checking proper implementation of new safety protocols by staff on-site.

Our Directors have confirmed that in its most recent visits in 2013, the HKQAA Surveyor had not identified any material deficiencies in relation to workplace safety or regarded any of our corrective measures as ineffective.

In the most recent visits by HKQAA which were conducted during August 2013 to January 2014, the scope of HKQAA's review included each of the five major operating subsidiaries of our Company, being Baguio Clean, Baguio Pest, Baguio Waste, Baguio Landscaping and Tak Tai in respect of their compliance for each of the standards ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004. The findings of such visits were satisfactory regarding our compliance with the relevant standings. Major opportunity for improvement raised by HKQAA during their recent visits included:

- in respect of ISO 9001:2008 (Quality management system), HKQAA suggest that we study the related information about new requirements in ISO 9001:2015^(Note) and prepare for the coming system upgrade; and to consider to re-visit the procedures and reviewing the quality objectives periodically for the benefit of striking for continual improvement;
- in respect of ISO 14001:2004 (Environmental management system), HKQAA suggest that we bring more environmental controls in the new office extension project and post more promotion materials to mobile team vehicle; and to provide the necessary facilities for the dilution of the bleaching solution to front line managerial site staff; and
- in respect of OHSAS 18001:2007 (Occupational health and safety management systems), HKQAA suggests that we make use of better method, equipment and materials to prevent recurrence of injury case; to consider new design of street cleaning equipment could be considered for specific street condition; and to continue to review and enhance the record accuracy.

Note: The new requirement of 2015 version has not been published as at the Latest Practicable Date. Existing certificate holders will be allowed a grace period of three years for conversion. Based on the experience of our Directors, it is normal that the ISO standards are being updated regularly. Our Directors expect that such updates may include further requirements of enhancing control procedures and that it would not require us to make substantial adjustment to our operation nor result in material difficulties on our part in maintaining the relevant ISO qualification.

The above recommendations by HKQAA aim to make our existing internal control system even stronger and are not conditions to our existing ISO and OSHAS qualifications. We have taken actions according to the above HKQAA's recommendations.

HKQAA is a non-profit-distributing organisation established by the HK Government in 1989. It helps industrial and commercial bodies develop quality, environmental, safety, hygiene and social management systems. HKQAA is recognised by the HK Government to, among other things, operate the scheme for certifying corporate as having a managing system that complies with the various applicable standards in order to be certified under the regulations as published by the International Organization for Standardization (ISO)/or other relevant organisations from time to time. According to the information published by the HK Government, the HKQAA is qualified to grant certification in respect of, among other things, the standards ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004.

Based on the above and given the authorisation of the HK Government and the long history of operation of HKQAA, the Sponsor is of the view that the HKQAA is an appropriate body having the experience and expertise to assess the adequacy and effectiveness of our safety standards systems.

Procedure for handling employee injuries and accidents at work

It is common in the environmental service industry, due to the nature of work (such as handling chemicals or lifting heavy objects) and potentially hazardous environment (such as working from heights, on slippery surfaces or confined spaces etc.), we may be subject to claims from employees for work-related injuries. Our human resources department and SHEQ department are responsible for recording details of the claim and handling claims for accidents and injuries from our staff. They are also responsible for liaising with the relevant insurance company, the claimant and in case of more serious claims as considered appropriate by our management, obtaining advice from our external legal adviser.

Our step by step procedure for handling these matters are as follows:

***Step 1: Recording
and filing***

The injured employee normally informs us of the injury and the human resources department will make record in our CRM system with details of the claim including date and time, cause of accident, claimant's details as well as updates from time to time concerning claim amount, rectification measures and current status of claim or litigation. All the relevant documents will also be recorded in our CRM system. The system will notify the responsible officer consistently on the follow-up action.

***Step 2: Fact finding
and reporting***

The human resources department will report to the insurance company and if applicable, external legal adviser once it has gathered all relevant information.

Furthermore, we will also send a work injury report if, it is an employee injury case, to the Labour Department in accordance with the Employees' Compensation Ordinance, within 14 days (seven days for fatal cases) after the incident comes to our knowledge. Correspondences with the Labour Department will also be provided to the insurance company. Furthermore, we may use paper medical clearance to speed up settlement of work injury cases and facilitate the Labour Department's assessment as to compensation.

Our SHEQ department will assess whether Group's safety measures are sufficient or any additional improvements may be necessary.

***Step 3: Settlement or
litigation***

If we agree on the compensation, we will settle with the injured staff directly or if covered by insurance and agreed by the insurer, it will be paid by our insurer. The settlement amount and payment record will be recorded in our CRM system.

If we do not accept the liability or we cannot agree on the compensation amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, we settled approximately 28 claims with an aggregate settlement amount of approximately HK\$4.4 million. Furthermore, there were 14 ongoing claims and 744 work-related incidents and injuries. It is estimated that part of the relevant employees' compensation claims would be covered by our insurance policy. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section. For further details of litigation including the amount and insurance coverage, please refer to the paragraph headed "Litigation" in this section. Save for the material litigation claims against our Group as disclosed in the paragraph headed "Litigation" in this section of the prospectus, our Directors are not aware of any material work-related accidents and injuries from employees or third parties during the Track Record Period and up to the Latest Practicable Date.

As disclosed in the section headed "Industry overview" of this prospectus, based on the information available, the injury rate (calculated by dividing the number of injury cases with the number of workers) for cleaning, pest management, sanitary and similar services in Hong Kong was estimated at about 3.0% in 2012. Such industry injury rate did not account for incidents in the landscaping services as no such statistics are available. The injury rate of our Group (calculated by dividing the number of incidents occurred in the year by the number of workers as at year-end date) was about 2.9%, 3.7% and 3.5% for 2011, 2012 and 2013 respectively (excluding incidents and workers involved in our landscaping services), and about 2.9%, 4.9% and 4.5% for 2011, 2012 and 2013 (including landscaping services). It is noted that the injury rate of our Group is close to the injury rate of the industry. It is also noted that the injury rate would be slightly higher if it is calculated by including incidents and workers involved in the landscaping services, because landscaping services are usually carried out in outdoor and unpaved environment with exposure to

various plants, trees, shrubs and insects and therefore the landscaping workers are more prone to injuries albeit minor, as compared to workers in other segments of environmental services. We also estimate the injury rate of our Group in terms of the number of work injuries per 100,000 work hours per year, which is also a common measurement of injury rate concerning occupational safety, particularly applicable to industry with fluctuating number of workers and working hours. Such injury rate of our Group was about 1.44, 1.96 and 1.82 for 2011, 2012 and 2013 respectively. Based on the above and given the nature of industry particularly the major threats set out in the section headed “Industry overview” of this prospectus, nature of work, size of operation and number of staff employed during the Track Record Period and the details of the claims (including number, amount claimed and nature of injury), we believe that the number of work injuries recorded during the Track Record Period is reasonable and does not reflect any material deficiencies and weaknesses in our safety measures.

Employees with relevant certificates and safety training

In providing comprehensive and customised services to our customers while providing a safe working environment for our employees, we may require relevant employees to have appropriate qualifications, certifications, licences or trainings. Furthermore, under applicable laws, rules and regulations, we are required, among others, to (i) provide and maintain a safe and healthy work environment; and (ii) ensure that only persons with appropriate certifications perform those works or use such equipment or machineries as specified under such laws, rules or regulations. For further details concerning applicable laws, rules and regulations, please refer to the section headed “Regulatory overview — Labour, health and safety” of this prospectus. Based on the requirements of our service contract (such as use of certain equipment or machineries), we may require employees with relevant certificates to handle the job and therefore we pay close attention to the certifications of our employees and their validity. For example, our human resources department will check the details recorded in our human resources management system and attendance system of employees and their relevant qualification, certifications or licences and its validity period and from time to time and remind relevant employees to renew the qualification, certification or licence prior to its expiry.

BUSINESS

The below table shows certain material certifications held by our employees as at 31 December 2013:

<u>Certifications</u>	<u>Issuing Authority</u>	Number of employees holding such certifications as at 31 December 2013 (Note)
Certificate for Person Working on Suspended Working Platform	Construction Industry Council	3
Certificate for Operation of Counterbalanced Type Fork-lift Truck	Occupational Safety & Health Council	2
Certificate for Safety Handling of Chemicals	Occupational Safety & Health Council	7
Certificate for Safety for Slope Maintenance Work	Occupational Safety & Health Council	19
Certificate for First Aid Certificate Course	Hong Kong St. John Ambulance	8
Certificate of Confined Space Operations for Competent Persons	Occupational Safety & Health Management Institute	3
Certificate of Competence in Safe Handling of Clinical Waste	Occupational Safety & Health Council	5

Note: The number of employees may overlap where he/she possesses more than one certificate.

The Directors are of the view that there is no material difficulty in obtaining the aforesaid certifications or engaging services provides with the relevant certificate. Furthermore, our Directors confirm that all of our relevant employees carrying out such work has possessed the requisite certificate or licence, and no employee has encountered any material problems with the renewal of the relevant certificate during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we have been able to require the employee holding a certificate required for the work to renew it before its expiry or replace such employee with another employee holding/carrying a valid certificate. As our Directors have not and do not expect to encounter any material difficulty in identifying replacement workers in this industry, thus in the event that any of our employees has been rejected or denied renewal of the relevant certificate, we do not expect any material operational or financial impact to our Group.

Additional training of staff and membership in industry bodies

We encourage our staff to attend further safety training courses from time to time even if they might not be legally required for our operations. For example and as at the Latest Practicable Date, a number of our employees have also attended courses and obtained the Certificate for Occupational Safety and Health Supervisor Course (Construction Industry) and Certificate for Pest Control & Pesticide Safety Core Course respectively.

To keep up to date with best environmental and health and safety practices in the industry, we are members of various industry bodies including as at the Latest Practicable Date, various environmental related bodies (e.g. Business Environment Council), occupational and health and safety bodies (e.g. Occupational Health & Safety Council — Green Cross Group) and industry bodies (e.g. Hong Kong Cleaning Association, Hong Kong Waste Disposal Industry Association, Hong Kong Pest Management Association).

ENVIRONMENTAL PROTECTION AND COMPLIANCE

As an environmental service provider, we are committed to promoting environmental protection and carrying out our corporate responsibility to our society. We are particularly conscious of the need to satisfy our customers, operate our business efficiently whilst at the same time protecting the environment. As a demonstration of the effectiveness of our system, our environmental management system is certified to be in compliance with the requirements of ISO 14001 since 2004. The following are examples in which our environmental awareness is reflected in the way we provide our services:

<u>Service type</u>	<u>Examples of environmental awareness</u>
Cleaning services	Using more environmentally friendly detergents/chemicals.
Landscaping services	Recycling horticultural waste collected and use for compost in our plant nursery or in projects.
Pest management services	Our choice of providing non-chemical solutions if possible, choosing less harmful chemicals, using quantities of chemicals as needed and making targeted application of chemical solutions.
Waste management and recycling services	Using biodegradable garbage bags and installing covers on waste collecting vehicles to reduce odor.

In recognition of our environmental awareness, environmental protection measures and our environmental conservation-related activities, we have been awarded with the “Excellent achievement in carbon reduction reward”, “Hong Kong award for environmental excellence wastewi\$e — class of good 2012–2013” and “Hong Kong award for environmental excellence energywi\$e — class of good 2012–2013”. For other awards and recognitions, please refer to the paragraph headed “Awards, recognitions and corporate social responsibilities” in this section.

BUSINESS

During the Track Record Period, our cost of compliance with applicable environmental laws, rules and regulations in Hong Kong were approximately HK\$0.8 million, HK\$0.7 million and HK\$0.6 million for the years ended 31 December, 2011, 2012 and 2013 respectively. Such cost of compliance mainly includes the cost borne by us and payable to the EPD for the disposal of waste to refuse transfer stations. We estimate that such cost of compliance would not be material in the future. During the Track Record Period, we were in compliance with applicable environmental laws, rules and regulations in all material respects.

INSURANCE

We maintain insurance for (i) employees' compensation; and (ii) public liability for our Group. Certain projects may require all risks insurance for services provided by us or properties, commercial vehicles and equipment. As required by our customers, we may be required to buy additional insurance for a specific project such as additional public liability insurance.

As at the Latest Practicable Date, our public liability insurance's limit is HK\$20 million in any one incident.

During the Track Record Period, our employees' compensation insurance is in accordance with the Employees' Compensation Ordinance and covers compensation and damage to our employees in respect of bodily injury, death or disease suffered in the course of their employment in Hong Kong. Our insurance policy for employees' compensation is renewed every year and may be revised upon renewal. Prior to April 2012, our insurance policy generally covers the full amount of valid employees' compensation claims. Effective April 2012, our insurance policy has been subsequently renewed and revised. Pursuant to the insurance policy currently effective, we are generally responsible for any claims of which the amount incurred is less than HK\$100,000, as well as the first HK\$100,000 in respect of the first 20 cases of claim above HK\$100,000, while the insurer shall be liable to pay (i) for the first 20 cases of claim above HK\$100,000, the excess amount after deduction of the said HK\$100,000 in respect of the compensations indemnifiable under the policy; and (ii) for the subsequent cases of claim above HK\$100,000, the full amount of the compensations indemnifiable under the policy. As at the Latest Practicable Date, such employees' compensation insurance's limit of the indemnity was HK\$200 million per event. Our Directors believe that our current insurance coverage is sufficient for our business operations and is consistent with the industry norm in Hong Kong.

High insurance premiums and limited insurance coverage is a common threat in the environmental service industry according to the Ipsos Report. Please refer to the section headed "Risk factors — We are affected by increasing insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operations are generally not insured" of this prospectus for further details.

For each of the years ended 31 December 2011, 2012 and 2013, the aggregate expenses of our employees' compensation insurances and public liability insurances were approximately HK\$3.7 million, HK\$6.4 million and HK\$8.1 million, respectively.

PROPERTIES

Owned properties

We own our office premise and use it as our head office in Hong Kong. It is located in Units A and B on 4th Floor of Dragon Industrial Building, No. 93 King Lam Street, Kowloon, Hong Kong. Total gross floor area of our office premise is approximately 14,335 sq.ft.. We also own Car Parking Space No. L2 on Ground Floor, Dragon Industrial Building, No. 93 King Lam Street, Kowloon, Hong Kong. Such property is accounted for in our financial statements at cost less accumulated depreciation and any impairment losses. As at 31 December 2013, the carrying amount of our office premise was approximately HK\$18.8 million. We have engaged Peak Vision Appraisals Limited to conduct a valuation on our office premise, which is valued at approximately HK\$47.7 million as at 28 February 2014.

Disposed investment properties

During the Track Record Period and up to November 2013, we owned two investment properties located at Champion Building, 287–291 Des Voeux Road Central, Hong Kong which we rented to Independent Third Parties as offices. To focus on our Group's business, we sold each property to an Independent Third Party both in November 2013 (and assigned the relevant tenancies) for the total consideration of approximately HK\$34.5 million. The consideration had been determined in accordance with prevailing market rates and arm's length negotiations. As a result of the disposal, we recorded gain from disposal of approximately HK\$27.4 million during the year ended 31 December 2013.

Leased properties

As at the Latest Practicable Date, we have the following leased properties:

- (i) a parcel of land located in Shek Kong, Hong Kong with an area of approximately 25,000 sq.ft. on which we have our vehicle maintenance depot;
- (ii) a parcel of land located in Yuen Long, Hong Kong with an area of approximately 31,237 sq.ft. on which we use as our parking field for our vehicle fleet;
- (iii) a parcel of land located in Tai Po, Hong Kong with an area of approximately 254,751 sq.ft. on which we have our plant nursery;
- (iv) certain premises in the airport which serve as our site office and storages with an aggregate area of approximately 1,948 sq.ft. in connection with our environmental services carried out in the airport area;
- (v) an area located near our head office in Kowloon, Hong Kong with an area of approximately 4,663 sq.ft. used for warehouse purpose; and
- (vi) a residential premise located in Hong Kong which serve as a Director's quarter.

Save for item (vi) above which is leased from Mr. Ng and the details of which are set out in the section headed "Connected transactions" of this prospectus, all the above properties are leased from Independent Third Parties.

There are certain steel-framed structures and containers on the leased premises where our car maintenance depot is located. These structures and containers were in place prior to our renting of the premises. We are not aware that formal approval has been granted for such additions by the relevant governmental authorities and therefore such constructs may not be in compliance with the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). Under the Buildings Ordinance, the Building Authority has the power to serve an order for the demolition within a specified period and in accordance with the plans of the Building Authority. We are advised by our Hong Kong Legal Advisers that (i) despite the existence of the unauthorised structure, the tenancy for the premises is valid and subsisting; and (ii) the landlord is responsible for compliance with the building orders, if served, and we, as tenant, should not be liable under the Building Ordinance. As at the Latest Practicable Date, we are not aware of any building orders concerning such breach. The rental rate under the current lease agreement for the depot premises is comparable to the rental rate for a leased property with similar size and in the same vicinity but without unauthorised structures.

We have informed the landlord of such structure and have requested for rectification as well as required it to indemnify us for any disruptions caused. As at the Latest Practicable Date, we are not aware of the rectification works done by the landlord and have not yet reached an agreement for indemnification or changes in the rental due to the unauthorised structure. However, in the event that the premise is no longer available for leasing as our vehicle maintenance depot, our Directors believe that we are able to find suitable sites for relocation at an immaterial cost (which is estimated to be approximately HK\$150,000) in about two-month time. Accordingly, we do not expect that such unauthorised structure would pose a material threat to our operation.

Material property analysis

According to our Group's combined statements of financial position set out in Appendix I to this prospectus, our Directors confirm that:

- our Group does not have any property interest that forms part of property activities as at 31 December 2013, so the aggregate carrying amount of the property interest that forms part of our Group's property activities does not exceed 10% of the its total assets as at 31 December 2013; and
- no single property interest of our Group that forms part of non-property activities has a carrying amount of 15% or more of our Group's total assets as at 31 December 2013.

As such and pursuant to Rule 5.01A of the Listing Rules, no valuation report is included in this prospectus. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance (Miscellaneous Provisions) in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance (Miscellaneous Provisions), which requires a valuation report with respect to all our Group's interests in land or buildings.

MAJOR ASSETS AND EQUIPMENT

Specialised vehicles

Our vehicle fleet comprises over 350 vehicles of different types as at 31 December 2013 for providing comprehensive environmental services. We care about our vehicle fleet's performance and safety. Regular checkups, maintenances and cleanings of our vehicles are scheduled and performed in our own vehicle depot and workshop. Most of our vehicles are installed with a GPS system such that the location of our vehicles can be tracked instantly or at a regular intervals. By monitoring our vehicle itineraries, locations and driving speeds, we are able to achieve service efficiency. We also replace vehicles that do not meet our safety and performance benchmarks. Moreover, when we purchase vehicles, safety and environmentally friendly features of the vehicles are important factors in our consideration. As at 31 December 2013, our vehicles generally have an estimated useful life of one to ten years, and the carrying amount of our vehicles amounted to approximately HK\$107.3 million.

The following table sets forth the our major specialised vehicles for carrying out our operations and the number of such vehicles owned by us as at 31 December 2013:



17 Grab tippers



9 Hook-lift trucks



43 Lorries



43 Refuse compaction vehicles



1 Road sweeper



25 Tippers



29 Water wagons



1 Aerial platform vehicle



176 Vans

Major equipment and machinery

We use a wide range of equipment and machinery in providing comprehensive environmental services on-site. Such equipment and machinery include ride-on scrubber driers, vacuum sweepers, dumpsters, escalator cleaners and miscellaneous types of tools and equipment. As at 31 December 2013, our equipment and machinery generally have an estimated useful life of one to ten years and the carrying amount of our equipment and machinery amounted to approximately HK\$5.5 million.




Equipment, machinery and vehicle maintenance

Furthermore, to ensure proper maintenance of our equipment, machinery and vehicles, our operation department and fleet management department are responsible for regular check-ups or inspection and ordering prompt repair or replacement if required. Repair of equipment, machinery may be done by their supplier or distributor in accordance with warranty policy or by our technical staff. Repair of vehicles are done either at our vehicle maintenance depot (details of which are set out in the section headed “Quality assurance — Self-maintenance of vehicles in our depot and workshop” of this section) or by the vehicle’s distributor or a third party vehicle service centre.

For each of the years ended 31 December 2011, 2012 and 2013 the aggregate repair and maintenance costs were approximately HK0.6 million, HK0.6 million and HK0.6 million respectively.

INTELLECTUAL PROPERTIES

We are the registrant of the domain name www.baguio.com.hk.

As at the Latest Practicable Date, our trademark, “”, have been registered in Hong Kong and the PRC and we have applied for the trademarks “” and “” in Hong Kong. These trademarks are displayed on the uniforms of our cleaning staff and our vehicles to foster our corporate image. Please also refer to the section headed “Statutory and general information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us or we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

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EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at 31 December 2011, 2012 and 2013, we had a total of approximately 4,660, 5,205 and 6,732 employees (including both full-time and part-time) respectively. All our employees are based in Hong Kong. The following table set out a breakdown of the total by full-time and part-time employees:

	As at 31 December		
	2011	2012	2013
Full-time	4,320	4,627	5,988
Part-time	340	578	744
Total	4,660	5,205	6,732

The following table sets forth an approximate breakdown of our employees (including full-time and part-time) by function as at 31 December 2011, 2012 and 2013:

Function	As at 31 December		
	2011	2012	2013
Group management	5	6	6
Operation management	10	11	14
Accounting, purchasing and logistics	13	15	16
Human resources	18	19	25
Administration	17	21	22
SHEQ	3	4	6
Corporate communication and development	5	5	7
Fleet management	10	12	14
I.T.	2	2	3
Horticulturalist and arborist team	1	5	7
Pest specialists	3	2	1
Operation			
— Cleaning services	3,051	3,786	5,065
— Pest management services	423	423	532
— Landscaping services	1,031	763	873
— Waste management and recycling services	68	131	141
Sub-total:	4,573	5,103	6,611
Total:	4,660	5,205	6,732

We try to ensure good employer-employee relationships and have our human resources department promptly handle and address employee complaints and issues. During the Track Record Period, we did not have material difficulty in hiring staff, our average monthly staff turnover rates (including both full-

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time and part-time staff) were approximately 3.5%, 3.9% and 3.7% respectively which the Directors believe are relatively low as compared to the turnover rate of 5% to 8% in the industry according to the Ipsos Report.

Our Directors confirm that (i) except as disclosed under the paragraph headed “Litigation” in this section of this prospectus, we do not have any major dispute during the Track Record Period and up to the Latest Practicable Date and generally we maintain a good working relationship with our employees; and (ii) had not experienced any material labour shortages.

Being a labour intensive industry, staff related costs (which included salaries, wages and other staff benefits, contributions to retirement schemes, provisions for staff long service payment and untaken paid leave) constitute a significant part of our costs of services. For each of the years ended 31 December 2011, 2012 and 2013, our direct wages was approximately HK\$486.1 million, HK\$473.3 million and HK\$605.5 million respectively, representing approximately 85.0%, 82.4% and 82.1% of our total cost of services. We generally have to consider potential changes in labour costs as early as when we estimate our fees during the tendering process rather than adjusting our fees on an ad hoc basis. As set out in the section headed “Risk factors — Increases in labour costs may adversely affect our profitability.” of this prospectus, the Minimum Wage Ordinance and the expansion of our workforce increased our labour costs. As at 31 December 2011, 2012 and 2013, approximately 46%, 21% and 47% of our employees (including full-time and part-time) respectively, were paid at the statutory minimum wage. The statutory minimum wage was determined at HK\$28 per hour since 1 May 2011, and was then revised to HK\$30 per hour since 1 May 2013. Upon such statutory minimum wage policy being effective or revised in 2011 and 2013, we revised the wage of our employees that were paid at the statutory minimum wage. Accordingly, the aforesaid percentage of our employees that were paid at the statutory minimum wage was relatively higher in 2011 and 2013. For each of the years ended 31 December 2011, 2012 and 2013, the aggregate wages of our employees (including full-time and part-time) paid at the statutory minimum wage at that time amounted to approximately HK\$185.1 million, HK\$138.7 million and HK\$222.1 million respectively.

Staff training

We ensure our staff receives appropriate training to provide consistent quality services to our customers and safeguard work-place safety for our staff. For these reasons, we have induction training and encourage our staff to undergo continuous professional development including safety training, first aid training, management certificate studies, specialised skills top-up courses. As mentioned in the paragraphs headed “Quality assurance” and “Workplace safety” of this section, we also require our staff to familiarise themselves with our most updated guidelines and remind them from time to time where they need to renew their relevant qualification, certification or licence.

CERTIFICATIONS, LICENCES AND REQUIREMENTS FOR OUR PROJECTS

Our Directors confirmed that our Group has obtained all necessary licences, permits and approvals required during the Track Record Period for carrying on its business activities and up to the Latest Practicable Date.

For purposes of providing services in relation to the collection of chemical wastes and clinical wastes in the future and in accordance with the WDO, Baguio Waste has applied to the EPD for admission as a licensed collector in Hong Kong for chemical and clinical waste in October 2013. As at the Latest Practicable Date, we received a clinical waste collection licence dated 20 December 2013 from the EPD which is effective from 1 January 2014 to 31 December 2015 and a chemical waste collection licence dated 18 February 2014 from the EPD which is effective from 25 February 2014 to 24 February 2019. The licences specify, amongst others, the types of approved wastes and the approved maximum daily quantity that can be collected, the authorised vehicles which can be used for collection and other terms and conditions of the licences.

As part of the licensing approval procedure for the above licences, we submitted and the EPD approved an operational plan in relation to the aforesaid waste collection services and representatives from the EPD inspected our relevant equipment, facilities and operations of the Group. The operational plan covers, among other things, safety measures, procedures for waste handling and collection, back-up measures, response plans to emergencies and the types of labelling, equipment, vehicles and facilities to be used. Based on the aforesaid approval and inspection, we believe that our guidelines and procedures in relation to the handling of chemical and clinical wastes currently comply with the relevant laws and regulations.

Our operation is governed by various internal control policies and an integrated management system following international standards and governed by our SHEQ department. Our integrated management system has received the following certifications:

<u>Certification/ accreditations</u>	<u>Current version</u>	<u>Accreditation body</u>	<u>Year first obtained</u>	<u>Earliest expiry date for current certificate</u>
ISO 9001	ISO 9001:2008	HKQAA	1998	27 February 2015
ISO 14001	ISO 14001:2004	HKQAA	2004	27 July 2014
OSHAS 18001	OSHAS 18001:2007	HKQAA	2004	27 July 2014

Based upon the compliance with ISO 9001, ISO 14001 and ISO 18001, HKQAA has awarded us with a Certificate of Achievement in Integrated Management System which was first received in 2004.

AWARDS, RECOGNITIONS AND CORPORATE SOCIAL RESPONSIBILITIES

We take our corporate social responsibility seriously and are in various environmental and industry bodies including as at the Latest Practicable Date, members of our Group are in various environmental related bodies (e.g. Business Environment Council), occupational and health and safety bodies (e.g.

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Occupational Health & Safety Council — Green Cross Group) and industry bodies (e.g. Hong Kong Cleaning Association, Hong Kong Waste Disposal Industry Association, Hong Kong Pest Management Association).

Furthermore, we organise and encourage our staff to attend various charitable or social activities. During the Track Record Period, such activities included:

<u>Year(s)</u>	<u>Organisation</u>	<u>Activity</u>
2011, 2012 & 2013	WWF	Earth Hour
2011, 2012 & 2013	Friends of the Earth	Earth Partner — Mars
2011, 2012 & 2013	Business Community	Work Life Balance Week
2012& 2013	Hong Kong Institute of Vocational Education	Student Industrial Attachment Programme — (Provide placement opportunities for summer internship)
2012& 2013	Hong Kong Federation of Trade Unions	Provide job opportunities in support of the employment scheme organised by the Hong Kong Federation of Trade Unions
2013	Green Sense	Green Sense Walkathon 2013
2013	The Lok Sin Tong Benevolent Society, Kowloon	Chinese New Year Visit to Elderly
2013	Yan Oi Tong Community Centre	Co-ordinate with Yan Oi Tong to organise a Disney Trip for children coming from low-income families
2013	The Society of Rehabilitation and Crime Prevention, Hong Kong	Provide job opportunities in support of the employment scheme organised by The Society of Rehabilitation and Crime Prevention, Hong Kong

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In recognition of our environmental consciousness and socially responsible actions, we have received a number major awards and recognitions during our operating history. Below is summary of our recent awards:

<u>Award/recognition</u>	<u>Awarding body(ies)</u>	<u>Year(s) awarded/ recognised</u>	<u>Expiry period of most recent award/ recognition</u>
Caring Company	The Hong Kong Council of Social Service	2012 & 2014	28 February 2015
Manpower Developer	Employees Retraining Board	2014	2016
Certificate of Participation in Conscientious Recycling Charter	co-organised by Friends of the Earth; St. James' Settlement and Caritas Hong Kong	2011, 2012 & 2013	31 December 2013
Earth Partner	Friends of the Earth	2011, 2012 & 2013	21 April 2014
Employers' Appreciation Ceremony	The Salvation Army (Hong Kong and Macau Command)	2011, 2012 & 2013	28 November 2013
Hong Kong's Most Valuable Companies Awards 2014 (Most reliable environmental services)	Mediazone Group	2013	13 November 2014
2013 Outstanding Partner Award	Hong Kong Confederation of Trade Unions	2013	31 December 2013
Hong Kong Awards for Environmental Excellence (Class of Excellence — Wastewi\$e Label)	Environmental Campaign Committee	2012	30 June 2013
Hong Kong Awards for Environmental Excellence (Class of Excellence — Energywi\$e Label)	Environmental Campaign Committee	2012	30 September 2013
Partner Employer Award	Hong Kong Chamber of Small and Medium Business	2012	31 December 2013

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<u>Award/recognition</u>	<u>Awarding body(ies)</u>	<u>Year(s) awarded/ recognised</u>	<u>Expiry period of most recent award/ recognition</u>
Excellent Achievement in Carbon Reduction Award	Hong Kong Environmental Protection Association	2012	15 February 2013
18 Districts Caring Employers 2012 Award	Labour and Welfare Bureau; Rehabilitation Advisory Committee; The Hong Kong Joint Council for People with Disabilities; The Hong Kong Council of Social Service	2012 & 2013	2012
Heart to Heart Company	The Hong Kong Federation of Youth Group	2011/2012	2012
Member of the Hong Kong Green Purchasing Charter	Green Council	2012	31 December 2013
Hong Kong Green Award Green Management Award (SME)	Green Council	2011 (Bronze), 2012 (Gold), 2013 (Gold)	15 December 2013

COMPETITION

Please refer to the section headed “Industry overview” of this prospectus for details.

LITIGATION

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims. None of the claims (whether settled or ongoing) were results of the non-compliance of any regulation or laws during the Track Record Period.

Set out below are the details of (i) the material ongoing litigations against our Group as at the Latest Practicable Date, (ii) potential litigations in relation to employees’ compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries

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as at the Latest Practicable Date; and (iii) the material litigation against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

1. Material ongoing litigations against our Group as at the Latest Practicable Date

<u>Name(s) of our Group company(ies)</u>	<u>Particular of the claims</u>	<u>Total amount involved for the ongoing claims</u> (HK\$)	<u>Status</u>	<u>Covered by insurance</u>
<i>Employees' compensation claims</i>				
1. Baguio Cleaning	On 20 November 2011 the plaintiff fell and sustained injuries whilst cleaning the floor	To be assessed by the court	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
2. Baguio Cleaning	On 25 January 2012 the plaintiff sustained injuries whilst in the course of her employment	To be assessed by the court	Ongoing and is at pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy
3. Baguio Cleaning	On 8 May 2013 the plaintiff was hit by a vehicle in the course of her employment	To be assessed by the court	Ongoing and is at pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy save that our Group shall be responsible for the first HK\$100,000 of the claim
4. Baguio Cleaning	On 20 June 2013, the plaintiff sustained injuries from slipping and falling on the floor	To be assessed by the court	Ongoing and is at pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy save that our Group shall be responsible for the first HK\$100,000 of the claim
5. Baguio Cleaning	On 24 June 2013, the plaintiff sustained injuries whilst attempting to close a vehicle's door	To be assessed by the court	Ongoing and is at pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy save that our Group shall be responsible for the first HK\$100,000 of the claim

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<u>Name(s) of our Group company(ies)</u>	<u>Particular of the claims</u>	<u>Total amount involved for the ongoing claims</u> (HK\$)	<u>Status</u>	<u>Covered by insurance</u>
6. Baguio Pest	On 21 May 2012 the plaintiff sustained injuries whilst clearing weeds	To be assessed by the court	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy save as the Group shall be responsible for the first HK\$100,000 of the claim
7. Baguio Pest	On 4 March 2011 the plaintiff sustained injuries while lifting a channel cover with a hook	To be assessed by the court	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
<i>Other personal injury claims</i>				
8. Baguio Cleaning	On 14 May 2010 the plaintiff sustained injuries from slipping and falling on the floor	233,850.00	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
9. Baguio Cleaning	On 10 February 2011 the plaintiff sustained injuries whilst cleaning the floor in the course of her employment	452,819.99	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
10. Baguio Cleaning	On 26 April 2011 the plaintiff sustained injuries whilst irrigating a flower bed at a height	748,562.70 (interest to be assessed)	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
11. Baguio Landscaping	On 11 March 2011 the plaintiff sustained injuries whilst operating a saw against a tree	To be informed by the plaintiff	Ongoing and is at the discovery stage	All costs and expenses will be fully covered by our Group's insurance policy
12. Baguio Landscaping	On 13 March 2011 the plaintiff sustained injuries in the course of his employment	To be informed by the plaintiff	Ongoing and is at the pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy

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<u>Name(s) of our Group company(ies)</u>	<u>Particular of the claims</u>	<u>Total amount involved for the ongoing claims</u> (HK\$)	<u>Status</u>	<u>Covered by insurance</u>
13. Baguio Pest	On 21 May 2012 the plaintiff sustained injuries in the course of her employment	To be informed by the plaintiff	Ongoing and is at the pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy saved that our Group shall be responsible for the first HK\$100,000 of the claim
14. Baguio Pest	On 4 March 2011 the plaintiff sustained injuries while lifting a channel cover with a hook	To be informed by the plaintiff	Ongoing and is at pleadings stage	All costs and expenses will be fully covered by our Group's insurance policy

2. Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries as at the Latest Practicable Date

<u>Item</u>	<u>Nature</u>	<u>Number of claims</u>
<i>Work-related incidents and injuries that had been settled by our Group's employees' compensation insurance but potential common law personal injury legal actions have not been commenced against our Group</i>		
1.	Slipped and fell	155
2.	Struck by objects	267
3.	Injured whilst lifting or carrying	125
4.	Others	103
<i>Work-related incidents and injuries that had not been settled by our Group's employees' compensation insurance and potential employees' compensation and/or common law personal injury legal actions have not been commenced against our Group</i>		
1.	Slipped and fell	33
2.	Struck by objects	34
3.	Injured whilst lifting or carrying	16
4.	Others	11
Total:		<u>744</u>

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Notes:

- (1) The number of employees involved in each of the above potential claims is 1.
- (2) Our Group's liabilities in a case of a work-related accident and injury include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance is a no fault system and gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission.
- (3) For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims shall be reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

As confirmed by our Directors, as at the Latest Practicable Date, there were 744 potential personal injury litigation claims in which those who has claimed/may claim against us under the Employees' Compensation Ordinance may also pursue personal injury claims under common law. These potential claims represented all work-related incidents and injuries that occurred within three years of the Latest Practicable Date and that the subject persons are entitled to claim against our Group. For details of our procedure upon the occurrence of the aforesaid including our recording and reporting procedures and the Labour Department's assessment, please refer to the section headed "Business — Workplace safety — Procedure for handling employee injuries and accidents at work" of this prospectus. Out of the 744 cases, (i) 650 cases had been settled by our employees' compensation insurance but as the limitation period for personal injury claims (which is generally three years from the date of the relevant incidents) have not lapsed, it is still possible for the subject persons to commence common law personal injury legal actions against our Group; and (ii) 94 cases are being processed by the Labour Department and have not been settled by our employees' compensation insurance. For the former scenario, although it is still possible for the subject persons to commence common law personal injury legal actions, these cases have already been settled by our employees' compensation insurance and no further legal actions have been commenced as at the Latest Practicable Date. Therefore, we consider that the chance of exposure to such further claim is not probable thereby making provisions unnecessary. On the other hand, for the latter scenario, being cases that have not been settled by our employees' compensation insurance, as well as for those cases that are being processed by the Labour Department, we make provision for the estimated exposure of our Group on a case by case basis. In determining the amount of provision, we consider, among other things, (i) the nature and the degree of injuries of each incident; (ii) any payments made so far for settlement for each incident; (iii) the status of the injured employees (whether they are on leave, resigned or whether they have resumed duty); (iv) the estimated total cost of treatment and potential claim against our Group of each incidents as assessed by our experienced management; and (v) the coverage of our insurance policy. Pursuant to the insurance policy currently effective, we are generally responsible for any claims of which the amount incurred is less than HK\$100,000, as well as the first HK\$100,000 in respect of the first 20 cases of claim above HK\$100,000, while the insurer shall be liable to pay (i) for the first 20 cases of claim above HK\$100,000, the excess amount after deduction of the said HK\$100,000 in respect of the compensations indemnifiable under the policy; and (ii) for the subsequent cases of claim above HK\$100,000, the full amount of the compensations indemnifiable under the policy. As

at the Latest Practicable Date, such employees' compensation insurance's limit (which also covers claims on the same facts but claimed under common law) of the indemnity was HK\$200 million per event. Please refer to the paragraph headed "Insurance" in this section for the details of our insurance policy for employees' compensation. Based on the above, our Directors believe that we have made adequate provisions with respect to current and pending litigations against us as well as the potential personal injury litigation claims. As of 31 December 2013, such provisions amounted to approximately HK\$3.1 million. As at the Latest Practicable Date, no employees' compensation litigation claim and no common law personal injury litigation has been commenced against our Group in relation to the abovementioned work-related accidents and injuries. The potential personal injury claims are within the limitation period of three years from the date of the relevant incidents. As such claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. In any event, our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date and notices of all the accidents had been given to the insurers. Our Directors confirmed that our Group's liabilities under all the potential employees' compensation claims and common law personal injuries actions are sufficiently covered by insurance. These accidents were caused during usual and ordinary business and have not caused disruption to our Group's business or adverse impact on our Group or our employees to obtain any licences or permits for our operation. No penalty was imposed by the government authority on our Group, Directors or senior management as a result of these injuries.

3. Litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

	<u>Name of our Group company(ies)</u>	<u>Date of Accident</u>	<u>Particulars of the claims</u>	<u>Amount settled</u> <i>(approximately HK\$)</i>	<u>Settlement date</u>
<i>Personal injuries claim</i>					
1.	Baguio Cleaning	9 July 2010	The plaintiff sustained injuries in the course of his employment at a refuse chamber	260,000.00	12 November 2013
2.	Baguio Cleaning	3 June 2010	The plaintiff sustained injuries in the course of his employment	200,000.00	28 November 2013
3.	Baguio Pest	19 October 2010	The plaintiff sustained injuries from slipping and falling whilst sweeping refuses at a ditch	50,000.00	16 April 2013
4.	Baguio Pest	18 March 2010	The plaintiff sustained injuries in the course of her employment in the vicinity of a drainage	148,000.00	13 August 2012

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	<u>Name of our Group company(ies)</u>	<u>Date of Accident</u>	<u>Particulars of the claims</u>	<u>Amount settled</u> <i>(approximately HK\$)</i>	<u>Settlement date</u>
5.	Baguio Pest	14 November 2009	The plaintiff sustained injuries from having her foot trapped in a gap between large stones	758,418.90	23 December 2013
6.	Tak Tai	26 February 2003	The plaintiff fell and sustained injuries while attempting to cut and trim a tree	1,176,500.10	3 May 2012
<i>Employees' compensation claims</i>					
7.	Baguio Cleaning	18 November 2013	The plaintiff was hit by a vehicle in the course of her employment	33,000.00	29 April 2014
8.	Baguio Cleaning	11 September 2012	The plaintiff was hit by a fallen metal object whilst cleaning the curb	123,055.20	10 September 2013
9.	Baguio Cleaning	1 July 2012	The plaintiff sustained injuries whilst obtaining the cleaning equipment for work	80,000.00	14 February 2013
10.	Baguio Cleaning	6 June 2012	The plaintiff sustained injuries from being hit by vehicle in the course of her employment	156,000.00	16 August 2013
11.	Baguio Cleaning	10 May 2012	The plaintiff sustained injuries from slipping and falling whilst working in canteen	137,025.50	17 February 2014
12.	Baguio Cleaning	3 May 2012	The plaintiff was involved in a vehicle collision in the course of his employment	169,730.60	19 November 2013
13.	Baguio Cleaning	30 April 2012	The plaintiff's foot was hit by a car in the course of his employment	15,000.00	24 May 2013

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	<u>Name of our Group company(ies)</u>	<u>Date of Accident</u>	<u>Particulars of the claims</u>	<u>Amount settled</u> <i>(approximately HK\$)</i>	<u>Settlement date</u>
14.	Baguio Cleaning	26 April 2012	The plaintiff sustained injuries from being hit by a vehicle in the course of her employment	34,722.60	24 July 2013
15.	Baguio Cleaning	1 December 2011	The plaintiff sustained injuries from slipping and falling in the course of his employment	5,300.00	7 March 2013
16.	Baguio Cleaning	7 May 2011	The plaintiff sustained injuries from being hit by a vehicle in the course of his employment	13,321.20	23 April 2012
17.	Baguio Cleaning	26 April 2011	The plaintiff sustained injuries whilst irrigating a flower bed at a height	37,000.00	29 October 2013
18.	Baguio Cleaning	30 March 2011	The plaintiff was hit by a vehicle whilst in the course of his employment with the defendant	85,000.00	21 June 2012
19.	Baguio Cleaning	10 February 2011	The plaintiff sustained injuries while operating a water suction machine	66,000.00	20 December 2013
20.	Baguio Cleaning	4 February 2011	The plaintiff sustained injuries from tripping over an uneven floor of the flower plot	118,076.80	5 December 2012
21.	Baguio Cleaning	9 July 2010	The plaintiff was injured by a metal drainage cover which fell on her in the course of her employment	118,021.32	18 May 2012
22.	Baguio Cleaning	20 May 2010	The plaintiff sustained injuries from slipping and falling on the surface of an electric rear-elevating platform	200,000.00	1 November 2011

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	<u>Name of our Group company(ies)</u>	<u>Date of Accident</u>	<u>Particulars of the claims</u>	<u>Amount settled</u> <i>(approximately HK\$)</i>	<u>Settlement date</u>
23.	Baguio Cleaning	23 April 2009	The plaintiff sustained injuries by the tailgate of the defendant's vehicle	188,619.50	16 August 2012
24.	Baguio Landscaping	11 May 2011	The plaintiff fell into a trench in the course of her employment	15,000.00	28 December 2012
25.	Baguio Landscaping	11 March 2011	The plaintiff sustained injuries whilst operating a saw against a tree	42,840.00	2 May 2013
26.	Baguio Pest	19 October 2010	The plaintiff slipped and fell whilst sweeping refuses at a ditch	98,719.00	3 December 2012
27.	Baguio Pest	18 March 2010	The plaintiff sustained injuries from tripping over the roots of a tree in the course of her employment	108,411.50	29 November 2011
28.	Modern Automobile	10 March 2011	The plaintiff sustained injuries from repairing a vehicle in the course of his employment	10,000.00	26 August 2013

During the Track Record Period and up to the Latest Practicable Date, our Group had settled 28 claims and litigations with an aggregate settlement amount of approximately HK\$4.4 million. All cases were in relation to our Group's employees or ex-employees. Out of the 28 claims, 27 claims were covered by our insurance and one claim was settled by our internal resources. Generally out of the 27 claims covered by our Group's insurance, our Group's insurance fully covered 20 claims and only covered settlement amount in excess of HK\$100,000 for each of the seven remaining claims.

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry according to the Ipsos Report. Please refer to the section headed "Industry overview — Major threats affecting general operations of environmental service providers in Hong Kong" of this prospectus for further details.

REGULATORY COMPLIANCE

We have inadvertently breached certain sections of the Predecessor Companies Ordinance. The table below summarises the non-compliance with the requirements of the Predecessor Companies Ordinance by our Group during the Track Record Period.

Non-compliance under the Predecessor Companies Ordinance

Item(s) of non-compliance	Name(s) of our Group	Particulars of non-compliance	Cause for the non-compliance and any staff involved	Remedial action	Potential maximum penalty/fine	Provision made in the financial statements	Statutory provision made for any potential penalty/fine	Period(s) of which the non-compliance occurred
Non-compliance with section 92(3) of the Predecessor Companies Ordinance	Baguio Cleaning and Baguio Landscaping	Late filing in relation to change in registered address	During the period when the non-compliance occurred, our Group companies did not have an internal company secretarial department and qualified company secretary of relevant working experience to deal with company secretarial matters and to comply with the Predecessor Companies Ordinance	Filings were made on 8 March 1985 for Baguio Cleaning; and 21 January 2014 for Baguio Landscaping	No risk of prosecution as the offence was committed beyond the past 3 years	No provision has been made	Section 92(4) of the Predecessor Companies Ordinance	The year 1985 for Baguio Cleaning; and 1995 for Baguio Landscaping
Non-compliance with section 109(1A) of the Predecessor Companies Ordinance	Baguio Cleaning	Late filing in relation to annual return	company secretary of relevant working experience to deal with company secretarial matters and to comply with the Predecessor Companies Ordinance	Filings were made on 21 January 2014	No risk of prosecution as the offence was committed beyond the past 3 years	No provision has been made	Section 109(4) of the Predecessor Companies Ordinance	The years 1983 to 1990 and 1992
Non-compliance with section 109(1A) of the Predecessor Companies Ordinance	Tak Tai	Late filing in relation to annual return	Companies Ordinance	Filings were made on 23 January 1989 for the 1986 annual return; 23 January 1989 for the 1987 annual return; 22 February 1991 for the 1990 annual return; 10 December 1991 for the 1991 annual return; 28 February 1993 for the 1992 annual return; 12 January 1994 for the 1993 annual return; 3 October 2002 for the 2002 annual return; and 6 October 2004 for the 2004 annual return	No risk of prosecution as the offence was committed beyond the past 3 years	No provision has been made	Section 109(4) of the Predecessor Companies Ordinance	The years 1986, 1987, 1990, 1991, 1992, 1993, 2002, 2004

Item(s) of non-compliance	Name(s) of our Group Company(ies)	Particulars of non-compliance	Cause for the non-compliance and any staff involved	Remedial action	Potential maximum penalty/fine	Provision made in the financial statements	Statutory provision made for any potential penalty/fine	Period(s) of which the non-compliance occurred
Non-compliance with section 158(4) of the Predecessor Companies Ordinance	Baguio Cleaning, Baguio Landscaping and Tak Tai	Late filing in relation to change in the particulars of director and/or secretary	During the period when the non-compliance occurred, our Group companies did not have an internal company secretarial department and qualified company secretary of relevant working experience to deal with company secretarial matters and to comply with the Predecessor Companies Ordinance	Filings were made on 28 May 2004 for Baguio Landscaping; 27 May 2004 for Tak Tai; and 21 January 2014 for Baguio Cleaning	No risk of prosecution as the offence was committed beyond the past 3 years	No provision has been made	Section 158(8) of the Predecessor Companies Ordinance	The year 2004 for Baguio Landscaping and Tak Tai. The years 1992 and 1994 for Baguio Cleaning
Non-compliance with sections 157D(2) and 158(4) of the Predecessor Companies Ordinance	Tak Tai	Late filing in relation to resignation of director	It was due to inadvertence and for the ease of management of the Group's affairs that the AGMs were held outside the prescribed time limit stipulated in the Predecessor Companies Ordinance	Filings were made on 21 January 2014	No risk of prosecution as the offence was committed beyond the past 3 years	No provision has been made	Section 158(8) of the Predecessor Companies Ordinance	The years 1990 and 1997
Non-compliance with section 111(1) of the Predecessor Companies Ordinance	Baguio Cleaning, Baguio Landscaping, and Baguio Pest	Failing to convene an AGM within 15 months of the previous AGM that was previously held in 1994, 1996 and 2006	Our Group applied to the Court on 18 December 2013 for orders to rectify such non-compliance and the hearing date was held on 7 March 2014. In light of section 351A of the Predecessor Companies Ordinance, the Court was of the view that no order needs to be granted as there was no risk of prosecution for offence committed beyond the past 3 years	No risk of prosecution as the offence was committed beyond the past 3 years	No provision had been made	Section 111(5) of the Predecessor Companies Ordinance	Section 111(5) of the Predecessor Companies Ordinance	The year 1995 for Baguio Cleaning; The year 1997 for Baguio Landscaping; and The year 2007 for Baguio Pest

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Item(s) of non-compliance	Name(s) of our Group Company(ies)	Particulars of non-compliance	Cause for the non-compliance and any staff involved	Remedial action	Potential maximum penalty fine	Provision made in the financial statements	Statutory provision made for any potential penalty/fine	Period(s) of which the non-compliance occurred
Non-compliance with section 122 of the Predecessor Companies Ordinance	Baguio Cleaning; Baguio Landscaping; Baguio Pest; Baguio Waste; Modern Automobile; Tak Tai; and Baguio Green Technology	Failing to provide profit and loss accounts that were made within 9 months before the date of the AGMs	During some of the periods when the non-compliance occurred, the Group had mistakenly believed that so long as it reported the accounts during the AGMs each year, it would have complied with the requirements under the Predecessor Companies Ordinance and the Group was not informed by its auditors of the relevant requirements and defaults at the material times.	Our Group applied to the Court on 18 December 2013 for orders to rectify such non-compliance and the hearing date was held on 7 March 2014. Pursuant to that hearing, a decision was made by the Court of First Instance of the High Court of Hong Kong rectifying these defaults. The decision stated that the Court will order that the period to lay the relevant accounts for the past 3 years be substituted at subsequent general meeting or be extended	HK\$300,000 and 12 months imprisonment	No provision had been made	Section 122(3) of the Predecessor Companies Ordinance	The years 1983 to 2012 for Baguio Cleaning; The years 1996 to 2012 for Baguio Landscaping; The years 2007 to 2012 for Baguio Pest; The years 2009 to 2012 for Baguio Waste; The years 2005 to 2013 for Modern Automobile; The years 1997 to 2012 for Tak Tai; and The year 2013 for Baguio Green Technology

Section 351A of the Predecessor Companies Ordinance provides that an offence under the Predecessor Companies Ordinance may be prosecuted only if the prosecution is initiated (amongst others) within 3 years after the commission of the offence. Therefore, non-compliances committed prior to such period are time-barred unless non-compliances are continuous in nature.

The grant of the Court order in relation to sections 111(1) and 122 of the Predecessor Companies Ordinance may not by itself bar criminal enforcement of the Companies Registry of possible offences arising from the past 3 years. However, our Directors believe and our Hong Kong Legal Advisers confirm that the likelihood of such criminal enforcement by the Companies Registry is low in view of the fact that the High Court of Hong Kong has granted the orders based on its acceptance of the evidence submitted to the Court in support of the order applications.

Regarding the non-compliance with sections 92(3), 109(1A), 111(1), 122, 158(4) and 157D(2) of the Predecessor Companies Ordinance relating to periods of non-compliance beyond the past 3 years, non-compliances committed prior to such period are time-barred and there is no potential liability.

Our Directors are of the view that with the implementation of internal control measures and strengthening of our corporate governance, the internal control procedures adopted by our Group are adequate and effective in significantly reducing the risk of future non-compliance with the legal and regulatory requirements in Hong Kong. Our Directors consider that the above instances of non-compliance will not have a material impact on our operations or financial position, nor impair our ability to comply with the Listing Rules.

Internal control measures to address non-compliance

In order to prevent the reoccurrence of historical non-compliance and to ensure the ongoing compliance with relevant regulatory requirements, we have adopted and implemented the following specific measures prior to Listing:

- (1) the additional measures set out in the paragraph headed “Measures concerning compliance with Companies Ordinance” below;
- (2) we appointed Ms. Ng Yuk Kwan, Phyllis as our executive Director and compliance officer. From time to time, she will attend training relating to matters such as the latest compliance and regulatory requirement development on the Companies Ordinance, the Listing Rules and other laws, rules and regulations relevant to the Group. In case of potential non-compliance identified, she will report such matters to the audit committee or the Board in a timely manner. Furthermore, she will assist in the development, implementation and maintenance of our internal control policies and procedures. For further details concerning Ms. Ng’s qualifications including her completion of the IMS Internal Auditor Course in December 2013 please refer to the section headed “Directors, senior management and staff” of this prospectus;
- (3) we have established an audit committee which comprises three independent non-executive Directors, one of whom is currently the executive director and responsible officer of a company licensed by the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities, corporate finance and asset management and another is currently an independent director of another company listed on the Stock Exchange (for the

experience and qualifications of our independent non-executive Directors, please refer to the section headed “Directors, senior management and staff” of this prospectus), to oversee the internal control procedures and accounting and financial reporting matters. The audit committee has also adopted its terms of references which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements;

- (4) we have appointed Guotai Junan Capital Limited as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with Rule 3A.19 of the Listing Rules; and
- (5) our Directors have attended trainings conducted by our Hong Kong Legal Advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Listing Rules.

The Group will also engage external legal advisers and other advisers to render professional advice as to compliances with the statutory requirements as applicable to the Group from time to time to advise our compliance officer, compliance adviser, Directors and senior management when considered necessary.

Measures concerning compliance with Companies Ordinance

The following additional measures were adopted and implemented prior to Listing in relation to Companies Ordinance compliance:

- we appointed Ms. Wong Yin Ping as company secretary of each of our Hong Kong subsidiaries and Ms. Cheung Siu Chun as company secretary of our Company. The Directors believe they are suited to this role based on (a) their character, (b) their familiarity with the structure of our Group and (c) their accounting background. Ms. Wong and Ms. Cheung will report to our compliance officer, Ms. Ng Yuk Kwan, Phyllis. For the experience and qualifications of Ms. Wong and Ms. Cheung, please refer to the section headed “Directors, senior management and staff” of this prospectus;
- to assist the company secretaries in ensuring relevant supporting documents are filed with the Companies Registry in a timely manner, they will maintain a list recording (a) the status, (b) further work to be done and (c) deadline for filing with the Companies Registry of Hong Kong in respect of each of the companies within the Group which they are responsible, and should also, regularly, update the list and report to the Board for the progress;
- the relevant company secretary will keep themselves updated with the latest compliance and regulatory requirement development, relating to the Companies Ordinance;
- the relevant company secretary will make recommendations to the audit committee or the Board and assist them in developing new company policies and procedures with any latest update of the Companies Ordinance and other relevant laws, rules and regulations; and
- we will further implement training programs, including training conducted by our external Hong Kong legal advisers from time to time to update our staff on relevant Hong Kong laws and regulation, including the Companies Ordinance.

- our executive Directors, independent non-executive Directors and Ms. Wong Yin Ping, the secretary of each of our Hong Kong subsidiaries, has been provided training on the new Companies Ordinance prepared by the Hong Kong Legal Advisers on 25 February 2014.

Independent internal control adviser

We engaged an independent internal control adviser on September 2013 to perform review procedures on our key procedures, systems and controls and to assist the Sponsor in assessing the adequacy of the internal controls of our Group for amongst others, compliance with relevant legal and regulatory requirements. The independent internal control adviser is in the business of, amongst others, providing risk management, internal control and corporate governance advisory services to listed companies and listing candidates in Hong Kong.

The above remedial actions and internal control measures are consistent with those recommendations pointed out by the independent internal control adviser after its review to further strengthen our internal controls. The independent internal control adviser performed a follow-up review in December 2013, and all of these measures have been implemented by our Group according to the independent internal control adviser's recommendations. In the course of its follow-up review, the independent internal control adviser (i) conducted interviews with the designated responsible personnel to ascertain our procedures for filing of documents with the Companies Registry and relevant annual requirements as for each Hong Kong company within the Group; (ii) examined our written policy and procedures on such filings and such annual requirements; and (iii) examined the control list maintained which records the status, progress and deadline of such filing.

Directors' and the Sponsor's views on internal control measures

Having considered the enhanced internal control measures as set out above, our Directors are of the view, and the Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective.

Taking into account (i) the aforesaid non-compliances mainly involved late filings and failing to convene annual general meeting within the required timeframe due to over-sight or misunderstanding of certain provisions of the Predecessor Companies Ordinance; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors were willing to adopt the rectification and preventative measures when the issues were identified, our Directors are of the view, and the Sponsor concurs, that these non-compliances do not reflect a material defect in the character, integrity or experience of the Directors. Furthermore, our executive Directors, independent non-executive Directors and Ms. Wong Yin Ping, the secretary of each of our Hong Kong subsidiaries, have been given training on the new Companies Ordinance. Our Directors are therefore of the view, and the Sponsor concurs, that our Directors are suitable to act as our Company's Directors under Rules 3.08 and 3.09 of the Listing Rules.

Finally, given the rectification status of the non-compliances identified as well as the Deed of Indemnity given in favour of us by the Controlling Shareholders, our Directors are of the view, and the Sponsor concurs, that non-compliances identified do not materially affect our suitability for listing under Rule 8.04 of the Listing Rules.

Compliance with the WDO

Services of our Group in relation to handling of waste

Our waste management services include, but not limited to, the emptying of garbage bins of the premises of tenants, where relevant, collection of garbage from refuse room of each floor and transfer the garbage collected to the refuse collection point of the building (namely “Door-to-door Services”), as well as the collection of waste with specialised vehicles, such as hook-lift trucks, grab tippers, tippers and refuse compaction vehicles, from refuse collection points of the buildings and transport the garbage collected to government designated waste disposal facilities (namely “Waste Management Services”). The types of waste that we handle include trade waste, industrial waste, household waste and construction waste.

Relevant sections of the WDO

Pursuant to the WDO, the Collection Authority includes FEHD and EPD. The FEHD is generally responsible for the services in section 9 of the WDO, including but not limited to the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste (the “Services”) and pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the WDO, EPD is generally responsible for construction waste, chemical waste and clinical waste.

Section 11 of the WDO, which does not apply to construction waste, prohibits the provision of any of the services by any person if such Services is also provided by the Collection Authority or a licensed party unless such person is licensed by the director of the FEHD or the EPD in accordance with section 10(1) of the WDO (the “Licence”).

Section 12(1) of the WDO provides that it shall not be an offence under section 11 of the WDO for an occupier of any building, or any persons responsible for the management of building, to remove household waste from any building if:

- (a) the Collection Authority or any person holding the Licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the authority or person provides that service under section 9 or 10 of the WDO; or
- (b) no such service for the removal of household waste is provided by the Collection Authority or a person holding the Licence.

Confirmation from the FEHD and the EPD

Upon the enquiries made by our Hong Kong Legal Advisers regarding the relevant provisions of the WDO, the FEHD confirmed by a letter dated 27 November 2013 which was copied to the EPD (the “FEHD Letter”), that:

- (i) no licence has so far been issued under section 10(1) of the WDO to any private business to provide any of the services under section 9 of the WDO;

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- (ii) the FEHD does not have a licensing mechanism to regulate private business or any person engaging in providing the Services and it has not accepted any application for a licence for providing the Services;
- (iii) the FEHD and the EPD do not provide services for removal and disposal of trade waste/commercial waste;
- (iv) the FEHD does not provide Door-to-door Services for household waste; and
- (v) the FEHD will arrange cessation of the Services at any locations upon receiving request from the management office.

FEHD verbally confirmed their advice as stated in the FEHD Letter as valid up to the Latest Practicable Date.

EPD confirmed by a letter dated 17 February 2014 that they are neither involved in the provision of collection services for household waste or trade waste/commercial waste in Hong Kong nor required any parties involved in the provision of such services in Hong Kong to apply for a licence under the Waste Disposal Ordinance. The EPD also confirmed that they have no comment on the advice given by the FEHD as stated in the FEHD Letter.

Implication of the WDO in our operation

As advised by our Hong Kong Legal Advisers, based on their interpretation of the WDO and the confirmation from the FEHD as stated above, the prohibition under section 11 of the WDO should only apply to our Waste Management Services wherein it involves household waste given the fact that (i) the prohibition under section 11 of the WDO does not apply to construction waste; and (ii) FEHD and the EPD do not provide services for removal and disposal of trade waste and hence, the prohibition under section 11 of the WDO does not apply to our Group in respect of the removal and disposal of trade waste. As for household waste, the FEHD does not provide Door-to-door Services and there is no overlapping of our Waste Management Services with their Services.

Our Group's compliance with the WDO

Our Group has confirmed with the FEHD that our Waste Management Services which involved household waste during the Track Record Period and up to the Latest Practicable Date do not overlap with the Services of the FEHD. For the locations where both the FEHD and our Group provide collection of household waste, the FEHD only transports household waste from refuse collection points of buildings to government designated waste disposal facilities; while our Group only provides Door-to-door Services except for one residential building which requests our Group to provide Waste Management Services to transport the household waste from refuse collection points of buildings to government designated site at a time different from which the FEHD is providing. The value of the contract for our Waste Management Services provided to such building was around HK\$60,000 per year and will be terminated in June 2014. Accordingly, there is no overlap of services. As such, we have been advised by our Hong Kong Legal Advisers that our Waste Management Services falls within the exemption under section 12(b) of the WDO and it is lawful for our Group (being the party designated by or to represent management of a building to remove household waste) to provide the Waste Management Services without a licence at locations where FEHD did not provide the same services at the same time.

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In light of the above, our Group's waste removal and disposal services has complied with all applicable Hong Kong laws and regulations including the WDO during the Track Record Period and up to the Latest Practicable Date.

Moreover, in order to prepare a more accurate and competitive quotation or bid for potential new contracts, we will check with our potential customers or the regional office of the FEHD directly to understand whether any person or the FEHD is providing the Waste Management Services at the relevant sites. If we become aware of any person or the FEHD who is already providing the Waste Management Services at the relevant site, we will not include such service, as well as the respective cost of services, in our quotation or bid. Our directors believe this procedure in preparing new quotation or bids for potential new contracts could effectively avoid overlapping of the same services with that of the FEHD at the relevant sites. Furthermore, to ensure future compliances with the WDO, our Group has maintained a policy to check from time to time with the FEHD whether our engagement of potential new projects will overlap with the Services of the FEHD. In case of any potential overlapping of Services with that of the FEHD, we shall request our customer (or the management office of relevant locations) to arrange cessation of the Services with the FEHD prior to commencing our services at such location.

Our Hong Kong Legal Advisers are of the view that the officers of the EPD and the FEHD who provided the interpretation of the WDO are the appropriate source for seeking clarification on the WDO, have the relevant authority and are authorised to give such advices regarding the WDO. Our Hong Kong Legal Advisers are of the view that the interpretation by the EPD and the FEHD is unlikely to be challenged by a higher authority as both the EPD and FEHD are the Collection Authority defined under the WDO and the EPD is responsible for the enforcement of the WDO. Furthermore, our Hong Kong Legal Advisers were also verbally informed by the FEHD that the FEHD Letter had been reviewed by the Department of Justice prior to the issue of the same.

We will also keep track of any update of the laws and regulations relating to waste collection. Once the relevant licence is available for applications, we will promptly apply for such licence. Based on the information available to our Directors, as at the Latest Practicable Date, our Directors are not aware of any major obstacles for our Group to apply for the relevant licence should such licence be available for application given our long track record in the industry.

Section 11 of the WDO requires waste collectors to obtain licences from the EPD in order to provide any services for the collection or removal of chemical waste or clinical waste. Baguio Waste had obtained the licence to collect and transport chemical waste which is valid from 25 February 2014 to 24 February 2019, and also the clinical waste collection licence which is valid from 1 January 2014 to 31 December 2015.

The Waste Disposal (Chemical Waste) (General) Regulation requires waste producers to be registered with the EPD. The following companies of the Group are registered as a waste producer with the EPD pursuant to the Waste Disposal (Chemical Waste) (General) Regulation:

- (i) Baguio Cleaning for spent lubricating oil and surplus pesticide in June 2013;
- (ii) Baguio Landscaping for spent organic solvent and surplus pesticide in March 2009; and

- (iii) Modern Automobile, which is our subsidiary responsible for our Group's vehicle maintenance matters, for spent lubricating oil and pesticide in August 2009.

Furthermore, the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) provides that a valid billing account is required for the removal and disposal of construction waste and the application for a billing account should be made to the EPD. We maintain valid billing accounts with the EPD during the Track Record Period and up to the Latest Practicable Date.

Compliance with the Dangerous Goods Ordinance

Our business operations from time to time involve the storage and usage of classified dangerous goods listed on the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) including corrosive substances and poisonous substances. Our Directors confirm that our storage and usage of such dangerous goods did not exceed the maximum quantity specified under the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) for which licence is required and therefore, as advised by our Hong Kong Legal Advisers, we are not required to apply for any licence under the Dangerous Goods Ordinance.

Compliance with the Pesticides Ordinance

Our business operations from time to time involve the use and storage of pesticides as specified under the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong). Our Directors have confirmed that all relevant pesticides used and stored by us are registered pesticides and accordingly, as advised by our Hong Kong Legal Advisers, pursuant to the Pesticides Ordinance, no licence is required for their usage or storage to the extent that our Group does not engage in the trade or business, whether for wholesale, retail or otherwise, of selling, offering or exposing for sale, supplying or offering to supply the registered pesticides and sells, offers or exposes for sale, supplies or offers to supply any registered pesticides which our Group acquired for our own use.

Compliance with the Country Parks Ordinance and Country Parks and Special Areas Regulations

Our business operations from time to time involve our vehicles entering into country parks as specified under the Country Parks Ordinance (Chapter 208 of the Laws of Hong Kong). Our Directors have confirmed that the permits issued by the Agriculture, Fisheries and Conservation Department required under the Country Parks and Special Areas Regulations (Chapter 208A of the Laws of Hong Kong) have been obtained for bringing into the country parks or special area our vehicles within the country parks.

Compliance with the Plant (Importation and Pest Control) Ordinance

Our business operations involve the importation of plants, plant pest or soil into Hong Kong as specified under the Plant (Importation and Pest Control) Ordinance (Chapter 207 of the Laws of Hong Kong). Our Group has confirmed that during the Track Record Period and as at the Latest Practicable Date, we only import plants, plants pests or soil directly from the PRC. Pursuant to the exemptions under schedule 2 of the Plant (Importation and Pest Control) Ordinance, no plant import licence or phytosanitary certificate were required to the extent that our Group does not engage in importing plants, plant pests or soil produced in or from places outside Hong Kong other than the PRC.

Compliance with the Protection of Endangered Species of Animals and Plants Ordinance

Our business operation involving the importation of plants or plant pests is also specified under the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong). Our Group has confirmed that during the Track Record Period and as at the Latest Practicable Date, we do not import or trade in any endangered animals or plants as stipulated under the Protection of Endangered Species of Animals and Plants Ordinance.

Save as disclosed under the paragraphs headed “Regulatory compliance” and “Litigation” in this section, given we have already taken the remedial actions as advised by our Hong Kong Legal Advisers for each of the non-compliance incidents, our Directors confirmed that our Group has complied with the relevant rules and regulations in material aspect and no member of our Group was engaged in any and had not been involved in any other litigation, arbitration or claims of material importance that is known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Nexus Solutions Limited (“NSL”) is owned as to approximately 87% by Mr. Ng, a Controlling Shareholder and an executive Director, and as to approximately 0.14% through his wholly-owned company, IT Holdings Limited. Accordingly, NSL is a connected person of our Company under Chapter 14A of the Listing Rules.

Cleanic Cleaning Equipment Ltd. (“CCE”) is owned as to approximately 74% by Mr. Ng Wing Sun, the brother of Mr. Ng, being a Controlling Shareholder and an executive Director, and as such CCE is a connected person of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We set out below details of the continuing connected transactions between our Group and our connected parties.

Continuing connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements

- (A) On 28 January 2014, Baguio Cleaning and NSL entered into an IT service agreement (the “IT Agreement”) pursuant to which NSL has agreed to provide information technology services to our Group. Pursuant to the IT Agreement, NSL shall provide our Group with hardware and networking support for a period of three years commencing from 28 January 2014 and expiring on 27 January 2017.

The annual fee under the IT Agreement was determined on an arm’s length basis between Baguio Cleaning and NSL by reference to prevailing market rate.

Our Directors (including the independent non-executive Directors) have confirmed that the IT Agreement has been and will be conducted in the ordinary and usual course of business of our Group on normal commercial terms. As such our Directors considered that the entering into of the IT Agreement is fair and reasonable and in the interests of our Group and our Shareholders as a whole.

During the Track Record Period, we procured similar IT product and services from a related party and the historical transaction amounts are set out below:

Historical figures

For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013
HK\$2,369,000 (<i>Note</i>)	HK\$752,000	HK\$905,000

Note: such amount includes a one-off acquisition cost of information technology software of approximately HK\$2,100,000.

It is estimated that the total amount payable under the IT Agreement by Baguio Cleaning to NSL for each of the three financial years ending 31 December 2016 will be less than HK\$1,000,000 per annum by reference to the above historical figures and the percentage ratios mentioned in Rule

CONNECTED TRANSACTIONS

14.07 of the Listing Rules is less than 5%. Accordingly, the total fees payable under the IT Agreement fall below the de minimis threshold under Rule 14A.31(2)(c) of the Listing Rules and thus is not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

- (B) On 11 October 2013, Baguio Cleaning and Mr. Ng entered into a lease agreement (the "Lease Agreement") pursuant to which Mr. Ng (as landlord) agreed to lease the premises situated at Room 5C, Block 19, Baguio Villa, Hong Kong with a total gross floor area of approximately 1,580 sq.ft. to Baguio Cleaning (as tenant), for a period commencing from 1 August 2013 and expiring on 30 September 2015, at a total annual rent of HK\$576,000. The premises is used as staff quarter for Ms. Ng Yuk Kwan Phyllis, one of our executive Directors.

The annual rent under the Lease Agreement was determined on an arm's length basis between Mr. Ng and Baguio Cleaning by reference to the prevailing market rate for the lease of properties of similar standard in the neighbouring areas of the premises and the terms of the previous lease agreement.

The Directors (including the independent non-executive Directors) have confirmed that the Lease Agreement has been and will be conducted in the ordinary and usual course of business of our Group on normal commercial terms. As such the Directors considered that the entering into of the Lease Agreement is fair and reasonable and in the interests of our Group and the Shareholders as a whole.

For the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, the approximate total amount of rent paid is as follows:

Historical figures

For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013
HK\$360,000	HK\$360,000	HK\$450,000

It is estimated that the total amount of rent payable under the Lease Agreement by Mr. Ng to Baguio Cleaning for each of the two financial years ending 31 December 2015 will be less than HK\$1,000,000 per annum by reference to the above historical figures and the percentage ratios mentioned in Rule 14.07 of the Listing Rules is less than 5%. Accordingly, the total rent payable under the Lease Agreement falls below the de minimis threshold under Rule 14A.31(2)(c) of the Listing Rules and thus is not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Continuing connected transactions subject to reporting, announcement and annual review but exempt from the independent shareholders' approval requirements

On 27 January 2014, Baguio Cleaning and CCE entered into a supply agreement (the "Supply Agreement") pursuant to which CCE has agreed to supply cleaning equipment and materials to our Group for use in our ordinary course of business for a period of three years commencing from 27 January 2014 and expiring on 26 January 2017.

For the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, the approximate total amount of purchases is as follows:

Historical figures

For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013
HK\$2,316,000	HK\$2,322,000	HK\$2,549,000

The annual amount of purchases under the Supply Agreement for each of the three years ending 2014, 2015 and 2016 is expected to not exceed HK\$3,500,000 each year ("Annual Cap"). Such amount is determined on an arm's length basis between Baguio Cleaning and CCE by reference to the amount of purchases made between these parties for each year during the Track Record Period plus an approximate 8% expected increase and the new contracts obtained in respect of our cleaning services subsequent to 31 December 2013.

Our Directors (including our independent non-executive Directors) are of the view that the entering into of the Supply Agreement is in the ordinary and usual course of business of our Group, the Supply Agreement including the Annual Cap is on normal commercial terms, and the terms of the Supply Agreement including the Annual Cap are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Given the annual amount payable by Baguio Cleaning under the Supply Agreement, the Supply Agreement constitutes a continuing connected transaction of our Company and falls within the ambit of Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) and is exempt from the independent shareholders' approval requirements.

WAIVER SOUGHT FOR CONTINUING CONNECTED TRANSACTION

Given the annual amount payable by Baguio Cleaning under the Supply Agreement, the Supply Agreement constitutes a continuing connected transaction which is subject to the requirements of reporting, annual review and announcement but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

As such continuing connected transactions have been entered into prior to Listing and have been fully disclosed in this prospectus and they are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirement would be impractical, our Company would incur unnecessary administrative costs and would be unduly burdensome to our Company.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to our Company under Rule 14A.42(3) of the Listing Rules from compliance with the announcement requirement in respect of such continuing connected transactions. Our Company will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to such continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, our Company will take immediate steps to ensure compliance with such new requirements within reasonable time.

The Stock Exchange has granted a waiver for such continuing connected transactions.

RELATED PARTY TRANSACTIONS

The above continuing connected transactions are also disclosed in Note 40 to the Accountants' Report in Appendix I to this prospectus.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) consider that it is in the interests of our Company to continue with these continuing connected transactions after Listing. They also consider that all the continuing connected transactions as set out above are in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors are also of the view that all of the continuing connected transactions above were entered into on normal commercial terms and the annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any transaction which will constitute a continuing connected transaction of our Company under the Listing Rules.

CONFIRMATION FROM THE SPONSOR

After review of the relevant documentation and historical figures provided by us, the Sponsor is of the opinion that (i) the terms of the continuing connected transactions referred to above were entered into in the ordinary and usual course of business of our Company and on normal commercial terms which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; (ii) the proposed annual caps (where applicable) of such continuing connected transactions mentioned above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering (without taking into account of any allotment and issue of Shares pursuant to the Adjustment Option or exercise of options to be granted under the Share Option Scheme), our Controlling Shareholders, comprising Baguio Green Holding (BVI) and Mr. Ng, are together entitled to control the exercise of the voting rights of 75% of the Shares eligible to vote in the general meeting of our Company.

Save as disclosed above, there is no other person who will, immediately following the completion of the Global Offering (without taking into account of any allotment and issue of Shares pursuant to the Adjustment Option or exercise of options to be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than our Group) after the Global Offering.

(i) Financial independence

During the Track Record Period, we had obtained bank loans and motor vehicle finance leases secured by personal guarantees of Mr. Ng, Mr. Ng Wing Chuen and a close family member of our Directors and charge over properties owned by our Directors and close family members of our Directors. Our Directors confirmed that the abovementioned guarantees and charge over property will be released or replaced upon Listing.

As at 31 December 2013, we had no amount due to nor due from related companies or directors.

Notwithstanding the above, our Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group's internal resources and the estimated net proceeds from the Global Offering, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

(ii) Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Despite the fact that we will have certain exempt continuing connected transactions, particulars of which are set out in the section headed "Connected transactions" of this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

or their associates; and (iii) our Controlling Shareholders have no interest in any of our top five customers, suppliers or other business partners; our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

(iii) Management independence

Mr. Ng, one of our Controlling Shareholders and one of our executive Directors, is the brother of Ms. Ng Yuk Kwan Phyllis and Mr. Ng Wing Chuen and the husband of Ms. Chan Shuk Kuen who are all executive Directors. However, a majority of our Board, being our other two executive Directors and three independent non-executive Directors, will also bring independent judgment to the decision-making process of our Board.

Apart from the Group, the Controlling Shareholders and their respective associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in business not in competition with the business of the Group.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

(iv) Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control, financial and accounting management, invoicing and billing, human resources and information technology.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that it or he or she would not, and would procure that its or his or her associates (other than any member of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current businesses of our Group (the “Restricted Business”). Such non-competition undertaking does not apply to:

- (i) any interests in the shares of any member of our Group;
- (ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or
 - (c) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, it or he or she or its or his or her associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of our Company.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken that if each of our Controlling Shareholders and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“New Business Opportunity”) that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly within ten business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates.

Our Directors (including our independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “30-day Offering Period”) of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the new business opportunities, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 business days.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;
- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company; and
- in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors consists of six executive Directors and three independent non-executive Directors. The following table sets forth the information concerning our Directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position in the Group</u>	<u>Responsibility</u>	<u>Date of appointment as a Director/ senior manager of the Group</u>	<u>Year of joining the Group</u>	<u>Relationship with other Directors and senior management</u>
Executive Director						
Mr. Ng Wing Hong (吳永康)	60	Executive Director and Chairman	Responsible for the overall management, strategic planning and business development as well as a member of the remuneration committee	8 November 2013	1980	Husband of Ms. Chan Shuk Kuen and brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan, Phyllis
Ms. Ng Yuk Kwan, Phyllis (吳玉群)	45	Executive Director, Chief Executive Officer and Compliance Officer	Responsible for the overall management and oversees the corporate development department and corporate communication department as well as a member of the nomination committee	8 November 2013	1995	Sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen and sister-in-law of Ms. Chan Shuk Kuen
Mr. Ng Wing Chuen (吳永全)	63	Executive Director	Responsible for the overall management and strategic planning	23 January 2014	1982	Brother of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan, Phyllis and brother-in-law of Ms. Chan Shuk Kuen
Ms. Leung Shuk Ping (梁淑萍)	41	Executive Director	Oversees the operation department, administration department, IT department, SHEQ department and fleet management department	23 January 2014	1997	None
Ms. Chan Shuk Kuen (陳淑娟)	46	Executive Director	Oversees the full spectrum of human resources functions including compensation management, employee relations, recruitment, performance management, training and development	23 January 2014	2006	Wife of Mr. Ng Wing Hong and sister-in-law of Ms. Ng Yuk Kwan, Phyllis and Mr. Ng Wing Chuen

DIRECTORS, SENIOR MANAGEMENT AND STAFF

<u>Name</u>	<u>Age</u>	<u>Position in the Group</u>	<u>Responsibility</u>	<u>Date of appointment as a Director/ senior manager of the Group</u>	<u>Year of joining the Group</u>	<u>Relationship with other Directors and senior management</u>
Ms. Cheung Siu Chun (張笑珍)	49	Executive Director, Chief Financial Officer and Company Secretary	Responsible for accounting, cost control, corporate finance and cash management affairs and oversees the finance department, purchasing department and logistics department	23 January 2014	1999	None
Independent non-executive Director						
Mr. Sin Ho Chiu (冼浩釗)	58	Independent non-executive Director	Chairman of the remuneration committee and member of the audit, remuneration and nomination committees	24 April 2014	2014	None
Dr. Law Ka Hung (羅家熊)	59	Independent non-executive Director	Chairman of the nomination committee and member of the audit, remuneration and nomination committees	24 April 2014	2014	None
Mr. Lau Chi Yin, Thomas (劉志賢)	55	Independent non-executive Director	Chairman of the audit committee and member of the audit, remuneration and nomination committees	24 April 2014	2014	None
Senior management						
Ms. Yuen Yee Lok (袁以諾)	31	Corporate development manager	Responsible for marketing activities and for attending all tender-related matters	July 2011	2008	None
Ms. Wong Yin Ping (黃燕冰)	51	Accounting manager and secretary of the Company's Hong Kong subsidiaries	Responsible for accounting affairs	July 2013	2006	None
Ms. Leung Shuk Chu (梁淑珠)	31	Senior SHEQ officer	Oversees all SHEQ matters	July 2013	2008	None

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Chairman and Executive Directors

Ng Wing Hong (吳永康), aged 60, is one of the founders and Controlling Shareholders of our Group and was appointed as an executive Director and our Chairman on 23 January 2014. Mr. Ng has over 34 years of experience in the environmental service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In 1980, Mr. Ng together with his brother, Mr. Ng Wing Sun formed a partnership under the name of Baguio Cleaning Services Company which started off as a cleaning service provider in Hong Kong.

Mr. Ng graduated from the University of Hong Kong in October 1977 with a Bachelor of Science degree. He also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983, a Bachelor of Laws degree from the University of London (external degree) in August 1990 and a Postgraduate Certificate in Laws from the University of Hong Kong in September 1991. Mr. Ng was admitted as a fellow member of the Association of Chartered Certified Accountants in September 1988 and a fellow member of the Hong Kong Institute of Certified Public Accounts in March 2000. He was admitted as an associate member of the Institute of Chartered Secretaries and Administrators in March 1988 and an associate member of the Hong Kong Institute of Company Secretaries in August 1994. He was awarded a Certificate of Competence in Safe Handling of Clinical Waste by the Occupational Safety & Health Council in December 2013. He was also certified as a certified arborist and a certified tree risk assessor by the International Society of Arboriculture in April 2007 and April 2011 respectively.

During the three years immediately preceding the date of this prospectus, Mr. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Ng is one of our Controlling Shareholders. Mr. Ng is also the husband of Ms. Chan Shuk Kuen and the brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan, Phyllis.

Ng Yuk Kwan, Phyllis (吳玉群), aged 45, was appointed as an executive Director, chief executive officer and compliance officer on 23 January 2014. Ms. Ng has over 19 years of experience in the environmental service industry and is primarily responsible for the overall management of our Group and for overseeing the corporate development department and corporate communication department. She joined our Group as an assistant general manager in November 1995 and has been promoted to general manager in February 2000. Prior to joining our Group, Ms. Ng served at ELM Computer Technologies Limited, a IT solution and services provider, as an executive from February 1995 to October 1995 and as account executive from September 1993 to August 1994, where she was responsible for the marketing of the company's products. She served as an assistant registration officer at the Law Society of Hong Kong between September 1992 and September 1993 and as an assistant merchandiser at the Famous House Garment Factory Limited between July 1991 and June 1992.

She graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1991 and a Master of Business Administration degree from University of South Australia in April 1999. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by the Hong Kong Polytechnic University in June 2009, the ISO 9000:2000 Series Internal Quality Auditor Training Course co-organised by the Hong Kong Productivity Council and SGS International

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Certification Services in November 2002 and the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She was certified as a certified arborist by the International Society of Arboriculture in September 2012.

Ms. Ng was a director of New State Consultants Limited, a company incorporated in Hong Kong, prior to its dissolution on 7 February 2003 by way of striking off under s. 291 of the Predecessor Companies Ordinance because it ceased to carry on any business or operation.

Ms. Ng confirmed that there is no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolution, and that her involvement in New State Consultants Limited was part and parcel of her services and that no misconduct or misfeasance had been involved in the dissolution of the company.

During the three years immediately preceding the date of this prospectus, Ms. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Ms. Ng is the sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen as well as the sister-in-law of Ms. Chan Shuk Kuen.

Ng Wing Chuen (吳永全), aged 63, is our executive Director. He was appointed as an executive Director on 23 January 2014. He is currently in charge of the overall management and strategic planning of our Group. He joined our Group in 1982 as one of Baguio Cleaning's directors. Outside of his experience with the Group, Mr. Ng had served at various banks and other financial institutions, including Hong Kong Chinese Bank Limited, with his last position as manager of the marketing and credit collection department from June 1981 to July 1988, Seng Heng Bank, now known as Industrial and Commercial Bank of China (Macau), as member of the supervisory board from June 1987 to May 1988, Henlink Securities Company as manager from January 1981 to June 1981, Hanrich Finance & Investment Company Limited as assistant manager from January 1980 to December 1980, The Chase Manhattan Bank, N.A., with his last position as operations supervisor from September 1974 to January 1980, and Dah Sing Bank, Limited as a clerk from September 1971 to September 1974.

Mr. Ng was awarded a graduate diploma in international marketing from Central Connecticut State University, USA in July 1993.

During the three years immediately preceding the date of this prospectus, Mr. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Ng is the brother of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis as well as the brother-in-law of Ms. Chan Shuk Kuen.

Leung Shuk Ping (梁淑萍), aged 41, is our executive Director. She was appointed as an executive Director on 23 January 2014. Ms. Leung has 15 years of experience in administration and business management. She joined our Group in August 1997 as a secretary and resigned in October 2010 with her then last position as senior administration manager. She rejoined our Group as operation Director in June 2012. She currently oversees the operation department, administration department, IT department, SHEQ department and fleet management department. Prior to joining our group, she served S.F. Express (Hong Kong) Limited, a company that provides domestic and international express delivery solutions, as senior manager in the administration department between November 2010 and June 2012, where she was

DIRECTORS, SENIOR MANAGEMENT AND STAFF

responsible for supervising the administration department. Between April 1989 and August 1996, Ms. Leung worked at Bunn's Diving Equipment Corporation Limited, a company that sells diving and water sports gear, and the last position she held was assistant shop manager.

Ms. Leung was awarded a Certificate in Business Management in January 2001 and a Diploma in Business Management in April 2008 from the School of Continuing Education Hong Kong Baptist University. She completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by Hong Kong Polytechnic University in 2009. She completed the Certificate Programme on Inventory Management organised by the Hong Kong Management Association on July 1991.

During the three years immediately preceding the date of this prospectus, Ms. Leung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Chan Shuk Kuen (陳淑娟), aged 46, is our executive Director. She was appointed as an executive Director on 23 January 2014. Ms. Chan joined our Group in May 2006 as human resources manager and was promoted as senior human resources manager in December 2008 and as human resources Director in July 2012. Ms. Chan oversees the full spectrum of human resources functions including compensation management, employee relations, recruitment, performance management, training and development. Prior to joining our Group, Ms. Chan worked in HK Art's Group, whose business is retails of optical products, as general manager between May 1992 and August 1997, where she was responsible for setting the group's development strategy as well as managing the daily operations of the 14 optical retail shops of the group.

Ms. Chan was awarded Bachelor of Business Administration from the Open University of Hong Kong in December 2000 and a Professional Diploma in Human Resources Management from the School of Continuing Education of Hong Kong Baptist University in May 2013.

Ms. Chan was a director of Chance More Limited, Megahero Limited and Yue Gold Limited, all of which were incorporated in Hong Kong, prior to their dissolution on 17 July 2009, 20 July 2001 and 20 April 2001, respectively. All of the companies were dissolved by way of striking off under section 291 of the Predecessor Companies Ordinance because they ceased to carry on any business or operation. Ms. Chan confirmed that there is no wrongful act on her part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against her as a result of the dissolutions, and that her involvement in the above companies was part and parcel of her services and that no misconduct or misfeasance had been involved in the dissolution of these companies.

During the three years immediately preceding the date of this prospectus, Ms. Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Ms. Chan is the wife of Mr. Ng Wing Hong and the sister-in-law of Ms. Ng Yuk Kwan, Phyllis and Mr. Ng Wing Chuen.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Cheung Siu Chun (張笑珍), aged 49, was appointed as an executive Director, chief financial officer and our Company's company secretary on 23 January 2014. Ms. Cheung currently oversees the Group's finance department, purchasing department and logistics department and is responsible for the Group's accounting, cost control, corporate finance and cash management affairs. Ms. Cheung joined our Group in November 1999 as financial controller and resigned in November 2004. She rejoined our Group in August 2005 and in July 2012 was our finance director. Prior to joining our Group, Ms. Cheung served Legend Holdings Limited, now known as Lenovo Group Limited, as assistant manager at the group internal audit department between August 1997 and March 1999 and as assistant manager at the corporate business development department between April 1999 and October 1999, where she supervised a team of professional staff in monitoring the business performance of various subsidiary companies. Prior to that, she worked in David M.K. Yeung & Co., CPA as audit supervisor from July 1991 to December 1995 and as audit assistant manager from January 1996 to July 1997, Wong Brothers & Co., CPA, as accountant from September 1989 to May 1991 and David M.K. Yeung & Co., CPA, with her last position as audit semi-senior, from April 1987 to August 1989.

She was awarded a post-experience certificate in accountancy from the Hong Kong Polytechnic University in September 2001, a Master of Business Administration degree from University of South Australia in April 2004. Ms. Cheung was admitted as a fellow member of the Association of Chartered Certified Accountants in June 1999 and a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2013. She was admitted as a fellow member of the Taxation Institute of Hong Kong in January 2014. She was admitted as a life full member of Association of Women Accountants (Hong Kong) Limited in December 2007. She was also admitted as an associate member of the Institute of Chartered Accountants in England and Wales in February 2008. Ms. Cheung was granted a Certificate of Completion of the Best Practices for ERP Implementation and Enterprise Collaboration Applications Workshop by the Hong Kong Productivity Council in June 2004.

During the three years immediately preceding the date of this prospectus, Ms. Cheung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Sin Ho Chiu (冼浩釗), aged 58, is an independent non-executive Director. He was appointed to the Board on 24 April 2014. He has been the legal representative of Shanghai GrafTech Trading Company Limited since February 2011 and the sales director and general manager of GrafTech Hong Kong Limited since May 2011. From October 2001 to April 2011, Mr. Sin served and was promoted as the business director-Asia Pacific in GrafTech International Trading Inc.. Between September 1999 and September 2001, Mr. Sin served as the treasurer and controller of Union Carbide Asia Pacific Inc.. Between September 1987 and August 1999, Mr. Sin served as the finance manager of Union Carbide Asia Limited.

Mr. Sin graduated from the Chinese University of Hong Kong with a Bachelor of Science in December 1979 and a Master of Business Administration in December 1983.

Except as noted above, during the three years immediately preceding the date of this prospectus, Mr. Sin has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Dr. Law Ka Hung (羅家熊), aged 59, is our independent non-executive Director. He was appointed to the Board on 24 April 2014. He has been an independent non-executive director of HKC International Holdings Limited (stock code: 248) since December 2012. From September 2012 to January 2013 and from September 2013 to January 2014, Dr. Law worked as a visiting lecturer (part-time) in the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University.

Dr. Law was awarded a Bachelor of Business Administration in Accounting degree from the University of Texas at Arlington in December 1981, a Master of Science degree from Warwick University in July 1988 and a Doctor of Business Administration degree from the Hong Kong Polytechnic University in November 2001. He has been admitted as a full member of the Hong Kong Computer Society since January 1989.

Dr. Law was a director of the following companies, which were all incorporated in Hong Kong prior to their respective dissolution:

<u>Name of company</u>	<u>Principal business activity prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Best Joint Technology Limited	trading	11 May 2001	deregistration under s. 291AA of the Predecessor Companies Ordinance	cessation of business
Calcury Limited	trading	4 January 2002	deregistration under s. 291AA of the Predecessor Companies Ordinance	cessation of business
Cyber Corporation Limited	trading	4 January 2002	deregistration under s. 291AA of the Predecessor Companies Ordinance	cessation of business
Freeworld Limited	provide consultancy services	13 June 2003	deregistration under s. 291AA of the Predecessor Companies Ordinance	cessation of business
Kalinkas Technology Limited	trading	29 July 2005	deregistration under s. 291AA of the Predecessor Companies Ordinance	cessation of business
Conven Corporation Limited	provide IT design and solutions	17 November 2006	creditors' voluntary winding up	cessation of business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Under section 291AA of the Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities. Dr. Law confirmed that there is no wrongful act on his part leading to the above dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolution of these companies.

Except as noted above, during the three years immediately preceding the date of this prospectus, Dr. Law has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Lau Chi Yin, Thomas (劉志賢) aged 55, is our independent non-executive Director. He was appointed to the Board on 24 April 2014. Mr. Lau has been the executive director and responsible officer of Jolmo Capital Limited, a licenced corporation of the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities, corporate finance and asset management, since January 2008 and March 2005 respectively. He has been serving as a member of the Disciplinary Committee Panel of the Social Workers Registration Board since January 2008. Between April 2008 and September 2011, Mr. Lau was appointed as a director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司) (Shenzhen stock code: 300094). Between April 2008 and December 2011, Mr. Lau was appointed as the supervisor of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. (珠海恒基達鑫國際化工倉儲股份有限公司) (Shenzhen stock code: 002492).

Mr. Lau obtained a Bachelor of Science degree from the University of Hong Kong in July 1981 and a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983. Mr. Lau has been a Chartered Financial Analyst since September 2001. He is also a member of the Hong Kong Society of Financial Analysts.

Mr. Lau was a director of Source International Enterprise Limited and Windiam Asia Limited, both of which were incorporated in Hong Kong, prior to their dissolution on 25 October 2013 and 27 March 2009, respectively. Both Source International Enterprise Limited and Windiam Asia Limited were dissolved by way of voluntary deregistration under section 291AA of the Predecessor Companies Ordinance. Mr. Lau confirmed that there is no wrongful act on his part leading to both of the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolution of these companies.

Except as noted above, during the three years immediately preceding the date of this prospectus, Mr. Lau has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

Yuen Yee Lok (袁以諾), aged 31, is the corporate development manager of our Group. Ms. Yuen joined our Group in December 2008 as operation officer, and was promoted as management executive in June 2010 and as corporate development manager in July 2011. Ms. Yuen is responsible for the Group's marketing activities and for attending to tender-related matters. Prior to joining our Group, Ms. Yuen served the Registration and Electoral Office as electoral assistant between June 2008 and September 2008 and the Food and Environmental Hygiene Department of the Hong Kong Government as environmental nuisance investigator between September 2007 and June 2008.

She was awarded a Bachelor of Science degree majoring in Environmental Science in July 2005 and a Master of Philosophy degree in Environmental Science in July 2007 from the Chinese University of Hong Kong. She was certified as a certified arborist by the International Society of Arboriculture in December 2012.

During the three years immediately preceding the date of this prospectus, Ms. Yuen has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Wong Yin Ping (黃燕冰), aged 51, is the accounting manager of our Group and the secretary of our Company's Hong Kong Subsidiary. Ms. Wong joined our Group in May 2006 as accounting manager and resigned in February 2013. She rejoined our Group in July 2013 as accounting manager. She was appointed as the secretary of the Company's Hong Kong subsidiaries prior to Listing. She is responsible for the accounting affairs of the Group. She has over 24 years of experience in accounting. Prior to joining our Group, between February 2004 and May 2006, Ms. Wong worked in Synergis Management Services Limited, a company that provides property and facility management services, as an assistant accountant, responsible for providing supervision on daily accounting operation. She worked in Utahloy Management Company Limited, a company with its principal activities include education & training as well as property & real estate development, from July 1993 to March 2002, with her last position as senior accounting officer. Between July 1988 to April 1993, Ms. Wong worked in Century City Holdings Limited, a holding company principally engaged in property development and investment as well as construction and building related businesses, as a senior accounts clerk and then an accounting supervisor.

Ms. Wong received a Bachelor of Arts degree in Accounting from Edinburgh Napier University in the United Kingdom in January 2005. Ms. Wong is an associated member of the Association of Chartered Certified Accountants since July 2004.

During the three years immediately preceding the date of this prospectus, Ms. Wong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Leung Shuk Chu (梁淑珠), aged 31, is the senior SHEQ officer of our Group. Ms. Leung joined our Group in April 2008 as assistant administration executive and was promoted as senior SHEQ officer in July 2013. Ms. Leung is responsible for overseeing all occupational safety and health matters of the Group. Prior to joining our Group, Ms. Leung had served in various departments of the HK Government, including the Social Welfare Department between July 2007 and March 2008, the Food and Environmental Hygiene Department between April 2006 and July 2007 and the Department of Health between July 2005 and March 2006.

Ms. Leung was awarded a Higher Diploma in Health Services Management from Hong Kong Institute of Vocational Education in May 2005. She graduated with a Bachelor of Science in Environmental Studies from the Open University of Hong Kong in June 2009 and was awarded a Professional Diploma in Occupational Safety and Health from the School of Continuing Education, Hong Kong Baptist University in May 2010. She was also registered as a Safety Officer with the Labour Department in April 2013 and was awarded a Certificate of Competence in Safe Handling of Clinical Waste by the Occupational Safety & Health Council in December 2013. Furthermore, she completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She was certified as a certified arborist by the International Society of Arboriculture in April 2013.

During the three years immediately preceding the date of this prospectus, Ms. Leung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Cheung Siu Chun (張笑珍) is an executive Director, chief financial officer and is also our company secretary. Please refer to the paragraph headed “Directors” of this section for further information.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

During the Track Record Period, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, discretionary bonus and other benefits in kind paid by us to our Directors for each of the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3.0 million, HK\$4.2 million and HK\$4.0 million. respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, discretionary bonus and other benefits in kind paid by us to the five highest paid individuals of our Group, excluding Directors, for each of the years ended 31 December 2011, 2012 and 2013 were approximately HK\$0.9 million, HK\$0.9 million and HK\$0.5 million respectively.

Under the arrangements currently in force, the aggregate remuneration of our Directors paid or payable (including benefits in kind but excluding any discretionary bonus which may be paid) in respect of the year ending 31 December 2014 is estimated to be approximately HK\$7.8 million.

REMUNERATION POLICY

Our executive Directors, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of the Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- (a) before the publication of any regulator announcement, circular or financial report;
- (b) where a transaction which might be notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- (c) where our Company intends to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes any enquiry to our Company under Rule 3.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2015), subject to early termination.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

Our Company established an audit committee on 24 April 2014 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

The audit committee comprises the three independent non-executive Directors, namely Mr. Lau Chi Yin, Thomas, Mr. Sin Ho Chiu and Dr. Law Ka Hung. Mr. Lau Chi Yin, Thomas is the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 24 April 2014 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and to determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management and to establish a formal and transparent procedure for developing policy in relation to remuneration.

The remuneration committee comprises three independent non-executive Directors, namely Mr. Lau Chi Yin, Thomas, Mr. Sin Ho Chiu and Dr. Law Ka Hung and an executive Director, Mr. Ng Wing Hong. Mr. Sin Ho Chiu is the chairman of the remuneration committee.

NOMINATION COMMITTEE

Our Company established a nomination committee pursuant to a resolution of the Directors passed on 24 April 2014 and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises three independent non-executive Directors, namely Mr. Lau Chi Yin, Thomas, Mr. Sin Ho Chiu and Dr. Law Ka Hung and an executive Director, Ms. Ng Yuk Kwan, Phyllis. Dr. Law Ka Hung is the chairman of the nomination committee.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at 31 December 2013, our Group had employed a total of approximately 6,732 staff (including full-time and part-time). All our employees are based in Hong Kong. A breakdown of our employees by function is as follows:

<u>Function</u>	<u>Number of employees</u>
Group management	6
Operation management	14
Accounting, purchasing and logistics	16
Human resources	25
Administration	22
SHEQ	6
Corporate communication and development	7
Fleet management	14
I.T.	3
Horticulturalist and arborist team	7
Pest specialists	1
 <i>Operation</i>	
— Cleaning services	5,065
— Pest management services	532
— Landscaping services	873
— Waste management and recycling services	<u>141</u>
 Sub-total:	 <u>6,611</u>
 Total:	 <u><u>6,732</u></u>

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of the Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — B. Further information about our business — 3. Share Option Scheme” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares to be allotted and issued pursuant to the Adjustment Option or upon the exercise of options to be granted under the Share Option Scheme), the following persons were expected to have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	Number of Shares immediately after the Global Offering and the Capitalisation Issue	
		<i>Number of Shares</i>	<i>%</i>
Mr. Ng	Interest of controlled corporation (<i>Note 1</i>)	300,000,000	75
Ms. Chan Shuk Kuen	Family Interest (<i>Note 2</i>)	300,000,000	75
Baguio Green Holding (BVI)	Beneficial owner (<i>Note 1</i>)	300,000,000	75

Notes:

- (1) The entire issued share capital of Baguio Green Holding (BVI) is beneficially owned by Mr. Ng. Therefore, Mr. Ng is deemed to be interested in all the Shares of our Company held by Baguio Green Holding (BVI). Mr. Ng is a Controlling Shareholder and an executive Director of our Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng (by himself or through Baguio Green Holding (BVI)) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director of our Company.

Save as disclosed in this prospectus, we are not aware of any other person who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares to be allotted and issued pursuant to the Adjustment Option or upon the exercise of options to be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
 <i>Shares issued and credited as fully paid upon completion of the Global Offering (assuming the Adjustment Option is not exercised)</i>		
100	Shares in issue as at the date of this prospectus	1
319,999,900	Shares to be issued under the Capitalisation Issue	3,199,999
<u>80,000,000</u>	Shares to be issued under the Global Offering	<u>800,000</u>
<u>400,000,000</u>	Shares in total	<u>4,000,000</u>

Assumptions

The above table assumes that the Global Offering and the Capitalisation Issue become unconditional and are completed in accordance with the relevant terms and conditions. The above table takes no account of (i) Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme; (ii) Shares which may be allotted and issued upon the exercise of the Adjustment Option; and (iii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate, respectively, as described below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the aggregate of:

1. 20% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Adjustment Option or any options which may be granted under the Share Option Scheme); and

SHARE CAPITAL

2. the total nominal amount of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “Repurchase mandate” below. This general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under a rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with its Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Global Offering and the Capitalisation Issue.

This general mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of the Issuing Mandate, please see the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 24 April 2014” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the total nominal amount of the Shares issued and to be issued immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Adjustment Option or any options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements in the Listing Rules is set out in the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 24 April 2014” in Appendix IV to this prospectus.

This general mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

SHARE CAPITAL

For further details of the Repurchase Mandate, please see the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 24 April 2014” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed “Statutory and general information — B. Further information about our business — 3. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES WHERE MEETINGS OF THE COMPANY ARE REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.
- the Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of our Company (the “requisitionist”) shall have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the section headed “Summary of the constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial statements including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with HKFRSs.

Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk factors", "Forward-looking statements", "Business" and elsewhere in this prospectus.

Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

OVERVIEW

We are a leading environmental service provider in Hong Kong. According to the Ipsos Report, we are ranked first among environmental service providers in Hong Kong in terms of revenue for the twelve months ended 31 December 2013.

As a comprehensive environmental service provider, we provide four major types of services, namely, cleaning services, landscaping services, pest management services and waste management and recycling services. We also offer specialised cleaning services such as high level cleaning with mobile elevated platform or scaffolding, enhanced street washing with high pressure hot water cleaner, confined space cleaning and marble cleaning and restoration. According to the Ipsos Report, most environmental service providers in Hong Kong only offer two to three types of environmental services and less than 2% of them offer a full range of services which include cleaning services, landscaping services, pest management services and waste management and recycling services. Our service range therefore gives us a competitive advantage over many other environmental service providers in providing comprehensive and one-stop environmental services to customers.

During the Track Record Period, cleaning services has been the largest contributor to our revenue. We serve clients including governmental departments, semi-government entities, public utility companies and companies in the private sector. During the Track Record Period, revenue from the government sector has been the largest component of our revenue.

All of our revenue is derived from the provision of environmental services. For the years ended 31 December 2011, 2012 and 2013, our revenue was approximately HK\$618.1 million, HK\$644.7 million and HK\$821.3 million, respectively, and our net profit was approximately HK\$13.6 million, HK\$28.9 million and HK\$62.5 million, respectively. We achieved growth in revenue and profit mainly by our expansion of scope of services, expanded client base and increased revenue from customers as we maintained our quality of services and competitive edge in the industry.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Industry competition

According to the Ipsos Report, there is a large number of competitors in the environmental service industry in Hong Kong with approximately 1,660 service providers in 2013. Due to the number of competitors, there is high level of competition between environmental service providers for customers.

Based on the competition in the industry, there is no assurance that our top customers will continue to engage us upon the expiration of the existing contracts between us. During the Track Record Period, we derived a significant percentage of our revenue from our top five customers. For each of the years ended 31 December 2011, 2012 and 2013, our top five customers accounted for approximately 80.3%, 76.8% and 76.0% of our total revenue respectively while our single largest customer accounted for approximately 37.7%, 44.3% and 40.2% of the our total revenue respectively. Furthermore, in order to compete effectively, we may need to offer lower prices and/or better terms than our competitors and if we are unable to reduce our costs accordingly, our financial results and profitability will be adversely affected.

Our ability to achieve success in the tendering process

We derived a significant percentage of over 90% of our revenue from Tender Contracts during the Track Record Period. However, we may not meet the tendering requirements set by our customers from time to time. Even if we are able to meet the prerequisite requirements for tendering, there is no assurance that our tenders will be selected by our customers. If we do not succeed during the tendering process, our financial performance and profitability will be adversely affected.

Wages of employees

To perform full scope of environmental services, we have a sizable workforce. If there is increase in staff cost and we may not be able to pass the increased costs to our customers, our profit margin will be hampered.

During the Track Record Period, staff costs contributed to a significant portion of our cost of services. For each of the years ended 31 December 2011, 2012 and 2013, our direct wages amounted to approximately HK\$486.1 million, HK\$473.3 million and HK\$605.5 million, representing approximately 85.0%, 82.4% and 82.1% of our total cost of services during the respective periods and we expect staff costs to continue to represent a significant percentage of our total cost of services. During the years ended 31 December 2011, 2012 and 2013, our average direct wages were approximately HK\$6,560, HK\$7,482 and HK\$7,634 per month per worker. During the year ended 31 December 2012, our average direct wage increased by approximately 14.1% as compared to that for the year ended 31 December 2011. Such significant increase was mainly because the year 2012 was the first full year which the Minimum Wage Ordinance being effective (having coming into force on 1 May 2011 and setting the statutory minimum wage at HK\$28 per hour). According to the government policy, the statutory minimum wage will be reviewed every two years. Some of our contracts with customers allow for potential fee adjustment with reference to inflation or statutory minimum wage requirement, certain

FINANCIAL INFORMATION

contracts with customers from the private sector allow for fee adjustment with reference to increases in the statutory minimum wage. We also take into account potential increase in statutory minimum wage when we prepare our budgets in tendering.

The following illustrates the sensitivity of our net profit for the years ended 31 December 2011, 2012 and 2013 in relation to fluctuation in our direct wages of the respective periods:

<u>Changes in direct wages</u>	<u>For the year ended 31 December</u>					
	<u>2011</u>		<u>2012</u>		<u>2013</u>	
	<u>Net profit</u>	<u>Change in net profit</u>	<u>Net profit</u>	<u>Change in net profit</u>	<u>Net profit</u>	<u>Change in net profit</u>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
15%	(47,298)	-448.0%	(30,404)	-205.3%	(13,334)	-121.3%
10%	(27,001)	-298.7%	(10,643)	-136.9%	11,944	-80.9%
5%	(6,705)	-149.3%	9,119	-68.4%	37,222	-40.4%
0%	13,592	0.0%	28,880	0.0%	62,501	0.0%
-5%	33,888	149.3%	48,641	68.4%	87,777	40.4%
-10%	54,185	298.7%	68,403	136.9%	113,055	80.9%
-15%	74,482	448.0%	88,164	205.3%	138,333	121.3%

The level of expenditure in environmental services by customers in the public and private sectors

Our environmental service business largely depends on the HK Government's public spending as well as spending from the private sector on environmental services. According to the Ipsos Report, there is much growth potential in the environmental service industry in Hong Kong. The growth drivers include, among others (i) demand for environmental services as driven by public awareness for proper hygiene and demand for cleanliness due to past outbreaks; (ii) the HK Government's efforts to promote waste management and recycling efforts in Hong Kong; (iii) outsourcing of landscaping and other environmental services; and (iv) increased focus on corporate social responsibility and environmental protection from the private sector (please refer to the section headed "Industry overview — Overview of the environmental service industry in Hong Kong — Growth drivers" of this prospectus for details). However, if there is any reduction in the expenditures on environmental services, it will reduce the demand for our services works in Hong Kong as well as affect the prices for our services. With a reduction in demand and/or lowering in contract sums, our business, financial condition and results of operations, future growth in revenue, gross profit and cash flow may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES

Our financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Our significant accounting policies are set forth in Note 3 to the Accountants' Report as set out in Appendix I to this prospectus. Set out below are the more important accounting policies.

FINANCIAL INFORMATION

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discount.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below.

Services income are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in

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which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance and overhaul costs, is normally charged to the combined statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives for each class of property, plant and equipment applied during the Track Record Period are as follows:

Leasehold properties	Over the shorter of term of lease or 50 years
Motor vehicles	1 to 10 years
Machinery and equipment	1 to 10 years
Office furniture and equipment	1 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

While the useful lives of our motor vehicles, machinery and equipment, office furniture and equipment range from 1 to 10 years, the useful life of most of our brand new vehicles are estimated at 10 years, while that of our machinery and equipment is generally 2 to 5 years, and that of our office furniture and equipment is generally 3 to 5 years. Most of the vehicles that we purchased are brand new. Occasionally, we purchase second-hand and used vehicles and equipments and therefore a shorter period

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of useful life is estimated. In some very rare cases, we may purchase old vehicles or equipments which are temporarily in need for a particular project which may last for one or two years only. In such cases, the useful life of such vehicles or equipments would be estimated as short as one or two years. The useful life of our property, plant and equipment is estimated mainly by judgment of our management taking into account the status of such vehicles and equipments when we purchase, the number of years of such vehicles and equipments being in use before we purchase, and whether such vehicles and equipments are expected to be used for the purpose of certain specific contracts only and, if so, the term of such contracts and the expected usage of such vehicles and equipments after the end of the relevant contracts.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Our financial information for the Track Record Period has been prepared in accordance with HKFRSs, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors are considered to be relevant. Actual results may differ from our estimates. No material deviation of our estimates as compared to actual result were noted in the past and no material changes were made to our estimates in the past. These key assumptions and estimates are set forth in note 4 to the Accountants' Report as set out in Appendix I to this prospectus.

We believe that the following critical accounting estimates and assumptions involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment losses in respect of trade receivables

The policy for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group deteriorate, resulting in an impairment of their abilities to make payments, additional impairment loss may be required.

For the years ended 31 December 2011, 2012 and 2013, the total amount of impairment loss recognised on trade receivables were approximately HK\$2,000, HK\$41,000 and HK\$140,000, respectively.

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Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The management and independent firms of qualified valuer review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in note 24 as set out in the Accountants' Report in Appendix I to this prospectus.

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RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the combined statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>% of Revenue</i>	<i>HK\$'000</i>	<i>% of Revenue</i>	<i>HK\$'000</i>	<i>% of Revenue</i>
Revenue	618,148	100.0	644,714	100.0	821,259	100.0
Cost of services	<u>(571,882)</u>	<u>(92.5)</u>	<u>(574,733)</u>	<u>(89.1)</u>	<u>(737,394)</u>	<u>(89.8)</u>
Gross profit	46,266	7.5	69,981	10.9	83,865	10.2
Other income and gain	3,332	0.5	2,759	0.4	4,230	0.5
Gain on disposal of investment properties	—	—	—	—	27,410	3.3
Change in fair value less costs to sell of biological assets	—	—	1	0.0	82	0.0
Selling and marketing expenses	(170)	(0.0)	(206)	(0.0)	(357)	(0.0)
Administrative expenses	<u>(26,154)</u>	<u>(4.2)</u>	<u>(30,294)</u>	<u>(4.7)</u>	<u>(36,573)</u>	<u>(4.4)</u>
Profit from operations	23,274	3.8	42,241	6.6	78,657	9.6
Finance costs	<u>(6,948)</u>	<u>(1.1)</u>	<u>(7,585)</u>	<u>(1.2)</u>	<u>(8,291)</u>	<u>(1.0)</u>
Profit before taxation	16,326	2.7	34,656	5.4	70,366	8.6
Income tax expenses	<u>(2,734)</u>	<u>(0.5)</u>	<u>(5,776)</u>	<u>(0.9)</u>	<u>(7,865)</u>	<u>(1.0)</u>
Profit for the year	<u>13,592</u>	<u>2.2</u>	<u>28,880</u>	<u>4.5</u>	<u>62,501</u>	<u>7.6</u>

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SELECTED LINE ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was principally generated from provision of comprehensive environmental services in Hong Kong. The following table sets out our revenue from different business segments during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cleaning services	405,309	65.6	401,894	62.3	551,694	67.2
Landscaping services	120,375	19.5	138,443	21.5	138,193	16.8
Pest management services	76,422	12.3	61,711	9.6	74,696	9.1
Waste management and recycling services	16,042	2.6	42,666	6.6	56,676	6.9
Total	618,148	100.0	644,714	100.0	821,259	100.0

As shown in the table above, cleaning services was our primary service and largest source of our revenue, contributing approximately 65.6%, 62.3% and 67.2% for the years ended 31 December 2011, 2012 and 2013 respectively. More than 90% of our revenue has been generated from Tender Contracts and the service period of which is mainly in the range of two to three years. These Tender Contracts bring us stable income stream.

The following table sets out the breakdown of our revenue derived from different customer types during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Government ^{Note 1}	452,905	73.3	452,404	70.2	581,479	70.8
Semi-government ^{Note 2}	44,790	7.2	54,448	8.4	58,033	7.1
Public utility ^{Note 3}	35,236	5.7	27,459	4.3	40,936	5.0
Private ^{Note 4}	85,217	13.8	110,403	17.1	140,811	17.1
Total	618,148	100.0	644,714	100.0	821,259	100.0

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Notes:

- (1) **Government** mainly consists of departments of the HK Government.
- (2) **Semi-government** mainly consists Hong Kong authorities and companies or entities with substantial government investment or influence, e.g. certain entities responsible for operating hospitals, airport, parks and educational institutions.
- (3) **Public utility** mainly consists of public utility companies, e.g. telecommunication companies and electricity companies.
- (4) **Private** mainly consists of privately-owned companies.

Cost of services

During the Track Record Period, our cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees. For each of the years ended 31 December 2011, 2012 and 2013, our cost of services amounted to approximately HK\$571.9 million, HK\$574.7 million and HK\$737.4 million, respectively, representing approximately 92.5%, 89.1% and 89.8% of our revenue, respectively, for such period.

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
Direct wages	486,145	85.0	473,327	82.4	605,455	82.1
Direct overhead expenses	47,156	8.3	61,008	10.6	76,559	10.4
Consumables	31,104	5.4	32,246	5.6	47,174	6.4
Sub-contracting fees	7,477	1.3	8,152	1.4	8,206	1.1
Total	571,882	100.0	574,733	100.0	737,394	100.0

During the Track Record Period, staff related costs (which included salaries, wages and other staff benefits, contributions to retirement schemes, provisions for long service payment and untaken paid leave) was the largest component of our cost of services, representing approximately 85.0%, 82.4% and 82.1% of our total cost of services for the years ended 31 December 2011, 2012 and 2013, respectively. In particular, our cleaning service is a relatively labour-intensive service. Directly associated with our provision of services, direct overhead expenses primarily comprises operating expenses of motor vehicles, depreciation, machinery and vehicles rental charges, insurance, claim expenses, waste disposal fees and miscellaneous overhead expenses. Consumables mainly represents cost of garbage bags, toiletries, uniforms for our workers and other consumables such as chemicals that we used in providing our services. In addition, we may encounter some small-scale job requests for which we consider that it is not cost-efficient for us to carry out. We sub-contract such jobs to other third party environmental service providers, and thus incur sub-contracting fees which accounted for approximately 1.3%, 1.4% and 1.1% of our total cost of services during the years ended 31 December 2011, 2012 and 2013 respectively.

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Gross profit

The following table sets forth a breakdown of our gross profit and gross profit margin by our business segments during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cleaning services	25,426	6.3	38,928	9.7	45,770	8.3
Landscaping services	12,557	10.4	15,979	11.5	23,555	17.0
Pest management services	6,713	8.8	6,314	10.2	6,075	8.1
Waste management and recycling services	1,570	9.8	8,760	20.5	8,465	14.9
Total	46,266	7.5	69,981	10.9	83,865	10.2

Cleaning services

Gross profit of cleaning services is generated from cleaning services render to our various types of customers, mainly include government, semi-government, public utility and private sectors in Hong Kong. During 2012, while revenue from cleaning services decreased slightly from approximately HK\$405.3 million to approximately HK\$401.9 million, gross profit from cleaning services increased from approximately HK\$25.4 million to approximately HK\$38.9 million as gross profit margin increased from approximately 6.3% in 2011 to approximately 9.7% in 2012. The increase in gross profit margin was mainly because when we determine our fee quotation or prepare for tendering, we have also taken into account the effect of the statutory minimum wage requirement which became effective in May 2011. The gross profit margin was decreased from approximately 9.7% for the year ended 31 December 2012 to approximately 8.3% for the year end 31 December 2013, while gross profit increased from approximately HK\$38.9 million for the year ended 31 December 2012 to approximately HK\$45.8 million for the year ended 31 December 2013 along with the increase in revenue. Our gross profit margin in this sector is relatively low due to the nature of cleaning services is labour-intensive whereas the level of skills required is relatively low. Besides, our cleaning services are rendered in multiple locations with large gross floor areas, and some of the customers may require a guaranteed headcount presence in the locations according to the services contracts, accordingly, our cleaning services involve relatively large workforce, resulting in relatively lower gross profit margin.

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Landscaping services

Gross profit of landscaping services is generated from (i) landscape construction; (ii) arboricultural works; (iii) horticultural maintenance; (iv) special projects; and (v) supply of plant products. During the Track Record Period, gross profit from the landscaping services increased due to increase in revenue, gross profit margin of the landscaping services had been increasing and amounted to approximately 10.4%, 11.5% and 17.0% respectively. We conduct landscaping services in residential estates, community recreational areas and parks. Gross profit margin of landscaping services is higher than that of cleaning services as well as the overall gross profit margin of the Group. This is because landscaping services requires more knowhow, such as selection of plants, design of landscape, skills of planting as well as the specific personal qualifications obtained by some of our staff e.g. Certified Arborist, which differentiates ourselves with the other industry players. Besides, one of our subsidiaries principally engaging in landscaping services, Tak Tai, is also on the HK Government's List of Approved Suppliers of Materials and Specialist Contractors for Public Works in the category of general landscaping works and is therefore qualified for providing landscaping services for the HK Government in public areas. We mainly source the plants for our landscaping services in Hong Kong and Guangdong area of the PRC, and we maintain a plant nursery in Tai Po, Hong Kong such that the plants that we sourced would have a chance to acclimatise to the environment in Hong Kong and that the various species of plants which are not immediately used in our landscaping projects are being taken good care and well managed. Because of the aforesaid knowhow and advantages, our landscaping services earns a relatively higher gross profit margin than our other service lines.

For the year ended 31 December 2013, the gross profit margin from landscaping service further increased to 17.0%. It was mainly because we carried out more specialised landscaping services such as creating new landscapes, providing horticultural services and gardening in schools, commercial areas and residential estates and tree assessment, planting, transplanting and maintenance jobs. These projects require well trained and skillful workers and therefore we can earn a higher gross profit margin.

Pest management services

Gross profit of pest management is generated from services including integrated pest management, control of termites, rodents, cockroaches, mosquitos and flies, red fire ants, leisure places pest control and other common urban pest control. In integrated pest management, we take measures to inspect, monitor, cross-examine, reduce the sources that incur harmful pests and alter the make-ups of their habitats and we round up with descending priority of environment sanitation, biological control, bio-pesticide control and chemical control with lowest toxicity at the end. In providing pest management services, we involve our technicians to conduct a thorough site inspection and tailor-made solution and action plan to remedy the pest situation. As this service involves more technical knowhow and requires certain level of skill sets e.g. knowledge on the types and usage of chemicals, our gross profit margin in this sector is higher than that of cleaning services. During 2012, our gross profit from pest management services decreased from approximately HK\$6.7 million to approximately HK\$6.3 million, whereas our gross profit margin increased from approximately 8.8% to approximately 10.2%. It was because after we completed three major pest management contracts during 2012, we laid off the excessive workers, and our vehicles expenses also decreased substantially, causing our gross profit margin of pest management to increase in 2012.

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For the year ended 31 December 2013, our gross profit from pest management services slightly decreased from approximately HK\$6.3 million for the year ended 31 December 2012 to approximately HK\$6.1 million, while our gross profit margin decreased from approximately 10.2% during the year ended 31 December 2012 to approximately 8.1% during the year ended 31 December 2013. Such decrease was mainly because some of the tenders was previously reduced in scale by our customers, leading to keener competition amongst environmental service providers. We therefore reduced our gross profit margin in bidding for these contracts. As these contracts last for up to five years, such effect also lowered our gross profit margin in 2013.

Waste management and recycling services

As a waste management and recycling service provider, our comprehensive service currently includes collection, transportation, proper disposal of waste and arrangement for recycling. In the course of our waste management and recycling services, we involve the use of specialised vehicles and thus this segment of service is less labour-intensive as compared to our cleaning services.

The waste management and recycling services came into commercial operation since 2010. We recorded gross profit from waste management and recycling services of approximately HK\$1.6 million and gross profit margin of 9.8% during the year ended 31 December 2011. In connection with our waste management and recycling business, we purchased a total of 20 specialised motor vehicles and other equipments such as refuse compaction vehicles, hook lift trucks and grab tippers during 2010 and 2011. During 2012, our gross profit increased to approximately HK\$8.8 million and our gross profit margin increased to 20.5%. It was because we obtained two additional long term contracts related to waste management in two more districts in Hong Kong. Due to the economies of scale, especially as a result of utilisation of our specialised vehicles, our gross profit margin increased.

For the year ended 31 December 2013, our gross profit from waste management and recycling services decreased slightly from approximately HK\$8.8 million during the year ended 31 December 2012 to approximately HK\$8.5 million during the same period in 2013, whereas our gross profit margin decreased from approximately 20.5% to approximately 14.9%. The decrease in gross profit margin was primarily because we hired more workers to carry out our projects on hand and to cater potential new projects which had led to increase in direct wages, and we incurred more vehicle expenses in order to carry out our large-scale service contracts of waste management in a total of four districts in Hong Kong.

Other income and gain

During the Track Record Period, our other income represented mainly rental income, automobile repair services income, sundry income and net gain on disposal of property, plant and equipment. During the Track Record Period, our rental income was derived from two properties owned by our Group, both of them were office premises in Hong Kong and were sold to Independent Third Parties in November 2013. Thereafter, we ceased to generate rental income. The gain on disposal of property, plant and equipment was mainly attributable to the disposals of motor vehicles and machinery. Sundry incomes mainly represented the other income received from EPD for incentive scheme for replacing Euro II diesel commercial vehicles by new commercial vehicles that comply with Euro V standards, and sales of materials and consumables.

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Gain on disposal of investment properties

During the year ended 31 December 2013, we disposed of our investment properties and recorded a one-off gain on the disposal of approximately HK\$27.4 million.

Selling and marketing expenses

During the Track Record Period, our selling and marketing expenses amounted to approximately HK\$170,000, HK\$206,000 and HK\$357,000 for the years ended 31 December 2011, 2012 and 2013, respectively. Such expenses were attributable to the corporate promotional expenses e.g. sponsoring or participating in environment-related campaigns, printing of corporate brochures and leaflets.

Administrative expenses

Administrative expenses mainly included salaries, welfare and other staff benefits related to our administrative staff, directors' remuneration, bank charges, rental and rates expenses in relation to the rental of director's quarter, car depot, nursery and on-site storage places, depreciation of furniture and fixtures, legal and professional fees, listing expenses and other miscellaneous administrative expenses. The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>
Salaries and allowances	11,708	44.8	13,423	44.3	15,163	41.5
Directors' remuneration	3,013	11.5	4,244	14.0	4,013	11.0
Bank charges	2,353	9.0	2,015	6.7	2,886	7.9
Depreciation of furniture and fixtures	1,920	7.3	2,000	6.6	1,973	5.4
Rent and rates	1,003	3.8	1,695	5.6	1,727	4.7
Legal and professional fees	468	1.8	1,035	3.4	1,461	4.0
Listing expenses	—	0.0	—	0.0	2,193	6.0
Others	5,689	21.8	5,882	19.4	7,157	19.5
Total	26,154	100.0	30,294	100.0	36,573	100.0

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Finance costs

During the Track Record Period, finance costs represented interest on bank overdrafts, interest on bank loans, obligations on factoring loan and obligations under finance leases. Our finance leases during the Track Record Period were resulted from our purchases of specialised vehicles used to perform different kinds of environmental services in Hong Kong. The following table sets forth a breakdown of our finance costs during the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank overdrafts	974	904	327
Interest on bank loans	1,941	2,049	2,252
Obligations on factoring loan	2,289	2,351	3,272
Obligations under finance leases	<u>1,744</u>	<u>2,281</u>	<u>2,440</u>
Total	<u><u>6,948</u></u>	<u><u>7,585</u></u>	<u><u>8,291</u></u>

Income tax expenses

As all the profits of our Group are derived from Hong Kong, we are subject to income tax in Hong Kong. The statutory income tax rate in Hong Kong was 16.5% during the Track Record Period. We have no tax payable in other jurisdictions other than Hong Kong during the Track Record Period. Our income tax expenses comprised current tax expenses and deferred tax expenses. Our effective tax rate during each of the years ended 31 December 2011, 2012 and 2013 were 16.7%, 16.7% and 11.2% respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our overall revenue increased by approximately HK\$176.6 million or 27.4% from approximately HK\$644.7 million for the year ended 31 December 2012 to approximately HK\$821.3 million for the year ended 31 December 2013. There was an overall increase in revenue of all of our customer sectors including government, semi-government, public utility and private sectors while our revenue from government sector remained as our largest revenue contributor. In particular, revenue from the government sector increased by approximately HK\$129.1 million, representing an increase of 28.5%. Such increase was mainly because we obtained 18 new contracts with governmental departments through successful tendering during the period.

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Revenue from the public utility sector increased by approximately HK\$13.5 million, representing an increase of approximately 49.1%, mainly because our cleaning services covered more service area for an electricity company and a telecommunication company, we also obtained one new contract with another electricity company. Besides, we also carried out additional plantation work in connection with a drainage tunnel construction work in Hong Kong.

Revenue from the semi-government sector also increased by approximately HK\$3.6 million, representing an increase of approximately 6.6%, mainly because we obtained one new cleaning services contract and one new landscaping services contract in connection with a new hospital, and two new cleaning services contracts for hospitals, and we also had more contribution from existing contracts.

Revenue from the private sector also increased by approximately HK\$30.4 million, representing an increase of approximately 27.5%, mainly because we have new customers in the private sector demanding for our environmental services in commercial buildings and residential estates. We also obtained a new cleaning services contract from a listed property management company in June 2012 which contributed full period revenue to us during the year ended 31 December 2013. Further, we also carried out new landscaping projects in the private sectors.

In terms of service segments, the growth in revenue was mainly contributed by our cleaning services and waste management and recycling services. During the year ended 31 December 2013, revenue in the cleaning services increased by approximately HK\$149.8 million, or 37.3% as compared to the same period in 2012. The increase was mainly because we obtained more cleaning contracts in the government sector in 2013, including eight districts in Hong Kong as compared to three districts in Hong Kong during the same period in 2012 and certain other municipal buildings and public facilities in Hong Kong.

During the year ended 31 December 2013, revenue in the waste management and recycling services increased by HK\$14.0 million, or 32.8% as compared to the same period in 2012. The increase was mainly because we obtained major contracts in the government sector for waste management services for two additional districts in Hong Kong.

Cost of services

Our cost of services increased by approximately HK\$162.7 million or 28.3% from approximately HK\$574.7 million for the year ended 31 December 2012 to approximately HK\$737.4 million for the year ended 31 December 2013, primarily due to the increase in costs relating to both direct wages, direct overhead expenses and consumables.

Our direct wages increased from approximately HK\$473.3 million for the year ended 31 December 2012 to approximately HK\$605.5 million for the year ended 31 December 2013, representing an increase of approximately HK\$132.2 million, or 27.9%. The increase in direct wages was consistent with the increase in revenue of 27.4% during the same period. It was mainly due to increase in headcount for performing the tasks associated with new contracts in each of our service segments.

Our direct overhead expenses increased from approximately HK\$61.0 million for the year ended 31 December 2012 to approximately HK\$76.6 million for the year ended 31 December 2013, representing an increase of approximately HK\$15.6 million, or 25.6%. The increase in direct overhead expenses was consistent with the increase in revenue of 27.4% during the same period. It was primarily because (i) we

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had additional 105 specialised vehicles for our operation and the associated operating expenses such as fuel expenses and depreciation; and (ii) more rental charges for specialised machinery and vehicles were incurred as additional vehicles or machinery were required to satisfy our need in carrying out services for the increased number of service contracts.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$13.9 million or 19.9% from approximately HK\$70.0 million for the year ended 31 December 2012 to approximately HK\$83.9 million for the year ended 31 December 2013.

Our increase in gross profit was primarily attributable to our increase in revenue. Our gross profit margin decreased from 10.9% for the year ended 31 December 2012 to 10.2% for the year ended 31 December 2013 which was mainly attributable to the decrease in gross profit margins of cleaning services, pest management services and waste management and recycling services and partially offset by the increase in gross profit margin of landscaping services as explained in the paragraph headed “Gross profit” of this section.

Other income and gain

Our other income and gain increased by approximately HK\$1.4 million or 50.0% from approximately HK\$2.8 million for the year ended 31 December 2012 to approximately HK\$4.2 million for the year ended 31 December 2013. Such increase is mainly attributable to the increase in net gain on the disposal of motor vehicles.

Gain on disposal of investment properties

During the year ended 31 December 2013, we disposed of our investment properties and recorded a one-off gain on the disposal of approximately HK\$27.4 million.

Administrative expenses

Our administrative expenses increased, by approximately HK\$6.3 million or 20.8% from approximately HK\$30.3 million for the year ended 31 December 2012 to approximately HK\$36.6 million for the year ended 31 December 2013, primarily reflected (i) the expenses amounted to approximately HK\$2.2 million incurred due to the preparation of the listing of the Shares on the Main Board of the Stock Exchange; (ii) the increase in staff salaries and related welfare by approximately HK\$1.7 million due to increase in headcount of administrative staff; (iii) the increase in bank charges by approximately HK\$0.9 million; and (iv) the increase in legal and professional fees by approximately HK\$0.4 million.

Finance costs

Our finance costs increased by approximately HK\$0.7 million or 9.2% from approximately HK\$7.6 million for the year ended 31 December 2012 to approximately HK\$8.3 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in interest on factoring loan as we

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have more trade receivables and can obtain more factoring loan; and (ii) the increase in interest on obligations under finance leases we incurred in connection with the addition of motor vehicles under finance lease during 2013.

Income tax expenses

Our income tax expenses increased by approximately HK\$2.1 million or 36.2% from approximately HK\$5.8 million for the year ended 31 December 2012 to approximately HK\$7.9 million for the year ended 31 December 2013. The increase primarily reflected the increase in our profit before taxation from approximately HK\$34.7 million for the year ended 31 December 2012 to approximately HK\$70.4 million for the same period in 2013. During the year ended 31 December 2013, we disposed of our investment properties and recorded a one-off gain on the disposal of approximately HK\$27.4 million. As investment properties are capital assets, the gain arising from the sale of investment properties was not subject to Hong Kong Profits Tax and was excluded in the calculation of estimated assessable profit of our Group for the year ended 31 December 2013. However, the estimated assessable profit of our Group for the year was increased by balancing charges of approximately HK\$0.6 million. The aforementioned balancing charges were resulted from the sale of the investment properties on which commercial buildings allowances were granted in prior years. The amount of such balancing charges was calculated as the difference between the residual value of the commercial buildings allowances claimable but not yet claimed before the sale and the sale proceeds of the investment properties, limited to the amount of annual allowances previously granted. The income tax expense resulted from such balancing charges was approximately HK\$0.1 million for the year ended 31 December 2013. Our effective tax rate, calculated as income tax expenses divided by profit before taxation, for the year ended 31 December 2012 and for the year ended 31 December 2013 was approximately 16.7% and 11.2%, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$33.6 million or 116.3% from approximately HK\$28.9 million for the year ended 31 December 2012 to approximately HK\$62.5 million for the year ended 31 December 2013.

Our net profit margin also increased from 4.5% for the year ended 31 December 2012 to 7.6% for the year ended 31 December 2013. The increase in our profit and net profit margin for the period was primarily attributable to the increase in revenue and gross profit during the period as discussed above.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our overall revenue increased by approximately HK\$26.6 million or 4.3% from approximately HK\$618.1 million for the year ended 31 December 2011 to approximately HK\$644.7 million for the year ended 31 December 2012. The increase was primarily attributable to the increase in our revenue attributable to the semi-government and private sectors while our revenue from the government sector was stable and remained as our largest revenue contributor.

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During 2012, our revenue from the semi-government sector increased by approximately HK\$9.7 million, or 21.7%, from approximately HK\$44.8 million to approximately HK\$54.5 million. Such increase was mainly because we entered into some new contracts with the semi-government sector for, among others, tertiary education institutes and the airport in mid-2011 and that contributed income stream to us for the full year in 2012.

Our revenue from the private sector increased by approximately HK\$25.2 million, or 29.6%, from approximately HK\$85.2 million to approximately HK\$110.4 million. Such increase was mainly because we obtained new contracts from new customers as well as existing customers in the private sector. Such new contracts were mainly in respect of our cleaning and/or landscaping services in shopping centers operated by a listed property management company, private residential estates, and commercial buildings. Besides, we also obtained new contracts for creating new landscape projects in the private sector for, among others, private school, private leisure sites, private residential estates and other development sites.

Cleaning services remained as our largest revenue contributor. The amount of revenue from cleaning services in 2012 was similar as compared to that in 2011.

Revenue from landscaping services increased by approximately HK\$18.1 million, representing an increase of 15.0%, mainly because we obtained certain major contracts in the government and semi-government sectors mainly for maintenance of landscape services in mid to late 2011 which contributed full year revenue to us in 2012. We also carried more projects in relation to creation of new landscapes in the private sector in 2012.

Revenue from the pest management services decreased by approximately HK\$14.7 million, representing a decrease of 19.2%, mainly because we completed several large-scale contracts during the year.

Revenue from the waste management and recycling services increased by approximately HK\$26.6 million, representing an increase of 166.0%, mainly because we obtained an additional contract with the HK Government in respect of waste management in a district in Hong Kong in mid-2011, which generated full year revenue in 2012. Moreover, in 2012, we further obtained two additional new long-term contracts with the HK Government in respect of waste management services in two more districts in Hong Kong.

Cost of services

Our cost of services increased by approximately HK\$2.8 million or 0.5% from approximately HK\$571.9 million for the year ended 31 December 2011 to approximately HK\$574.7 million for the year ended 31 December 2012. The increase in our cost of services was primarily due to the increase in direct overhead expenses and consumables and partially offset by the decrease in direct wages of approximately HK\$12.8 million.

Our direct overhead expenses increased from approximately HK\$47.2 million in 2011 to approximately HK\$61.0 million in 2012, representing an increase of approximately HK\$13.8 million, or 29.2%. The increase in direct overhead expenses was mainly due to (i) the increase in the number of our owned specialised vehicles by 39 vehicles for our operation and the associated operating expenses such

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as depreciation and fuel expenses by approximately HK\$10.9 million; (ii) the increase in employee and third party liability claims by approximately HK\$2.8 million; and (iii) the increase in the insurance expenses by approximately HK\$2.7 million due to the increase of insurance premium paid by the Group.

Our direct wages decreased from approximately HK\$486.1 million in 2011 to approximately HK\$473.3 million in 2012, representing a decrease of approximately HK\$12.8 million, or 2.6%. In 2011, we completed a number of large scale projects and thus we did not maintain the excessive workers and because of this arrangement, our headcount was relatively low in the first half of 2012, which only increased again in the second half of 2012 when we hired more workers for the new service contracts that we obtained. As a result, our total direct wages in 2012 was smaller than that in 2011.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$23.7 million or 51.2% from approximately HK\$46.3 million for the year ended 31 December 2011 to approximately HK\$70.0 million for the year ended 31 December 2012 and our gross profit margin increased from 7.5% for the year ended 31 December 2011 to 10.9% for the year ended 31 December 2012.

All of our four business segments recorded increase in gross profit margin. In particular, the increment in gross profit margin for cleaning services, landscaping services and pest management services was 3.4%, 1.1% and 1.4% respectively. The HK Government had, for the first time, implemented the statutory requirement of minimum wage of HK\$28 per hour in May 2011. Since then, we take into account such requirement and potential future increase in statutory minimum wage and raise our service fee when we prepared our tenders or quotations for new jobs in 2012. As such, our gross profit margin increased in generally in 2012 as compared to 2011.

On the other hand, the gross profit margin of our waste management and recycling services increased significantly from 9.8% in 2011 to 20.5% in 2012. This was mainly because of the economies of scale. We commenced waste management and recycling services in 2010. We purchased a total of 20 specialised vehicles in 2010 and 2011 and hired relevant workers for this line of service. In 2011, we carried out waste management services for two districts in Hong Kong. In 2012, we obtained two more contracts of waste management services for two more districts in Hong Kong. Because of the economies of scale, our gross profit margin in waste management services increased substantially in 2012.

Other income and gain

Our other income and gain decreased by approximately HK\$0.5 million or 15.2% from approximately HK\$3.3 million for the year ended 31 December 2011 to approximately HK\$2.8 million for the year ended 31 December 2012 which was mainly due to the decrease in net gain on disposal of motor vehicles.

Administrative expenses

Our administrative expenses increased, by approximately HK\$4.1 million or 15.6% from approximately HK\$26.2 million for the year ended 31 December 2011 to approximately HK\$30.3 million for the year ended 31 December 2012. The increase was mainly brought by (i) the increase in staff cost and allowances by approximately HK\$1.7 million due to increase in number of our administrative staff; (ii) the increase in rent and rates by approximately HK\$0.7 million as we rent

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storage and office spaces in the airport to facilitate our cleaning services in the airport, and we also rent a parking field in Yuen Long to cater our expanded fleet size along with our expansion in business scale and increase in number of vehicles, especially the vehicles purchased for our waste management services; (iii) the increase in legal and professional fees by approximately HK\$0.6 million; and (iv) the increase in directors' remuneration by approximately HK\$1.2 million.

Finance costs

Our finance costs increased by approximately HK\$0.7 million or 10.1% from approximately HK\$6.9 million for the year ended 31 December 2011 to approximately HK\$7.6 million for the year ended 31 December 2012. The increase was primarily due to the increase in interest on obligation under finance leases we incurred in connection with the addition of motor vehicles under finance lease during 2012.

Income tax expenses

Our income tax expenses increased by approximately HK\$3.1 million or 114.8% from approximately HK\$2.7 million for the year ended 31 December 2011 to approximately HK\$5.8 million for the year ended 31 December 2012. The increase primarily reflected the increase in our profit before taxation from approximately HK\$16.3 million for the year ended 31 December 2011 to approximately HK\$34.7 million for the year ended 31 December 2012. Our effective tax rate for the year ended 31 December 2011 and for the year ended 31 December 2012 was both approximately 16.7%.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$15.3 million or 112.5% from approximately HK\$13.6 million for the year ended 31 December 2011 to approximately HK\$28.9 million for the year ended 31 December 2012.

Our net profit margin also increased from 2.2% for the year ended 31 December 2011 to 4.5% for the year ended 31 December 2012. The increase in our profit and net profit margin for the year was primarily attributable to the increase in revenue and gross profit during the year as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

Our primary use of cash is to fund our operations, capital expenditure for the acquisition of plant and machinery, and repayment of borrowings and related interest expenses. We have financed our operations mainly by cash generated from our operations and external borrowings. After the Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the proceeds of the Global Offering.

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Cash flow of our Group

The following table is a condensed summary of our combined statements of cash flows as of the dates indicated:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	16,170	60,032	6,262
Net cash (used in)/generated from investing activities	(2,715)	(8,930)	34,510
Net cash used in financing activities	(31,051)	(29,225)	(1,510)
Net (decrease)/increase in cash and cash equivalents	(17,596)	21,877	39,262
Cash and cash equivalents at the beginning of the year	(7,052)	(24,648)	(2,771)
Cash and cash equivalents at the end of the year	(24,648)	(2,771)	36,491

Cash flow generated from operating activities

We derive our cash flow from operating activities principally from rendering of a comprehensive range of environmental services. Our working capital requirements are typically used to purchase raw materials and to pay our lease obligations and staff costs. During the Track Record Period, our net cash flow from operating activities reflects profit before taxation adjusted for income tax paid or refund, finance costs, non-cash items such as depreciation, gain on disposal of property, plant and equipment, and impairment losses recognised on trade receivables and changed in working capital.

For the year ended 31 December 2013, we had net cash generated from operating activities of approximately HK\$6.3 million. Profit before taxation for the period was approximately HK\$70.4 million. Adjustments are primarily attributable to a combined result of (i) depreciation and impairment expenses in the amount of approximately HK\$13.7 million; (ii) finance costs of approximately HK\$8.3 million; and (iii) deduction of non-cash items of gain on disposal of property, plant and equipment in the amount of approximately HK\$2.1 million and gain on disposal of two investment properties which were sold in November 2013 of approximately HK\$27.4 million, resulting in operating cash flow before changes in working capital of approximately HK\$62.9 million. Changes in working capital represented a net decrease of approximately HK\$48.0 million in cash, mainly as a result of (i) the increase in trade receivables (before impairment) of approximately HK\$70.4 million primarily due to the increase in revenue; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$0.7 million as we made more prepayments for site materials, insurance and listing expense; netted off with (iii) the increase in trade payables of approximately HK\$7.9 million; and (iv) the increase in accruals, deposits and other payables of approximately HK\$16.2 million.

For the year ended 31 December 2012, we had net cash generated from operating activities of approximately HK\$60.0 million. Profit before taxation for the period was approximately HK\$34.7 million. Adjustments are primarily attributable to a combined result of (i) depreciation and impairment expenses in the amount of approximately HK\$11.6 million; (ii) finance costs of approximately HK\$7.6 million; and (iii) deduction of non-cash items of gain on disposal of property, plant and equipment in the amount of approximately HK\$0.5 million, resulting in operating cash flow before changes in

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working capital of HK\$53.5 million. Changes in working capital represented a net increase of approximately HK\$5.4 million in cash, primarily as a result of (i) an increase in accruals, deposits and other payables of HK\$9.3 million mainly because we accrued more staff-related expenses in line with our increase in headcounts; and netted off with (ii) an increase in trade receivables of HK\$4.8 million which was in line with our increase in revenue.

For the year ended 31 December 2011, we had net cash generated from operating activities of approximately HK\$16.2 million. Profit before taxation for the period was approximately HK\$16.3 million. Adjustments primarily include (i) depreciation and impairment expenses in the amount of approximately HK\$8.6 million; (ii) finance costs of approximately HK\$7.0 million; and (iii) deduction of non-cash item of gain on disposal of property, plant and equipment in the amount of approximately HK\$1.5 million, resulting in operating cash flow before changes in working capital of approximately HK\$30.3 million. Changes in working capital represented a net use of approximately HK\$12.1 million in cash, primarily driven by the decrease in accruals, deposits and other payables of approximately HK\$15.9 million. Such decrease was mainly because there had been a decrease in our headcount during the second half of 2011 which resulted in a decrease in accrual for staff-related expenses. Besides, we paid income tax of approximately HK\$2.1 million.

Cash flow used in investing activities

Our investing activities principally consisted of proceeds from disposal of property, plant and equipment, and payment for the purchase of property, plant and equipment.

For the year ended 31 December 2013, we had net cash generated from investing activities of approximately HK\$34.5 million, which was primarily generated from the proceeds from disposal of two investment properties in November 2013 with a gain on disposal of investment properties amounted to approximately HK\$27.4 million.

For the year ended 31 December 2012, we had net cash used in investing activities of approximately HK\$8.9 million, which was primarily due to the acquisition of motor vehicles and equipment and machinery in the amount of approximately HK\$10.8 million. During 2012, our total additions to property, plant and equipment amounted to approximately HK\$41.8 million, out of which, approximately HK\$34.5 million was related to additions of motor vehicles, mainly for use in the course of our cleaning and waste management services. It was in line with our expansion of business scale and the new long-term contracts obtained for our waste management services. As a result of the addition of property, plant and equipment, we incurred cash payment of approximately HK\$10.8 million in 2012, while the balance was financed by finance leases. These cash outflows were partially offset by the proceeds from disposal of furniture, motor vehicles and equipment and machinery of approximately HK\$1.8 million.

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For the year ended 31 December 2011, we had net cash used in investing activities of approximately HK\$2.7 million, which was primarily due to the acquisition of motor vehicles and equipment and machinery in the amount of approximately HK\$5.7 million. During 2011, our total additions to property, plant and equipment amounted to approximately HK\$24.7 million, out of which, approximately HK\$20.9 million was related to additions of motor vehicles, mainly for use in the course of our cleaning services. Since most of the motor vehicles are purchased under finance lease, the cash outflow in respect of additions to property, plant and equipment amounted to approximately HK\$5.7 million only. These cash outflows were partially offset by the proceeds from disposal of motor vehicles and equipment and machinery of approximately HK\$3.0 million.

Cash flow used in financing activities

For the year ended 31 December 2013, we had net cash used in financing activities of approximately HK\$1.5 million, which comprised primarily the net increase of approximately HK\$30.7 million in proceeds from new bank borrowings offsetting repayment of bank borrowing. These cash inflows were partially offset by repayment of obligations under finance leases of approximately HK\$19.0 million, payment of interest of bank borrowings and bank overdrafts of approximately HK\$5.9 million as well as the interest element of finance leases payments of approximately HK\$2.4 million.

For the year ended 31 December 2012, we had net cash used in financing activities of approximately HK\$29.2 million, which comprised primarily the net repayment of bank borrowings of approximately HK\$3.0 million, the repayments of obligations under finance leases of approximately HK\$14.2 million, payment of interest of bank borrowings and bank overdrafts of approximately HK\$5.3 million as well as the interest element of finance leases payments of approximately HK\$2.3 million.

For the year ended 31 December 2011, we had net cash used in financing activities of approximately HK\$31.1 million, which comprised primarily the net repayment of bank borrowings of approximately HK\$9.5 million, the repayments of obligations under finance leases of approximately HK\$14.0 million, payment of interest of bank borrowings and bank overdrafts of approximately HK\$5.2 million as well as the interest element of finance leases payments of approximately HK\$1.7 million.

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Net current (liabilities)/assets

The following table sets forth a breakdown of our current assets, current liabilities, and net current liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets				
Inventories	3,034	2,776	3,742	4,135
Trade receivables	119,222	123,955	194,190	148,179
Prepayments, deposits and other receivables	12,306	10,418	11,165	10,049
Biological assets	331	327	428	428
Amounts due from related companies	62	—	—	—
Amounts due from directors	10,250	—	—	—
Tax recoverable	789	—	293	390
Cash and bank balances	<u>2,496</u>	<u>20,109</u>	<u>36,491</u>	<u>42,603</u>
	<u>148,490</u>	<u>157,585</u>	<u>246,309</u>	<u>205,784</u>
Current liabilities				
Trade payables	9,601	8,587	16,463	11,005
Accruals, deposits received and other payables	51,524	60,797	77,041	75,924
Amounts due to related companies	297	47	—	—
Amount due to a director	—	912	—	—
Bank borrowings	93,812	90,816	112,472	76,552
Bank overdrafts	27,144	22,880	—	1,683
Obligations under finance leases	10,756	15,786	21,291	21,442
Income tax payable	<u>120</u>	<u>5,165</u>	<u>2,776</u>	<u>2,865</u>
	<u>193,254</u>	<u>204,990</u>	<u>230,043</u>	<u>189,471</u>
Net current (liabilities)/assets	<u>(44,764)</u>	<u>(47,405)</u>	<u>16,266</u>	<u>16,313</u>

We recorded net current liabilities of approximately HK\$44.8 million and HK\$47.4 million as at 31 December 2011 and 2012 respectively and net current assets of approximately HK\$16.3 million as at 31 December 2013. Our net current liabilities mainly comprised (i) accruals, deposits received and other payables; (ii) bank borrowings; and (iii) the short-term portion of obligations under finance leases. In particular, our Group's policy is to pay our staff wages and salaries on every 7th days next month. Accordingly, we made accruals for staff cost on every month-end. As we have a relatively sizable

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workforce, our accrual for staff cost was relatively large. As at 31 December 2013, our accrual for staff cost amounted to approximately HK\$50.3 million. Besides, most of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule as detailed in the paragraph headed “Indebtedness” in this section; and (ii) that the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, according to Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5), these bank borrowings were classified as current liabilities in our financial statements. As at 31 December 2011, 2012 and 2013, bank loans containing a repayment on demand clause that were repayable in more than one year but were classified as current liabilities amounted to approximately HK\$37.3 million, HK\$47.9 million and HK\$26.5 million, respectively. Should these amounts been excluded in our current liabilities, we would have net current liabilities of approximately HK\$7.5 million as at 31 December 2011, and net current assets of approximately HK\$0.5 million and HK\$42.8 million as at 31 December 2012 and 31 December 2013 respectively. During the Track Record Period, our borrowings have not been recalled by the banks.

It is noted that our net current liabilities position had been improving during the Track Record Period. Our net current assets were amounted to approximately HK\$16.3 million and HK\$16.3 million as at 31 December 2013 and 31 March 2014, respectively. The improvement in our financial position was mainly brought by the receipt of proceeds from disposal of two investment properties of approximately HK\$34.5 million and increase in the balance of trade receivables in connection with the increase in our revenue. Our Directors expect that we would continue to generate operating profit and that our financial position would be further enhanced after Listing.

Our Directors confirmed that we had no defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, our net current liabilities position has been improving. As at 31 December 2013, we recorded net current assets of about HK\$16.3 million. It is estimated that we will receive net proceeds of about HK\$59.0 million from the Global Offering, assuming that the Offer Price is determined at HK\$1.00 per Share (being the mid-point of the proposed Offer Price range) and assuming that the Adjustment Option is not exercised. It is also expected that we would continue to generate operating profit. Furthermore, as at 31 March 2014, we have unutilised banking facilities amounted to approximately HK\$164.2 million.

Based on the above, our Directors are of the opinion that, and the Sponsor concurs that, after taking into account the existing financial resources available to us, the expected internally-generated funds, the available banking facilities and the estimated net proceeds from the Global Offering, we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this prospectus.

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DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventory represents consumables for use in our course of business, such as garbage bags, toiletries, chemicals and uniforms for our workers. During the Track Record Period, our inventory balance was approximately HK\$3.0 million, HK\$2.8 million and HK\$3.7 million as at 31 December 2011, 2012 and 2013, respectively, which represented 1.2%, 1.0%, and 1.0%, of our total assets as at the same dates.

The following table sets out for the periods presented the turnover of our average balance of inventory:

	For the year ended 31 December		
	2011	2012	2013
Inventory turnover days (<i>Note</i>)	35	33	25

Note: The inventory turnover days equals average balance of inventory divided by cost of services related to consumables for the relevant period multiplied by the 365 days, 366 days and 365 days respectively for each of the three years ended 31 December 2011, 2012 and 2013. The average balance of inventory is the inventory at the beginning of the period plus the inventory at the end of the period with the sum divided by two.

As at the Latest Practicable Date, 39.3% of our inventory as at 31 December 2013 have been utilised. The unutilised inventory mainly represented uniforms for our workers in preparation for potential new contracts.

Trade receivables

During the Track Record Period, our trade receivables primarily represented amounts receivable from our customers for our services provided in ordinary course of business. The following table sets forth our trade receivables as at 31 December 2011, 2012 and 2013, respectively:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	119,222	123,955	194,190

Our trade receivables increased by approximately HK\$70.2 million, or 56.6%, from approximately HK\$124.0 million as of 31 December 2012 to approximately HK\$194.2 million as of 2013, primarily due to increase in revenue which amounted to approximately 27.4% as compared to the same period last year.

Our trade receivables increased by approximately HK\$4.8 million, or 4.0%, from approximately HK\$119.2 million as of 31 December 2011 to approximately HK\$124.0 million as of 31 December 2012 primarily due to increase in revenue which amounted to approximately 4.3% as compared to 2011.

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Ageing analysis of trade receivables

Our Group normally allows a credit period ranging from 30 to 60 days depending on the customer's creditworthiness and the length of business relationship. We request payment from our customers upon delivery of our monthly service invoice. However, there is generally no specific number of credit days specified in the contracts with customers which are governmental departments or semi-government sector because these customers are required to use standardised template of contracts given by the relevant governmental departments, and they need to go through standardised internal procedures to check our performance of services and process the payments of our service fees. In general, it takes about three to four months for such customers to complete the whole process of payment. As at 31 December 2011, 2012 and 2013, our trade receivables due from customers which are governmental departments or semi-government sector without specifying credit period in contracts amounted to approximately HK\$77.9 million, HK\$74.5 million and HK\$134.4 million respectively.

An ageing analysis of our trade receivables, based on the invoice date, during the period consisting of the year ended 31 December 2011, 2012, and 2013 is as follows:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	102,558	111,591	161,209
61 days to 120 days	9,830	8,166	24,673
121 days to 365 days	5,369	3,143	8,041
Over 365 days	1,465	1,055	267
Total	119,222	123,955	194,190

Trade receivables turnover days

The following table sets out for the periods presented the turnover of our average trade receivables:

	For the year ended 31 December		
	2011	2012	2013
Trade receivable turnover days (<i>Note</i>)	73	69	71

Note: The trade receivables turnover is calculated based on the average of the beginning and ending balance of trade receivables, net of provision on impairment, for the year divided by revenue during the year and multiplied by 365 days, 366 days and 365 days respectively for the years ended 31 December 2011, 2012 and 2013. Average trade receivables is calculated by dividing by two the sum of trade receivables at the beginning of the period and trade receivables at the end of the period.

Our number of trade receivables turnover days had been stable during the Track Record Period, and was 73 days, 69 days and 71 days respectively for the years ended 31 December 2011, 2012 and 2013. In respect of the contracts without credit period (which are mainly with customers in the government sector or the semi-government sector), the trade receivables turnover days were 70 days, 62

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days and 66 days respectively for the years ended 31 December 2011, 2012 and 2013. In respect of the rest of the customers, the trade receivables turnover days were 80 days, 84 days and 81 days respectively for the years ended 31 December 2011, 2012 and 2013. The number of trade receivables turnover days was slightly more than our general credit term of 30 days to 60 days mainly because it takes some time for our customers to process the payments. In respect of the receivables which are past due, we will follow up with such customers for payment and monitor their credit worthiness.

Included in our trade receivables balances are debts with carrying amounts of approximately HK\$14.0 million, HK\$16.6 million and HK\$22.7 million as at 31 December 2011, 2012 and 2013, respectively, which were past due at the end of the Track Record Period for which we had not provided impairment. These trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are considered fully recoverable. The Group does not hold any collateral over those balances. As at the Latest Practicable Date, 96.9% of our trade receivables as at 31 December 2013 have been settled.

Movement in the impairment loss of trade receivables is as follows:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	—	—	—
Impairment losses recognised on trade receivables	2	41	140
Amount written off as uncollectable	(2)	(41)	(140)
Total	—	—	—

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. We closely review the trade receivable balance and any overdue balances on an ongoing basis and assess the collectability of overdue balances.

The Group's bank borrowings consists of factoring loan and term loan amounted to approximately HK\$41.5 million, HK\$29.4 million and HK\$63.6 million as at 31 December 2011, 2012 and 2013, respectively, are secured by the trade receivables of the Group with carrying amount of approximately HK\$50.6 million, HK\$36.5 million and HK\$77.2 million as at 31 December 2011, 2012 and 2013 respectively.

Prepayments, deposits and other receivables

Our prepayments mainly comprised prepayments for insurance, prepayment for site materials and consumables, and prepayment for purchase of vehicles. As at 31 December 2013, our prepayments also included prepayment for listing expenses.

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Our deposits mainly comprised performance deposit, which amounted to HK\$449,000, HK\$687,000 and HK\$989,000 as at 31 December 2011, 2012 and 2013 respectively. Such performance deposits are required by some of our customers as a guarantee for our due performance of services and would be released upon the completion of the relevant projects or contracts. Besides, our deposits also included environmental deposit paid to the Hong Kong Government which were required for disposal of waste in landfills.

Our other receivables mainly comprised receivables from insurance companies in respect of employees' compensation claims, which amounted to HK\$4.0 million, HK\$3.8 million and HK\$2.4 million as at 31 December 2011, 2012 and 2013 respectively. The following table sets forth a breakdown of prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,320	2,283	5,053
Deposits	4,205	2,386	3,241
Other receivables	6,781	5,749	2,871
Total	12,306	10,418	11,165

Our prepayments, deposits and other receivables increased by approximately HK\$0.8 million, or 7.7%, from approximately HK\$10.4 million as of 31 December 2012 to approximately HK\$11.2 million as of 31 December 2013 primarily due to a combined effect of the increase in prepayments of site materials, listing expenses and insurance expenses by approximately HK\$2.0 million, HK\$0.6 million and HK\$0.2 million, respectively. Our amount of deposits was increased by approximately HK\$0.9 million as at 31 December 2013 as compared to 31 December 2012 mainly due to the increase in performance deposit as we obtained new tenders from government sector and semi-government sector such as universities whereas performance deposit was required. Our other receivables decreased by approximately HK\$2.9 million as at 31 December 2013 as compared to 31 December 2012 mainly due to the decrease in amount receivable from insurance companies in respect of employee compensation claims.

Our prepayments, deposits and other receivables decreased by approximately HK\$1.9 million or 15.4% from approximately HK\$12.3 million as of 31 December 2011 to approximately HK\$10.4 million as of 31 December 2012 primarily due to a combined effect of the drop of deposits for the purchase of motor vehicles by approximately HK\$2.5 million, netted off by the increase in the prepaid insurance by approximately HK\$1.0 million due to the change of insurance company and insurance policy.

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Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to our third party service providers and suppliers for their services provided or consumables sold to us. The following sets forth our trade payables as at 31 December 2011, 2012 and 2013 respectively:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9,601	8,587	16,463

Our trade payables increased by approximately HK\$7.9 million, or 91.9%, from approximately HK\$8.6 million as of 31 December 2012 to approximately HK\$16.5 million as of 31 December 2013 primarily due to the expansion of our scope and scale of services.

Our trade payables decreased by approximately HK\$1.0 million, or 10.4% from approximately HK\$9.6 million as of 31 December 2011 to approximately HK\$8.6 million as of 31 December 2012 primarily due to faster settlement on outstanding amount to suppliers.

Ageing analysis of trade payables

We were normally offered credit periods ranging from 30 days to 60 days, from invoice date, depending on the relationship with our suppliers and service providers. The following table sets forth a summary of ageing of our trade payables based on invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,121	6,423	8,332
31 days to 60 days	2,266	951	6,025
61 days to 90 days	451	83	1,077
Over 90 days	1,763	1,130	1,029
Total	<u>9,601</u>	<u>8,587</u>	<u>16,463</u>

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Trade payables turnover days

The following table sets out for the periods presented the turnover of our average trade payables:

	For the year ended 31 December		
	2011	2012	2013
Trade payable turnover days (<i>Note</i>)	56	49	50

Note: The trade payables turnover is calculated based on the average of the beginning and ending balance of trade payables for the year divided by total purchases (including consumables, vehicle expenses and services) for the year, and multiplied by 365 days, 366 days and 365 days respectively for the years ended 31 December 2011, 2012 and 2013. Average trade payables is calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

Accruals, deposits received and other payables

The following table sets forth a breakdown of our accruals, deposits received and other payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	50,286	58,046	74,970
Deposits received	944	1,039	350
Other payables	294	1,712	1,721
Total	51,524	60,797	77,041

Our accruals mainly included accrual for staff-related expenses, including salaries and wages, provision for untaken paid leave, long service payment, MPF payable and accrued bonus. In addition, our accruals also included provision for public liability claims and provision for employee compensation claims. Out of the accruals of approximately HK\$50.3 million, HK\$58.0 million and HK\$75.0 million as at 31 December 2011, 2012 and 2013 respectively, accrued salaries amounted to approximately HK\$33.9 million, HK\$36.6 million and HK\$50.3 million as at 31 December 2011, 2012 and 2013 respectively.

Our accruals, deposits received and other payables increased by approximately HK\$16.2 million, or 26.6%, from approximately HK\$60.8 million as of 31 December 2012 to approximately HK\$77.0 million as of 31 December 2013 primarily due to (i) the increase in accrual for staff-related expenses by approximately HK\$13.4 million; and (ii) the increase in accrued expenses by approximately HK\$2.0 million in respect of provisions for public liability claims and employee compensation claims. Such provisions for public liability claims and employee compensation claims, which amounted to approximately HK\$0.8 million and HK\$3.1 million, respectively as at 31 December 2013, were provided for claims arisen from accidents happened to our workers at work or pedestrians in the venue where our Group was providing services. Although the subject persons may or may not claim against the Group, we make provision in the amount estimated by the Directors based on their experience having accessed the circumstances, and for the amount in excess of that is expected to be covered from our

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insurance policy. The amount increased mainly because the balance of such accruals would accumulate until the expiry of the limitation period for the subject persons to launch a claim against us, which is generally three years from the date of the relevant incidents.

Our accruals, deposits received and other payables increased by approximately HK\$9.3 million, or 18.1%, from approximately HK\$51.5 million as of 31 December 2011 to approximately HK\$60.8 million as of 31 December 2012 primarily due to (i) the increase in accrual for staff-related expenses by approximately HK\$5.5 million, mainly because of the increase in our headcounts; and (ii) the increase in accrued expenses by approximately HK\$2.0 million in respect of provisions for public liability claims and employees compensation claims.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly contained leasehold properties, furniture and fixtures, equipment and machinery and motor vehicles. As of 31 December 2011, 2012 and 2013, the carrying amounts of our property, plant and equipment were approximately HK\$80.6 million, HK\$109.5 million, and HK\$135.1 million, respectively.

During the year ended 31 December 2013, our additions to property, plant and equipment amounted to approximately HK\$43.9 million. Such additions were mainly attributable to the additions of motor vehicles of approximately HK\$40.0 million.

During 2013, we purchased additional grab tippers and vans. The grab tippers are used in our cleaning services, landscaping services, pest management services and waste management and recycling services. We also purchased additional vans mainly because we obtained large-scale contracts of pest management for public area in certain districts in Hong Kong. To perform pest management services, we send a number of small teams (using vans containing the team members and the necessary tools) to control pest in various areas in the districts. We also need to pay frequent visit to the places concerned to inspect and investigate the pest situation, maintain proper sanitation, apply pesticide where necessary, and reduce conducive conditions to pest infestation.

The effect of the additions to property, plant and equipment were partly netted off by depreciation charges of approximately HK\$13.7 million during the year ended 31 December 2013. Besides, we also disposed of certain equipment and vehicles that we considered no longer in need. During the year ended 31 December 2013, we recorded net gain on disposal of property, plant and equipment of HK\$2.1 million.

During the year ended 31 December 2012, our additions to property, plant and equipment amounted to approximately HK\$41.8 million. Such additions were mainly attributable to the additions of motor vehicles of approximately HK\$34.5 million and additions of equipment and machinery of approximately HK\$5.6 million. During 2012, our waste management and recycling services experienced significant growth and we obtained several large-scale contracts for waste management services in several districts in Hong Kong. As such, we purchased additional grab tippers and refuse compaction vehicles which are used for collecting waste and transporting such waste to landfills.

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The effect of the additions to property, plant and equipment were partly netted off by depreciation charges of approximately HK\$11.6 million during the year ended 31 December 2012. Besides, we also disposed of certain equipment and vehicles that we considered no longer in need. During the year ended 31 December 2012, we recorded net gain on disposal of property, plant and equipment of approximately HK\$0.4 million.

We own our office premise as our head office in Hong Kong. It is located in Units A and B on 4th Floor and Car Parking Space No. L2 on Ground Floor, Dragon Industrial Building, No. 93 King Lam Street, Kowloon, Hong Kong. Total gross floor area of our office premise is approximately 14,335 sq.ft.. Our property, plant and equipment are accounted for in our financial statements at cost less accumulated depreciation and any impairment losses. As at 31 December 2013, the carrying amount of our office premise was HK\$18.8 million. We have engaged Peak Vision Appraisals Limited (“Peak Vision”) to conduct a valuation on our office premise, which is valued at approximately HK\$47.7 million as at 28 February 2014.

Biological assets

In connection with our landscaping services, we purchase plants and flowers in Hong Kong or the PRC. The plants that we maintained include shrubs, trees, bamboo, palms, flowers and other potted plants. For the plants that are not immediate used in projects, they are maintained in our plant nursery such that the plants would have a chance to acclimatise to the environment in Hong Kong and to maintain at a good condition. Accordingly, our plant nursery is transitional in nature and we do not aim to maintain or to grow a large quantity of plants, but to maintain such quantity of plants that support our landscaping services and provide flexibility in our landscaping operation.

We perform stock-take on our biological assets on every year-end. We also maintain proper stock-in and stock-out record for our plants.

Our plants and flowers are accounted for in our financial statements as biological assets. As at 31 December 2011, 2012 and 2013, the book value of our biological assets amounted to approximately HK\$331,000, HK\$327,000 and HK\$428,000 respectively. Since they are ready for use in our projects from time to time, they are classified as our current assets. According to the Hong Kong Accounting Standard 41 — Agriculture, biological assets are measured at its fair value less costs to sell, with any change therein recognised in profit or loss. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding financial costs and income tax.

We have engaged Peak Vision to conduct valuation of our biological assets and certain property interests of the Group. Peak Vision is a professional appraisal firm and is an Independent Third Party. It also possesses the experience of conducting valuation of biological assets for other companies listed in Hong Kong. On this basis, the Directors and the Sponsor are satisfied that Peak Vision is independent and competent to determine the fair value of our biological assets. The valuation is based on the going concern premise and conducted on a market value basis. In the context of the valuation, market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion. As stated in the Hong Kong Valuation Standards 2012 Edition, this valuation for our biological assets undertaken for inclusion in a financial statement shall observe and refer to the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants, including HKAS 41 Agriculture.

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In the process of valuing the plants, Peak Vision has taken into account the nature and specialty of the plants. Most of the plants and flowers that we maintained are species that are commonly used in landscaping and can be commonly found in market. Peak Vision considers that the market-based approach is appropriate and reasonable in valuing our biological assets. By using market-based approach, Peak Vision considers the recent market price for similar plants, with adjustment made to the indicated market price to reflect condition and utility of the assets valued relative to the market comparative. The Sponsor and the reporting accountants are also satisfied that the valuation technique chosen are appropriate and reasonable.

In the valuation, factors being considered by Peak Vision included (i) growing status and conditions of the plants; (ii) historical information regarding the planting and trading of the plants; (iii) regulations and rules of the landscaping industry in Hong Kong; and (iv) market price of similar plants.

During the Track Record Period, the change in fair value less costs to sell of our biological assets (which are charged to our combined statements of profit or loss and other comprehensive income) were minimal and amounted to approximately nil, HK\$1,000 and HK\$82,000 respectively for each of the years ended 31 December 2011, 2012 and 2013. Such amount was immaterial because (i) we did not maintain a large quantity of plants. The plants that we maintained in our nursery are transitional in nature for supporting our landscaping services and providing flexibility to our operation; and (ii) the market price of the plants that we maintained were relatively stable as most of our plants are common species with stable supply in the market and are relatively easy to maintain. Based on the above, the changes in fair value of our biological assets had immaterial effect on our results during the Track Record Period and that the fair value of our biological assets are insignificant to our financial position.

Available-for-sale financial assets

Investment in life insurance represents an investment in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no market price for such equity investment. The return of the investment is based on the guarantee minimum return rate. The insurance policies are pledged to banks for banking facilities.

The fair values are determined based on the surrender value of the life insurance policies at the end of each reporting period.

The management of the Group has determined that no impairment was recognised in the combined statements of profit or loss and other comprehensive income for the Track Record Period as the life insurance contracts are expected to generate positive income in the future.

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INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at 31 December 2011, 2012 and 2013 and 31 March 2014, being the latest practicable date for the purpose of this indebtedness in this prospectus.

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Bank borrowings	93,812	90,816	121,507	84,993
Bank overdrafts	27,144	22,880	—	1,683
Obligations under finance leases	37,198	54,087	72,278	71,241
	<u>158,154</u>	<u>167,783</u>	<u>193,785</u>	<u>157,917</u>

Bank borrowings and bank overdrafts

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Bank loans:				
Secured	<u>93,812</u>	<u>90,816</u>	<u>121,507</u>	<u>84,993</u>
Secured term loan from bank that repayable within the period of:				
— Less than one year	56,468	42,921	86,023	52,173
— More than 1 year but within 2 years	7,654	12,435	9,707	9,130
— More than 2 years but within 5 years	15,252	25,157	17,673	16,355
— Over 5 years	<u>14,438</u>	<u>10,303</u>	<u>8,104</u>	<u>7,335</u>
Secured term loan	93,812	90,816	121,507	84,993
Less: Amount classified as current liabilities				
— Secured term loan due within one year contain a repayment on demand clause	<u>(93,812)</u>	<u>(90,816)</u>	<u>(112,472)</u>	<u>(76,552)</u>
Amount classified as non-current liabilities	<u>—</u>	<u>—</u>	<u>9,035</u>	<u>8,441</u>

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As at 31 March 2014, we had unutilised banking facilities of about HK\$164.2 million available for drawdown.

During the Track Record Period, bank borrowings increased in line with our growth in business scale, in order to provide working capital and to finance the acquisition of our property, plant and equipment.

All of our bank borrowings and bank overdrafts were denominated in Hong Kong dollar and the effective interest rates as at 31 December 2011, 2012 and 2013, and 31 March 2014 were 3.9%, 3.9%, 4.0% and 3.8%, respectively for bank borrowings. And the effective interest rates of bank overdrafts as at 31 December 2011, 2012 and 2013 and 31 March 2014 were 5.0%, 5.0%, and 5.0% and 5.0%.

As at 31 March 2014, our bank borrowings and bank overdrafts were secured by our leasehold land and buildings, bank deposit, investments in life insurance, trade receivables, guarantees provided by The Government of the Hong Kong Special Administrative Region and Hong Kong Mortgage Corporation Limited, corporate guarantee provided by certain subsidiaries of our Group, and properties owned by our Directors and close family members of our Directors. Our Directors and a close family member of our Directors also provided unlimited personal guarantees to our bank borrowings and bank overdrafts as at 31 March 2014. The personal guarantees given by and the pledge of properties owned by our Directors and the close family members of our Directors will be released and replaced by guarantees given by our Company upon Listing.

Our bank borrowings contain certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors have confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our banking borrowings during the Track Record Period and up to the Latest Practicable Date.

Most of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year with payment schedule stipulated in the table above. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule; and (ii) the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, according to Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5), these bank borrowings were classified as current liabilities in our financial statements. As at 31 March 2014, bank loans that were repayable in more than one year amounted to HK\$32.8 million.

Save as the indebtedness as disclosed above, we currently do not have an external financing plan.

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Obligations under finance leases

As at 31 March 2014, 236 motor vehicles of our Group were under hire purchase with an aggregate outstanding principal amount of approximately HK\$71.2 million.

As at the dates indicated, our obligations under finance leases were repayable as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within one year	10,756	15,786	21,291	21,442
Between two to five years	<u>26,442</u>	<u>38,301</u>	<u>50,987</u>	<u>49,799</u>
	<u>37,198</u>	<u>54,087</u>	<u>72,278</u>	<u>71,241</u>

All of our finance leases were denominated in Hong Kong dollar and the effective interest rates as at 31 December 2011, 2012 and 2013 and 31 March 2014 were 4.8%, 4.3%, 3.9% and 3.8%, respectively.

The obligations under finance leases were secured by the relevant motor vehicles and personal guarantees given by our Directors and corporate guarantee provided by a subsidiary of our Group. The personal guarantees given by our Directors will be released upon Listing.

Contingent liabilities

As at the close of business on the Latest Practicable Date, we did not have any material contingent liabilities.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities, we did not have, at the close of business on 31 March 2014, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 March 2014 up to the date of this prospectus.

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CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure has principally consisted of purchase of equipment and machinery and motor vehicles. The table below sets forth our capital expenditure during the period indicates.

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Furniture and fixtures	2,322	1,686	1,398
Equipment and machinery	1,490	5,629	2,449
Motor vehicles	<u>20,927</u>	<u>34,532</u>	<u>40,014</u>
Total	<u>24,739</u>	<u>41,847</u>	<u>43,861</u>

Our capital expenditure mainly included acquisition of equipment and motor vehicles. We require specialised equipment and vehicles for providing environmental services in the ordinary course of our business. For deciding the purchase of such equipment or vehicles, we estimate our needs based on the contracts successfully obtained. In the event that certain equipment or vehicles are no longer needed after the relevant contracts are completed, we may consider selling them to independent third parties. During the Track Record Period, we recorded net gain from disposal of properties, plant and equipment of approximately HK\$1.5 million, HK\$0.4 million and HK\$2.1 million respectively.

Set out below is the age profile of our vehicle fleet as at 31 December 2013:

	Number of vehicles
Less than 5 years	178
5 years to 12 years	142
13 years to 14 years	13
15 years or above	<u>16</u>
Total	<u>349</u>

Depending on the status and performance of the vehicles, we consider replacing vehicles which are aged for more than 15 years by batches in general. We currently expect to replace 16 aged vehicles in 2014 and 13 aged vehicles in 2015. The relevant capital expenditure is estimated at approximately HK\$8.4 million and HK\$8.7 million for each of the years ending 31 December 2014 and 2015 respectively. We expect to fund such capital expenditure by our internal resources and finance leases.

In addition, as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, we intend to apply a total of approximately HK\$36.0 million of our net proceeds from the Global Offering (based on an Offer Price of HK\$1.00 per Share, being the mid-point of the proposed Offer Price range) to fund our capital expenditure in the coming 24 months after Listing, which include,

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among others, acquisition of equipment and vehicles for expanding our service capacity, developing our waste management and recycling services to include handling specific types of waste or materials for recycling, destruction or other treatment, and enhancing our operational efficiency.

CAPITAL COMMITMENT

Our capital commitment primarily relate to acquisition of motor vehicles contracted for but not delivered as at the end of each reporting period. These commitment would be financed by our internal resources. The following table sets forth the total amounts of our capital commitments as at the dates indicated:

	As at 31 December		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of motor vehicle contracted for but not provided in the combined financial statements			
— Within one year	19,657	1,453	2,004
Capital expenditure in respect of the additions of office equipment, furniture and fixtures contracted for but not provided in the combined financial statements			
— Within one year	—	—	807

OPERATING LEASE COMMITMENTS

Our Group as lessor

Our Group owned two office premises located in Central, Hong Kong, which were leased to independent third parties and were accounted for as our investment properties. Our Group leased such investment properties with a lease term of one to three years. The terms of the leases required the tenants to pay security deposits and provided for periodic rent adjustments according to the then prevailing market conditions. Majority of the leases were renewable at the end of the lease periods at market rates. None of the leases included contingent rentals. Our investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. As at 31 December 2012, the carrying amount of investment properties was approximately HK\$7.1 million. Such properties were reclassified as asset held for sale as at 30 September 2013. In November 2013, we had completed the disposal of our investment properties with a gain on disposal of investment properties amounted to approximately HK\$27.4 million. Subsequent to such disposal, we no longer own any investment property that generates rental income through operating leases.

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For the Track Record Period, our Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,282	1,378	—
In the second to fifth years, inclusive	<u>1,849</u>	<u>1,038</u>	<u>—</u>
Total	<u>3,131</u>	<u>2,416</u>	<u>—</u>

Our Group as lessee

Our Group entered into commercial leases on certain land and office buildings as our car depot, parking field, site office, plant nursery and Director's quarter. These leases have an average life of one to two years. None of the leases includes contingent rentals.

For the Track Record Period, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,376	1,646	2,502
In the second to fifth years, inclusive	<u>1,340</u>	<u>903</u>	<u>1,186</u>
Total	<u>2,716</u>	<u>2,549</u>	<u>3,688</u>

RELATED PARTY BALANCES AND TRANSACTIONS

During the Track Record Period, our related party transactions included purchase of equipment, purchase of consumable goods, expenses paid for repair and maintenance for I.T. facilities and rent for Director's quarter paid. Our Directors confirm these related party transactions were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business. Please refer to note 40 of the Accountants' Report in Appendix I to this prospectus and the section headed "Connected transactions" of this prospectus for further details.

As at 31 December 2013, we had no amount due to nor due from related companies nor directors.

During the Track Record Period, our Directors and a close family member of our Directors provided personal guarantees for our bank borrowings, and our Directors also provided personal guarantees for our obligation under finance leases in connection with our purchases of motor vehicles. Besides, our bank borrowings were secured by pledge of properties owned by our Directors and a close

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family member of our Directors. Such personal guarantees and pledge of properties owned by our Directors and the close family member of our Directors would be released upon Listing and would be replaced by corporate guarantee provided by our Company.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming the Adjustment Option is not exercised and assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the Offer Price range stated in this prospectus, the listing expenses to be borne by the Company are estimated to be approximately HK\$21.0 million, of which approximately HK\$7.4 million is directly attributable to the issue of New Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$13.6 million is chargeable to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$2.2 million were charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2013, and approximately HK\$11.4 million is expected to be charged upon Listing. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 8 November 2013. As at 31 December 2013, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDENDS AND DIVIDEND POLICY

Our Group declared dividends of approximately HK\$6.5 million, HK\$15.6 million, HK\$4.0 million to the then shareholders during the years ended 31 December 2011, 2012 and 2013. On 24 January 2014, a subsidiary of our Company proposed to declare a final dividend of HK\$32.0 million to its shareholders for the year ended 31 December 2013. Such dividend has been fully paid before the Latest Practicable Date.

Following completion of the Global Offering, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results
- Shareholders' interests
- general business conditions, strategies and future expansion needs
- the Group's capital requirements

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- the payment by its subsidiaries of cash dividends to the Company
- possible effects on liquidity and financial position of the Group
- other factors the Board may deem relevant

Our historical declarations of dividends may not reflect our future declarations of dividends.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	<i>Notes</i>	Year ended 31 December		
		2011	2012	2013
Current ratio	<i>1</i>	0.8	0.8	1.1
Quick ratio	<i>2</i>	0.8	0.8	1.1
Gearing ratio	<i>3</i>	6.6	4.4	2.0
Net debt to equity ratio	<i>4</i>	6.5	3.9	1.6
Return on equity	<i>5</i>	56.5%	76.4%	64.6%
Return on assets	<i>6</i>	5.5%	10.1%	15.9%
Interest coverage	<i>7</i>	3.4	5.6	9.5
Gross margin	<i>8</i>	7.5%	10.9%	10.2%
Net profit margin	<i>9</i>	2.2%	4.5%	7.6%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.
2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.
3. Gearing ratio is calculated by dividing total debts by total equity. Our total debts include bank borrowings, bank overdrafts and obligations under finance leases.
4. Net debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include total debts net of cash and cash equivalents.
5. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.
6. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.
7. Interest coverage is calculated by dividing profit before interest and tax by finance costs.
8. Gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of services.
9. Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

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Current ratio and quick ratio

Our current ratio was 0.8, 0.8 and 1.1 as of 31 December 2011, 2012 and 2013, respectively. Our quick ratio was 0.8, 0.8 and 1.1 as of 31 December 2011, 2012 and 2013, respectively. The increase in both the current ratio and the quick ratio reflected the improvement in our net current liabilities position during the Track Record Period.

Gearing ratio and net debt to equity ratio

Our gearing ratio was 6.6, 4.4 and 2.0 as of 31 December 2011, 2012 and 2013, respectively. Our debt to equity ratio was 6.5, 3.9 and 1.6 as of 31 December 2011, 2012 and 2013, respectively. The decrease in both the gearing ratio and the net debt to equity ratio during the Track Record Period was mainly because, while we had increase in our total debts, we also recorded significant increase in our equity by approximately 57.0% in 2012 and by approximately 155.8% in the year ended 31 December 2013 as a result of the profits generated in our operation.

Return on equity

Return on equity increased from approximately 56.5% for the year ended 31 December 2011 to approximately 76.4% for the year ended 31 December 2012. The increase was primarily attributable to the significant increase in our profit by approximately 112.5% in 2012.

Return on equity for the year ended 31 December 2013 was 64.6%, representing a decrease as compared to the return on equity for the year ended 31 December 2012 of approximately 76.4%. The Group had paid a dividend of approximately HK\$15.6 million and approximately HK\$4.0 million during the year ended 31 December 2012 and the year ended 31 December 2013 respectively. As the dividend amount in 2012 was relatively large, the equity base as at 31 December 2012 was smaller and the return on equity for the year 31 December 2012 was relatively higher.

Return on assets

Return on assets increased from approximately 5.5% for the year ended 31 December 2011 to 10.1% for the year ended 31 December 2012. The increase was primarily attributable to the significant increase in our profit by approximately 112.5% in 2012.

Return on assets for the year ended 31 December 2013 was about 15.9%, representing an increase as compared to the return on assets for the year ended 31 December 2012 of approximately 10.1%. Such increase was mainly because of the enhancement of our profitability in 2013 due to increase in business scale and customer base.

Interest coverage

Interest coverage increased from approximately 3.4x for the year ended 31 December 2011 to approximately 5.6x for the year ended 31 December 2012. The increase was primarily attributable to the significant increase in our operating profit by approximately 81.5% which offset the increase in our finance costs. Interest coverage further increased from approximately 5.6x for the year ended 31

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December 2012 to approximately 9.5x for the year ended 31 December 2013. The increase was primarily attributable to the increase in our operating profit by approximately 86.2% during the period outweighed the increase in finance costs by approximately 9.3% during the same period.

Gross profit margin

The gross profit margins of our Group have been affected by changes in the proportion of gross profit contributed by different types of our services. During the Track Record Period, our gross profit margin increased due to the increase in the contribution to our gross profit from our landscaping services and waste management and recycling services. During the Track Record Period, the gross profit margins of our landscaping services fluctuated between 10.4% and 17.0%, and that of our waste management and recycling services fluctuated between 9.8% and 20.5%. Such services are of relatively higher gross profit margin because they are less labour intensive and involve the use of more vehicles, equipments and higher level of skill of labour.

Net profit margin

During 2012, our net profit margin increased in line with the increase in gross profit margin. Our net profit margin for the year ended 31 December 2013 was relatively high as it had been positively affected by the gain on disposal of investment properties of approximately HK\$27.4 million.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

Interest rate risk

Our cash flow interest rate risk relates primarily to variable-rate bank borrowings. It is our policy to keep borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Our exposures to interest rates on financial liabilities are detailed in the liquidity risk management section below. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Standard Bills Rate and Hong Kong Dollar Prime Lending Rate/Best Lending Rate arising from the Group's Hong Kong Dollar denominated borrowings. The exposures to the interest rate risk are monitored on an ongoing basis.

Credit risk

Our credit risk is primarily attributable to bank deposits, trade and other receivables. In order to minimise the credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, our management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our credit risk is adequately managed and mitigated. We had certain concentration of credit risk as approximately 73%, 71% and 76% of our trade receivables were due from 5 largest customers as at 31 December 2011 and 2012 and 2013 respectively. Our management considered the credit risks is limited since we trades only with customers with an appropriate credit history and good reputation. In particular, certain major customers of our Group are departments of the HK Government and the credit risk of these debtors are considered low. Our management monitored the

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financial background and creditability of those debtors on an ongoing basis. In addition, the credit risks on liquid funds including bank deposit and bank balances is limited because the counterparties are banks with good reputation.

Liquidity risk

We maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. Our policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Foreign currency risk

We have no foreign currency risk as our bank balances are denominated in Hong Kong Dollar and most of our sales and purchases are denominated in Hong Kong Dollar. We do not have a foreign currency hedging policy.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted combined net tangible assets, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2013. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of 31 December 2013 or any future dates.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 3)	HK\$ (Notes 2 and 3)
Based on the Offer Price of HK\$0.80 per Share	96,683	45,660	142,343	0.36
Based on the Offer Price of HK\$1.20 per Share	96,683	76,697	173,380	0.43

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Notes:

1. The estimated net proceeds from the Global Offering are based on 80,000,000 Shares and the price range of HK\$0.80 and HK\$1.20 per Share, after deduction of underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of the Group as at 31 December 2013 and take no account of any Shares which may be issued upon the exercise of the Adjustment Option and the options that may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 400,000,000 Shares (including Shares in issue as at 31 December 2013, Shares under the Capitalisation Issue and the Global Offering) are in issue and that the Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.
3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the final dividend of HK\$32,000,000 proposed on 24 January 2014 for the year ended 31 December 2013. Such dividend has been fully paid before the Latest Practicable Date. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$110,343,000 (assuming an Offer Price of HK\$0.80 per Share) and approximately HK\$141,380,000 (assuming an Offer Price of HK\$1.20 per Share) respectively, while the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.28 (assuming an Offer Price of HK\$0.80 per Share) and HK\$0.35 (assuming an Offer Price of HK\$1.20 per Share) respectively.
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2013.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2013, the end of period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 31 December 2013 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Corporate strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$59.0 million, assuming the Adjustment Option is not exercised and assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We currently intend to apply these net proceeds for the following purposes:

- approximately 28.2% of the net proceeds, or approximately HK\$16.6 million, would be used for expanding our service capacity and broadening our spectrum of services by acquiring additional equipment and vehicles, such as refuse compaction vehicles, grab tippers, hook-lift trucks, clinical and chemical waste collection vehicles, food waste collection vehicles, suction tanker for waste oil, road sweepers, and advanced tree survey equipment.
- approximately 19.9% of the net proceeds, or approximately HK\$11.7 million, would be applied towards the development and expansion of our waste management and recycling services to include handling specific types of waste or materials for recycling, destruction or other treatment, including glass bottles, plastic, food waste and horticultural waste, confidential documents and other sensitive materials. The allocation these proceeds are intended to be:

	<u>Approx. HK\$ million</u>	<u>Approx. % of net proceeds</u>
Sorting facility and other relevant capital expenditure	5.2	8.8
Research and equipment for food waste and horticultural waste handling and composting	1.4	2.4
Equipment for handling glass bottles	0.9	1.5
Equipment for handling plastic cutting and cleaning	2.5	4.3
Equipment for assured destruction of confidential information or other sensitive materials	<u>1.7</u>	<u>2.9</u>
	<u><u>11.7</u></u>	<u><u>19.9</u></u>

- approximately 13.0% of the net proceeds, or approximately HK\$7.7 million, would be used for enhancing our operational efficiency and quality of service by investment in ERP, upgrading our fleet management system, network backbone, hardware and other information technology applications;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 9.7% of the net proceeds, or approximately HK\$5.7 million, would be applied towards brand building and marketing activities including advertising, participating in exhibitions, supporting green functions, preparing company brochure and marketing materials, recruiting additional staff to carry out sales and marketing work and to provide customer service for our expanded client base and providing training for our staff;
- approximately 19.5% of the net proceeds, or approximately HK\$11.5 million, would be used for repayment of our bank loans, thereby saving interest expenses and improving the financial position of our Group. The bank loans to be repaid using the net proceeds were used for general working capital and were not incurred within one year before our application for listing. Such loans currently bear interests rates with reference to the HKD prime rate or the bank's best lending rate (as at 31 December 2013, the interest rates of such loans ranged from approximately 3.75% to 4.75% per annum) and the maturity dates are October 2014, January 2015, October 2015, June 2016 and July 2017; and
- approximately 9.7% of the net proceeds, or approximately HK\$5.8 million, will be used as our Group's general working capital.

If the Adjustment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$14.5 million, assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the Offer Price range stated in this prospectus.

If the Offer Price is set at HK\$1.20 per Share (being the high end of the Offer Price range), and assuming that the Adjustment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK\$15.5 million.

If the Offer Price is set at HK\$0.8 per Share (being the low end of the Offer Price range), and assuming that the Adjustment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK\$15.5 million.

In the event that the Adjustment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Global Offering, and assuming an offer price of HK\$1.00 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$19.4 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

UNDERWRITING

HONG KONG UNDERWRITERS

The Sole Global Coordinator, Bookrunner and Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-lead Manager

Pacific Foundation Securities Limited

Co-managers

Ever-Long Securities Company Limited

Hong Kong International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by the Company and the Sole Global Coordinator at or prior to 16 May 2014 or such other date or time as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) but in any event not later than 20 May 2014, the Hong Kong Underwriters have agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, the Hong Kong Public Offer Shares now being offered for subscription under the Hong Kong Public Offering and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) shall be entitled, in its sole and absolute discretion, by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any jurisdiction

UNDERWRITING

relevant to any member of our Group or the Global Offering (collectively, the “Relevant Jurisdictions”) which in the reasonable opinion of the Sole Global Coordinator has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in the Relevant Jurisdictions); or
- (c) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or
- (f) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions,

which in the sole reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (1) is/are or shall have or could be expected to have an material adverse effect on the business, financial or other condition or prospects of our Group as a whole or in the case of sub-paragraph (e) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or
 - (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
 - (3) make(s) it inadvisable, inexpedient or impracticable for the Global Offering to proceed; or
- (ii) there has come to the notice of the Sole Global Coordinator:
- (a) that any statement, reasonably considered by the Sole Global Coordinator to be material, contained in any of this prospectus, the Application Forms and any documents in connection with the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Sole Global Coordinator to be material to the Global Offering; or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Hong Kong Underwriters or the International Underwriters or the Sole Global Coordinator); or
 - (d) any change or development that reasonably considered by the Sole Global Coordinator to have or could be expected to have a material adverse effect on business affairs, prospects or the financial or trading position of our Group as a whole; or
 - (e) any breach, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties; or

UNDERWRITING

- (iii) the International Underwriting Agreement shall not have been duly executed at or before 12:00 noon on 16 May 2014 (or such other date or time as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) and in any event not later than 20 May 2014 due to any reason whatsoever.

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the offer for sale of the Sale Shares by the Selling Shareholder and the Adjustment Option) and the Stock Borrowing Agreement, they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of our interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “First Six-month Period”), he/it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “Second Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

The Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company undertakes to each of the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that it shall, and each of the Controlling Shareholders undertakes to each of the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters to procure our Company to, ensure that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders undertakes to each of our Company, the Sole Global Coordinator, the Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless pursuant to the sale of the Sale Shares by the Selling Shareholder as part of the International Placing and/or as a result of any exercise of the Adjustment Option or the stock borrowing arrangement with the Global Coordinator as contemplated under the Stock Borrowing Agreement which shall be effected in compliance with the requirements under Rule 10.07(3) of the Listing Rules and unless in compliance with the requirements of the Listing Rules, none of our Controlling Shareholders will:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and our associates and companies controlled by it and any nominee or trustee holding in trust for it shall not,
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities of our Company disclosed in this prospectus to be beneficially owned by him/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of our Company as disclosed in this prospectus as aforesaid (the “Relevant Securities”);

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities, in cash or otherwise;
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above;
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, directly or indirectly in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company for purposes of the Listing Rules;
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company;
- (d) he/it shall, and shall procure that his/its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares;
- (e) he/it shall comply with all applicable restrictions under the Listing Rules on the disposal by him/it or by the registered holder(s) of any Shares or other securities of our Company in respect of which he/it is disclosed in this prospectus to be interested therein;
- (f) neither he/it nor any of his/its associates nor any companies controlled by him/it nor any nominee or trustee holding in trust for him/it has any present intention of disposing of any Shares or other securities of our Company in respect of which he/it is disclosed in this prospectus to be interested therein;
- (g) during the 12-month period from the Listing Date, when he/it pledges or charges any securities or interests in the Relevant Securities, he/it will immediately inform our Company and the Sole Global Coordinator in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

UNDERWRITING

- (h) during the 12-month period from the Listing Date, when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

International Underwriting Agreement

In connection with the International Placing, it is expected that the Company and the Controlling Shareholders, the Selling Shareholder will, on or about 16 May 2014, enter into the International Underwriting Agreement with, among other parties, the Sole Global Coordinator, the Sponsor and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Placing Shares.

Under the International Underwriting Agreement, the Company intends to grant to the International Underwriters the Adjustment Option, which is exercisable by Sole Global Coordinator (for itself and on behalf of the other International Underwriters) on or before 14 June 2014, being the 30th day from the last day for the lodging of applications under the Global Offering, to require the Company to issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Placing, if any.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.0% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Global Offering respectively.

The Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$21.6 million in total (based on an Offer Price of HK\$1.00 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.80 and HK\$1.20 per Share, and on the assumption that the Adjustment Option is not exercised), and approximately HK\$21.0 million will be payable by the Company and approximately HK\$0.6 million will be payable by the Selling Shareholder.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

UNDERWRITING

Underwriters' interests in our Company

As at the Latest Practicable Date and save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the “Syndicate Members”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering — Adjustment Option and stabilisation” of this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 10,000,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” of this section; and
- (b) the International Placing of an aggregate of 90,000,000 Shares comprising 70,000,000 New Shares and 20,000,000 Sale Shares (subject to reallocation and the Adjustment Option as mentioned below) outside the United States to professional and institutional investors.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Adjustment Option and any option which may be granted under the Share Option Scheme. If the Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Adjustment Option as set out in the paragraphs headed “Adjustment Option and stabilisation” in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 10,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Adjustment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Of the 10,000,000 Shares initially being offered under the Hong Kong Public Offering, 1,000,000 Shares (representing approximately 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” of this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A.

Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 4,500,000 and 4,500,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 4,500,000 Hong Kong Public Offer Shares (being 50% of the 10,000,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering after deducting 1,000,000 Employee Reserved Shares) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares (other than the Sale Shares which are offered for sale by the Selling Shareholder pursuant to the International Placing) between the Hong Kong Public Offering and the International Placing is subject to adjustment. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to the following adjustments:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 30,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 40,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Adjustment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate. Conversely, the Sole Global Coordinator may at its sole discretion re-allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.20 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" of this section, is less than the maximum price of HK\$1.20 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares" of this prospectus.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,000,000 Employee Reserved Shares, representing approximately 10% of the Offer Shares available under the Hong Kong Public Offering and approximately 0.25% of the enlarged issued share capital of our Company upon completion of the Global Offering without taking into account any Shares which may be allotted and issued upon any exercise of the Adjustment Option and the options which have been or may be granted under the Share Option Scheme, which are not subject to reallocation to the International Placing as described in the paragraph headed "Reallocation" in this section above, are available for subscription by the Eligible Employee on a preferential basis.

The 1,000,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Form will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,000,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

STRUCTURE OF THE GLOBAL OFFERING

As at 30 April 2014, our Group had 6,110 Eligible Employees.

In case not all the 1,000,000 Employee Reserved Shares are subscribed for by the Eligible Employee, the undersubscribed Employee Reserved Shares will be available as Hong Kong Public Offer Shares for subscription by the public under the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 90,000,000 Offer Shares comprising 70,000,000 New Shares and 20,000,000 Sale Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Adjustment Option is not exercised. The International Placing will be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

Allocation

The International Placing will include selective marketing of the International Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the International Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the section entitled “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

ADJUSTMENT OPTION AND STABILISATION

In connection with the Global Offering and pursuant to the International Underwriting Agreement, we expect to grant either an Over-allotment Option or an Offer Size Adjustment Option to the International Underwriters but not both.

If the final Offer Price as agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) is less than HK\$1.00 and as a result, the size of the Global Offering is less than HK\$100 million, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) can only exercise the Offer Size Adjustment Option to cover over-allocations under the International Placing and there will be no stabilisation action.

If the final Offer Price as agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) is equal to or more than HK\$1.00 and as a result, the size of the Global Offering is equal to or more than HK\$100 million, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) can only exercise the Over-allotment Option to cover over-allocations under the International Placing.

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) will have the right, exercisable at any time during the period from the date of this prospectus to 21 May 2014, being the last Business Day prior to the Listing Date, to require our Company to issue, at the Offer Price, up to an aggregate of 15,000,000 additional Shares, representing 15% of the initial Offer Shares to cover over-allocations in the International Placing, subject to the terms of the International Underwriting Agreement. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the International Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the International Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange website at (www.hkexnews.hk) and our Company's website at (www.bagui.com.hk).

STRUCTURE OF THE GLOBAL OFFERING

The Over-allotment Option

The Over-allotment Option is exercisable by the Sole Global Coordinator (for itself and on behalf of the other International Underwriters), with the prior written consent of the Company, under the International Underwriting Agreement. Under the Over-allotment Option, which will be exercisable at any time for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 15,000,000 Shares in aggregate, representing approximately 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 3.6% of the total Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In order to facilitate settlement of over-allocations in the International Placing and for the purpose of stabilising of the market price of the Shares (if any), the Sole Global Coordinator may borrow up to 15,000,000 Shares, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement. The loan of Shares by the Sole Global Coordinator pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (b) the maximum number of Shares which may be borrowed from Baguio Green Holding (BVI) must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed must be returned to Baguio Green Holding (BVI) or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the date on which the Over-allotment Option is exercised in full;
- (d) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Baguio Green Holding (BVI) by the Stabilising Manager in relation to the Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

Stabilisation

Subject to the size of the Global Offering being equal to or more than HK\$100 million as set out in the paragraph headed “Adjustment Option and stabilisation” above, in connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time but any stabilising activity is required to be brought to an end no later than the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 15,000,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;
- There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;
- Liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- No stabilising action will be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire at the end of 14 June 2014, being the last Business Day before the day which is expected to be the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- Stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilising period.

All stabilising actions will be taken in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about 16 May 2014, and in any event on or before 20 May 2014, by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters), and our Company (for ourselves and on behalf of the Selling Shareholder) and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.20 per Share and is expected to be not less than HK\$0.80 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging

STRUCTURE OF THE GLOBAL OFFERING

applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the website of our Company (<http://www.baguio.com.hk>) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Public Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Adjustment Option is not exercised) are estimated to be approximately HK\$59.0 million, assuming an Offer Price per Share of HK\$1.00 (being the mid-point of the stated indicative Offer Price range of HK\$0.80 to HK\$1.20 per Share) or if the Adjustment Option is exercised in full, approximately HK\$73.5 million, assuming an Offer Price per Share of HK\$1.00 (being the mid-point of the stated indicative Offer Price range of HK\$0.80 to HK\$1.20 per Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on 21 May 2014 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the website of our Company (<http://www.baguio.com.hk>) and the website of the Stock Exchange (www.hkexnews.hk).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, the Selling Shareholder, the Sponsor, the Sole Global Coordinator and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Adjustment Option) (subject only to allotment);
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares” of this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on 21 May 2014 but will only become valid certificates of title at 8:00 a.m. on 22 May 2014 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Underwriting Agreement — Grounds for termination” of this prospectus has not been exercised.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 22 May 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 22 May 2014.

The Shares will be traded in board lots of 4,000 Shares each.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company or the Sole Global Coordinator, HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (other than qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Public Offer Shares and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of shares of our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For Hong Kong Public Offer Shares to be issued in your own name use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 12 May 2014 to 12:00 noon on Thursday, 15 May 2014 from:

- (i) the following addresses of the following Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Pacific Foundation Securities Limited

11th Floor
New World Tower II
16–18 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Ever-Long Securities Company Limited

18th Floor
Dah Sing Life Building
99–105 Des Voeux Road Central
Hong Kong

Hong Kong International Securities Limited

23rd Floor
Arion Commercial Centre
2–12 Queen's Road West
Hong Kong

- (ii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Hong Kong Public Offering:

	Branch name	Branch address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Mong Kok Branch	589 Nathan Road, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	City One Sha Tin Branch	Shop A, 16–20 Ngan Shing Commercial Centre, City One, Sha Tin

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 12 May 2014 until 12:00 noon on Thursday, 15 May 2014 from the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Unit A, 4/F, Dragon Industrial Building No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Monday, 12 May 2014 until 12:00 noon on Wednesday, 14 May 2014. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the Company's website at www.baguio.com.hk.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Baguio Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 12 May 2014: 9:00 a.m. to 5:00 p.m.

Tuesday, 13 May 2014: 9:00 a.m. to 5:00 p.m.

Wednesday, 14 May 2014: 9:00 a.m. to 5:00 p.m.

Thursday, 15 May 2014: 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 15 May 2014, the last application day or such later time as described in the paragraph headed "Effect of bad weather conditions on the opening of the applications lists" of this section.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Baguio Public Offer" for the payment must be returned to our Company's headquarters at Unit A, 4/F, Dragon Industrial Building No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong by 12:00 noon on Wednesday, 14 May 2014.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sponsor and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies Ordinance (Miscellaneous Provisions) and the Articles of Association;

<p style="text-align: center;">HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES</p>

- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 12 May 2014 until 11:30 a.m. on Thursday, 15 May 2014 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Thursday, 15 May 2014 or such later time under the paragraph headed “Effect of bad weather conditions on the opening of the application lists” of this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance (Miscellaneous Provisions)

For the avoidance of doubt, the Company and other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- confirm that you understand that our Company, our Directors, the Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor and the Sole Global Coordinator and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (Miscellaneous Provisions) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Public Offer Shares. Instructions for more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 12 May 2014: 9:00 a.m. to 8:30 p.m. ⁽¹⁾

Tuesday, 13 May 2014: 8:00 a.m. to 8:30 p.m. ⁽¹⁾

Wednesday, 14 May 2014: 8:00 a.m. to 8:30 p.m. ⁽¹⁾

Thursday, 15 May 2014: 8:00 a.m. ⁽¹⁾ **to 12:00 noon**

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 12 May 2014 until 12:00 noon on Thursday, 15 May 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 15 May 2014, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” of this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance (Miscellaneous Provisions)

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 15 May 2014.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** and **PINK** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering” of this prospectus.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 May 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 15 May 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 21 May 2014 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company’s website at www.baguio.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.baguio.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 21 May 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 21 May 2014 to midnight on Tuesday, 27 May 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 and 6:00 p.m. from Wednesday, 21 May 2014 to Monday, 26 May 2014 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 21 May 2014 to Friday, 23 May 2014 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor and the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(iii) If the allotment of Hong Kong Public Offer Shares (and the Employee Reserved Shares) is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions of the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sponsor or the Sole Global Coordinator believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- you apply for more than 4,500,000 Hong Kong Public Offer Shares; or
- you apply for more than 1,000,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Offering” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 21 May 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 21 May 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 22 May 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 21 May 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares and/or Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 21 May 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 21 May 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 21 May 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(iv) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 21 May 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 21 May 2014 or such other date as notified by the Company in the newspapers as at the date of despatch/collection of share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where application) will be sent to the address on the relevant application instruction on Wednesday, 21 May 2014, by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 21 May 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of results" above on Wednesday, 21 May 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 21 May 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 21 May 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 21 May 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses.

<p>HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES</p>

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

12 May 2014

The Directors
Baguio Green Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information of Baguio Green Group Limited (the “Company”) and its subsidiaries (hereafter collectively referred to as the “Group”), comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, and the combined statements of cash flows of the Group for the years ended 31 December 2011, 2012 and 2013 (the “Track Record Period”), the combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013, and the statement of financial position of the Company as at 31 December 2013, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in Note 3 of Section II below, for inclusion in the prospectus of the Company dated 12 May 2014 (the “Prospectus”) in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 8 November 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”), as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 24 April 2014.

All companies now comprising the Group have adopted 31 December as its year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

No audited financial statements have been prepared for Baguio (Holding) Limited (“Baguio Holding (BVI)”) as there are no statutory requirements for Baguio Holding (BVI) to prepare audited financial statements.

No audited financial statements have been prepared for Baguio Landscaping Services (Holding) Limited (“Baguio Landscaping (BVI)”) as there are no statutory requirements for Baguio Landscaping (BVI) to prepare audited financial statements.

No audited financial statements have been prepared for Baguio Cleaning Services Company (Holding) Limited (“Baguio Cleaning (BVI)”) as there are no statutory requirements for Baguio Cleaning (BVI) to prepare audited financial statements.

No audited financial statements have been prepared for Baguio Pest Management (Holding) Limited (“Baguio Pest (BVI)”) as there are no statutory requirements for Baguio Pest (BVI) to prepare audited financial statements.

No audited financial statements have been prepared for Baguio Waste Management & Recycling (Holding) Limited (“Baguio Waste (BVI)”) as there are no statutory requirements for Baguio Waste (BVI) to prepare audited financial statements.

No audited financial statements have been prepared for Tak Tai Enviroscope (Holding) Limited (“Tak Tai (BVI)”) as there are no statutory requirements for Tak Tai (BVI) to prepare audited financial statements.

The statutory audited consolidated financial statements of Baguio Cleaning Services Company Limited (“Baguio Cleaning”) for the year ended 31 December 2011 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited consolidated financial statements of Baguio Cleaning for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Baguio Landscaping Services Limited (“Baguio Landscaping”) for the year ended 31 December 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements of Baguio Landscaping for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Baguio Pest Management Limited (“Baguio Pest”) for the year ended 31 December 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements of Baguio Pest for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Baguio Waste Management & Recycling Limited (“Baguio Waste”) for the year ended 31 December 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements of Baguio Waste for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Tak Tai Enviroscope Limited (“Tak Tai”) for the year ended 31 December 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements of Tak Tai for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Modern Automobile Company Limited (“Modern Automobile”) for the year ended 31 December 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements of Modern Automobile for the year ended 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Baguio Green Technology Limited (“Baguio Green Technology”) for the period from 7 October 2011 (date of incorporation) to 31 December 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 18 of Section II below.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Group in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Predecessor Companies Ordinance. The Financial Information was audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Prospectus, including the preparation and presentation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors of the Company are responsible for the preparation and presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs and the disclosure requirements of the Listing Rules and the Predecessor Companies

Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives us a true and fair view of the combined state of affairs of the Group as at 31 December 2011, 2012 and 2013 and of the state of affairs of the Company as at 31 December 2013, and of the combined results and combined cash flows of the Group for the Track Record Period.

I. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		
		2011	2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8	618,148	644,714	821,259
Cost of services		<u>(571,882)</u>	<u>(574,733)</u>	<u>(737,394)</u>
Gross profit		46,266	69,981	83,865
Other income and gain, net	9	3,332	2,759	4,230
Gain on disposal of investment properties		—	—	27,410
Change in fair value less costs to sell of biological assets		—	1	82
Selling and marketing expenses		(170)	(206)	(357)
Administrative expenses		<u>(26,154)</u>	<u>(30,294)</u>	<u>(36,573)</u>
Profit from operations		23,274	42,241	78,657
Finance costs	10	<u>(6,948)</u>	<u>(7,585)</u>	<u>(8,291)</u>
Profit before taxation	11	16,326	34,656	70,366
Income tax expenses	12	<u>(2,734)</u>	<u>(5,776)</u>	<u>(7,865)</u>
Profit for the year attributable to owners of the Company		13,592	28,880	62,501
Other comprehensive income for the year, net of tax:				
Items that may be reclassified subsequently to profit or loss:				
Net fair value gain on available-for-sale financial assets		<u>518</u>	<u>440</u>	<u>390</u>
Total other comprehensive income for the year		<u>518</u>	<u>440</u>	<u>390</u>
Total comprehensive income for the year attributable to owners of the Company		<u>14,110</u>	<u>29,320</u>	<u>62,891</u>
Earnings per share:				
Basic and diluted (HK\$)	14	<u>0.04</u>	<u>0.09</u>	<u>0.20</u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

		As at 31 December		
		2011	2012	2013
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	16	80,585	109,458	135,054
Investment properties	17	7,213	7,132	—
Available-for-sale financial assets	19	11,372	11,812	12,202
Pledged bank deposit	20	137	137	137
Deferred tax asset	35	366	275	—
		<u>99,673</u>	<u>128,814</u>	<u>147,393</u>
Current assets				
Inventories	21	3,034	2,776	3,742
Trade receivables	22	119,222	123,955	194,190
Prepayments, deposits and other receivables	23	12,306	10,418	11,165
Biological assets	24	331	327	428
Amounts due from related companies	25	62	—	—
Amounts due from directors	26	10,250	—	—
Tax recoverable		789	—	293
Cash and bank balances	27	<u>2,496</u>	<u>20,109</u>	<u>36,491</u>
		<u>148,490</u>	<u>157,585</u>	<u>246,309</u>
Current liabilities				
Trade payables	28	9,601	8,587	16,463
Accruals, deposits received and other payables	29	51,524	60,797	77,041
Amounts due to related companies	30	297	47	—
Amount due to a director	33	—	912	—
Bank borrowings	31	93,812	90,816	112,472
Bank overdrafts	32	27,144	22,880	—
Obligations under finance leases	34	10,756	15,786	21,291
Income tax payable		<u>120</u>	<u>5,165</u>	<u>2,776</u>
		<u>193,254</u>	<u>204,990</u>	<u>230,043</u>
Net current (liabilities)/assets		<u>(44,764)</u>	<u>(47,405)</u>	<u>16,266</u>
Total assets less current liabilities		<u>54,909</u>	<u>81,409</u>	<u>163,659</u>

		As at 31 December		
		<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Bank borrowings	31	—	—	9,035
Obligations under finance leases	34	26,442	38,301	50,987
Deferred tax liabilities	35	<u>4,395</u>	<u>5,316</u>	<u>6,954</u>
		<u>30,837</u>	<u>43,617</u>	<u>66,976</u>
Net assets		<u>24,072</u>	<u>37,792</u>	<u>96,683</u>
Equity				
Capital and reserves				
Share capital	36	18,330	18,330	18,330
Reserves		<u>5,742</u>	<u>19,462</u>	<u>78,353</u>
Total equity		<u>24,072</u>	<u>37,792</u>	<u>96,683</u>

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position

		As at 31 December 2013
	<i>Notes</i>	<i>HK\$'000</i>
Current liabilities		
Amount due to a subsidiary	18	50
Net liabilities		<u>(50)</u>
Capital and reserves		
Share capital	36	—
Reserves		<u>(50)</u>
Total equity		<u><u>(50)</u></u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Changes in Equity

	<u>Share capital</u>	<u>Available- for-sale financial assets revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2011	18,320	(2,825)	957	16,452
Profit for the year	—	—	13,592	13,592
Other comprehensive income for the year	<u>—</u>	<u>518</u>	<u>—</u>	<u>518</u>
Total comprehensive income for the year	—	518	13,592	14,110
Incorporation of a subsidiary	10	—	—	10
Dividend paid (<i>Note 13</i>)	<u>—</u>	<u>—</u>	<u>(6,500)</u>	<u>(6,500)</u>
As at 31 December 2011 and 1 January 2012	18,330	(2,307)	8,049	24,072
Profit for the year	—	—	28,880	28,880
Other comprehensive income for the year	<u>—</u>	<u>440</u>	<u>—</u>	<u>440</u>
Total comprehensive income for the year	—	440	28,880	29,320
Dividend paid (<i>Note 13</i>)	<u>—</u>	<u>—</u>	<u>(15,600)</u>	<u>(15,600)</u>
As at 31 December 2012 and 1 January 2013	18,330	(1,867)	21,329	37,792
Profit for the year	—	—	62,501	62,501
Other comprehensive income for the year	<u>—</u>	<u>390</u>	<u>—</u>	<u>390</u>
Total comprehensive income for the year	—	390	62,501	62,891
Dividend paid (<i>Note 13</i>)	<u>—</u>	<u>—</u>	<u>(4,000)</u>	<u>(4,000)</u>
As at 31 December 2013	<u>18,330</u>	<u>(1,477)</u>	<u>79,830</u>	<u>96,683</u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Operating activities			
Profit before taxation	16,326	34,656	70,366
Adjustments for:			
Depreciation on property, plant and equipment	8,486	11,598	13,669
Depreciation on investment properties	81	81	54
Gain on disposal of property, plant and equipment	(1,507)	(446)	(2,092)
Gain on disposal of investment properties	—	—	(27,410)
Change in fair value less costs to sell of biological assets	—	(1)	(82)
Impairment losses recognised on trade receivables	2	41	140
Interest income	—	—	(6)
Finance costs	6,948	7,585	8,291
Operating cash flows before movements in working capital	30,336	53,514	62,930
(Increase)/decrease in inventories	(191)	258	(966)
Decrease/(increase) in biological assets	6	5	(19)
Decrease/(increase) in trade receivables	9,268	(4,774)	(70,375)
(Increase)/decrease in prepayments, deposits and other receivables	(4,700)	1,888	(747)
Decrease in amounts due from related companies	21	62	—
(Decrease)/increase in trade payables	(392)	(1,014)	7,876
(Decrease)/increase in accruals, deposits and other payables	(15,897)	9,273	16,244
Decrease in amounts due to related companies	(220)	(250)	(47)
Cash generated from operations	18,231	58,962	14,896
Income tax (paid)/refund	(2,061)	1,070	(8,634)
Net cash generated from operating activities	16,170	60,032	6,262

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Investing activities			
Interest received	—	—	6
Proceeds from disposal of property, plant and equipment	2,978	1,822	6,688
Proceeds from disposal of investment properties	—	—	34,488
Purchase of property, plant and equipment	(5,693)	(10,752)	(6,672)
Net cash (used in)/generated from investing activities	<u>(2,715)</u>	<u>(8,930)</u>	<u>34,510</u>
Financing activities			
Proceeds from new bank borrowings	510,333	492,153	627,768
Repayment of bank borrowings	(519,826)	(495,149)	(597,077)
Repayment to directors	(671)	(4,438)	(4,912)
Interest paid	(5,204)	(5,304)	(5,851)
Interest element of finance leases payments	(1,744)	(2,281)	(2,440)
Repayment of obligations under finance leases	(13,939)	(14,206)	(18,998)
Net cash used in financing activities	<u>(31,051)</u>	<u>(29,225)</u>	<u>(1,510)</u>
Net (decrease)/increase in cash and cash equivalents	(17,596)	21,877	39,262
Cash and cash equivalents at the beginning of the year	<u>(7,052)</u>	<u>(24,648)</u>	<u>(2,771)</u>
Cash and cash equivalents at the end of the year	<u><u>(24,648)</u></u>	<u><u>(2,771)</u></u>	<u><u>36,491</u></u>
Analysis of the balances of the cash and cash equivalents			
Cash and bank balances	2,496	20,109	36,491
Bank overdrafts, secured	<u>(27,144)</u>	<u>(22,880)</u>	<u>—</u>
	<u><u>(24,648)</u></u>	<u><u>(2,771)</u></u>	<u><u>36,491</u></u>

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated as exempted company with limited liability in the Cayman Islands on 8 November 2013. Its ultimate controlling shareholder is Mr. Ng Wing Hong ("Mr. Ng"). The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit A, 4/F., Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the provision of environmental and related service.

2. REORGANISATION

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange Limited of Hong Kong, the Group has undergone the Reorganisation, as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(i) Incorporation of the Company

On 8 November 2013, the Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. On 8 November 2013, one Share was allotted and issued to Sharon Pierson as the initial subscriber, which was transferred to Mr. Ng on the same date. On 9 April 2013, Mr. Ng transferred the initial subscriber Share to Baguio Green (Holding) Limited ("Baguio Green Holding (BVI)") for nominal consideration.

(ii) Incorporation of Baguio Holding (BVI)

On 22 November 2013, Baguio Holding (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to the Company as the initial subscriber.

(iii) Incorporation of Baguio Cleaning (BVI)

On 22 November 2013, Baguio Cleaning (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(iv) Incorporation of Baguio Pest (BVI)

On 22 November 2013, Baguio Pest (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(v) Incorporation of Baguio Waste (BVI)

On 22 November 2013, Baguio Waste (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vi) Incorporation of Tak Tai (BVI)

On 22 November 2013, Tak Tai (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vii) Incorporation of Baguio Landscaping (BVI)

On 22 November 2013, Baguio Landscaping (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Landscaping on 24 April 2014.

(viii) Incorporation of Baguio Green Holding (BVI)

On 22 November 2013, Baguio Green Holding (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber.

(ix) Transfer of the Company to Baguio Green Holding (BVI)

On 9 April 2014, Mr. Ng transferred his entire issued share capital of the Company to Baguio Green Holding (BVI) for nominal consideration.

(x) Transfer of Baguio Green Technology to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Holding (BVI), Mr. Ng transferred the entire issued share capital of Baguio Green Technology to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Baguio Green Technology has become a wholly owned subsidiary of Baguio Holding (BVI).

(xi) Transfer of Baguio Cleaning to Baguio Cleaning (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng, Baguio Group Limited and Baguio Cleaning (BVI), Mr. Ng and Baguio Group Limited transferred 7,000,000 shares and 3,000,000 shares in Baguio Cleaning respectively, representing the entire issued share capital of Baguio Cleaning, to Baguio Cleaning (BVI) for nominal consideration. Upon completion of the transfer, Baguio Cleaning has become a wholly owned subsidiary of Baguio Cleaning (BVI).

(xii) Transfer of Baguio Landscaping to Baguio Landscaping (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng, Baguio Cleaning and Baguio Landscaping (BVI), Mr. Ng and Baguio Cleaning transferred 2 shares and 1,999,998 shares in Baguio Landscaping respectively, representing the entire issued share capital of Baguio Landscaping, to Baguio Landscaping (BVI) for nominal consideration. Upon completion of the transfer, Baguio Landscaping has become a wholly owned subsidiary of Baguio Landscaping (BVI).

(xiii) Transfer of Baguio Pest to Baguio Pest (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Pest (BVI), Mr. Ng transferred the entire issued share capital of Baguio Pest to Baguio Pest (BVI) for nominal consideration. Upon completion of the transfer, Baguio Pest has become a wholly owned subsidiary of Baguio Pest (BVI).

(xiv) Transfer of Baguio Waste to Baguio Waste (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Waste (BVI), Mr. Ng transferred the entire issued share capital of Baguio Waste to Baguio Waste (BVI) for nominal consideration. Upon completion of the transfer, Baguio Waste has become a wholly owned subsidiary of Baguio Waste (BVI).

(xv) Transfer of Modern Automobile to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Holding (BVI), Mr. Ng transferred the entire issued share capital of Modern Automobile to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Modern Automobile has become a wholly owned subsidiary of Baguio Holding (BVI).

(xvi) Transfer of Tak Tai to Tak Tai (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between World Creation, Composil and Tak Tai (BVI), World Creation and Composil transferred 607,500 shares and 202,500 shares in Tak Tai respectively, representing the entire issued share capital of Tak Tai, to Tak Tai (BVI) for nominal consideration. Upon completion of the transfer, Tak Tai has become a wholly owned subsidiary of Tak Tai (BVI).

(xvii) Transfer of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI)

On 24 April 2014, pursuant to a reorganisation agreement entered into between the Company and Mr. Ng, Mr. Ng transferred the entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares by the Company to Baguio Green Holding (BVI) credited as fully paid. Upon completion of the transfer, Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) have become wholly-owned subsidiaries of Baguio Holding (BVI).

Upon the completion of the Reorganisation, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
<i>Directly held:</i>					
Baguio Holding (BVI) (note (a))	The British Virgin Islands ("BVI"), 22 November 2013	US\$1.00	100%	—	Investment holding
<i>Indirectly held:</i>					
Baguio Cleaning (BVI) (note (a))	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Landscaping (BVI) (note (a))	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Pest (BVI) (note (a))	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Waste (BVI) (note (a))	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Tak Tai (BVI) (note (a))	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Cleaning (note (b))	Hong Kong, 7 May 1982	HK\$10,000,000	—	100%	Provision of cleaning services
Baguio Landscaping (note (c))	Hong Kong, 10 January 1995	HK\$2,000,000	—	100%	Provision of landscaping services
Baguio Pest (note (c))	Hong Kong, 28 January 2005	HK\$200,000	—	100%	Provision of pest control services

Name of subsidiary	Place and date of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Baguio Waste (<i>note (c)</i>)	Hong Kong, 28 January 2008	HK\$10,000	—	100%	Provision of waste management and recycling services
Tak Tai (<i>note (c)</i>)	Hong Kong, 21 August 1984	HK\$8,100,000	—	100%	Provision of plant nursing, landscaping and related services
Modern Automobile (<i>note (c)</i>)	Hong Kong, 26 August 2004	HK\$10,000	—	100%	Provision of automobile repair services
Baguio Green Technology (<i>note (d)</i>)	Hong Kong, 7 October 2011	HK\$10,000	—	100%	Inactive

As at the date of this report, no audited financial statement has been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

- (a) No audited financial statements have been issued as these companies are newly incorporated and there is no statutory audit requirement in the place of incorporation of the Company.
- (b) The statutory audited consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with HKFRSs and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with HKFRSs and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.
- (c) The statutory audited financial statements for the year ended 31 December 2011 were prepared in accordance with HKFRSs and were audited by Fan, Chan & Co., Certified Public Accountants registered in Hong Kong. The statutory audited financial statements for the year ended 31 December 2012 were prepared in accordance with HKFRSs and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.
- (d) The statutory audited financial statements for the period from 7 October 2011 (date of incorporation) to 31 December 2012 were prepared in accordance with HKFRSs and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants registered in Hong Kong.

3. SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Financial Information has been prepared under the historical cost convention and using the merger basis of accounting as if the Group had always been in existence as further explained below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Hong Kong Dollar ("HK\$") and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by disclosure requirements of the Predecessor Companies Ordinance.

For the purpose of preparing the Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group during the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

Application of new and revised standards, amendments and interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments ³
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 ³
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36	Recoverable Amount and Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle ⁵
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HKFRS 14	Regulatory Deferral Accounts ⁴

¹ effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

² effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

³ no mandatory effective date yet determined but is available for adoption

⁴ effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

⁵ effective for annual periods beginning on or after 1 January 2014, with limited exceptions

The management is in the process of assessing their potential impact on the results and financial position of the Group.

Basis of presentation

The Company was incorporated in the Cayman Islands on 8 November 2013. Pursuant to the Reorganisation completed on 24 April 2014, the Company became the holding company of the companies now comprising the Group. The companies that took part in the Reorganisation were controlled by Mr. Ng prior to and after the Reorganisation. The control is not transitional and, consequently, there was a continuation of the risks and benefits to Mr. Ng. Therefore, the Reorganisation is considered as a business combination of entities under common control. The Financial Information has been prepared using the principles of merger accounting as if the companies now comprising the Group have been combined at the beginning of the Track Record Period unless the combining companies first came under common control at a later date.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period as set out in Section I of this report include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2011, for the period from the date of incorporation/establishment to 31 December 2013). The combined statements of financial position of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013 as set out in Section I of this report have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganisation was completed at the beginning of the Track Record Period.

All material intra-group balances and transactions have been eliminated when preparing the Financial Information.

Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discount.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Services income are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The Group's contribution to the defined contribution retirement benefit plans are charged to combined statements of profit or loss and other comprehensive income in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

Cash and cash equivalents

For the purposes of the combined statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the combined statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the Track Record Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current or deferred tax is charged or credited to other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance and overhaul costs, is normally charged to the combined statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives for each class of property, plant and equipment applied during the Track Record Period are as follows:

Leasehold properties	Over the shorter of term of lease or 50 years
Motor vehicles	1 to 10 years
Machinery and equipment	1 to 10 years
Office furniture and equipment	1 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over the lease term and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in combined statements of profit or loss and other comprehensive income in the period which the property is derecognised.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The estimated useful lives for the investment properties are over the shorter of term of lease or 50 years.

Impairment of tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Inventories

Inventories are stated at lower of cost and net realisable value.

Cost represents the invoiced cost of inventories. Cost is assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When the cost of services to fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the combined financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the combined statements of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into the following two categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity instruments by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 19. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see above), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in combined statements of profit or loss and other comprehensive income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale assets revaluation reserve is reclassified to combined statements of profit or loss and other comprehensive income.

Dividends on AFS financial assets are recognised in combined statements of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of each reporting period. The foreign exchange gains and losses that are recognised in combined statements of profit or loss and other comprehensive income are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses for the Track Record Period.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, deposits, other receivables, pledged bank deposit, amounts due from directors, amounts due from related companies and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as financial assets at fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty; or
- (b) breach of contract, such as default or delinquency in interest or principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or

loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including trade payables, deposits received and other payables, amounts due to related companies, amount due to a director, obligations under finance leases, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the combined statements of profit or loss and other comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

- (i) A person, or close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) the entity and the Group are members of the same group (which means that each parent, subsidiary and follow subsidiary is related to the others).
 - (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) both entities are joint ventures of the same third party.
 - (4) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) the entity is controlled or jointly controlled by a person identified in (i).
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence by that person in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment losses in respect of trade receivables

The policy for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The management and independent firms of qualified valuer review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Note 24.

5. SEGMENT INFORMATION

Information reported to the executive directors, being 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 therefore as follows:

- Cleaning services business
- Landscaping services business
- Pest management business
- Waste management and recycling business

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

Segment revenue and results

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

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended					
31 December 2011					
Segment revenue	<u>405,309</u>	<u>120,375</u>	<u>76,422</u>	<u>16,042</u>	<u>618,148</u>
Segment results	<u>25,262</u>	<u>12,551</u>	<u>6,713</u>	<u>1,570</u>	<u>46,096</u>
Other income and gain					3,332
Central administrative costs					(26,154)
Finance costs					<u>(6,948)</u>
Profit before taxation					<u><u>16,326</u></u>
	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended					
31 December 2012					
Segment revenue	<u>401,894</u>	<u>138,443</u>	<u>61,711</u>	<u>42,666</u>	<u>644,714</u>
Segment results	<u>38,765</u>	<u>15,977</u>	<u>6,313</u>	<u>8,721</u>	<u>69,776</u>
Other income and gain					2,759
Central administrative costs					(30,294)
Finance costs					<u>(7,585)</u>
Profit before taxation					<u><u>34,656</u></u>

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended					
31 December 2013					
Segment revenue	<u>551,694</u>	<u>138,193</u>	<u>74,696</u>	<u>56,676</u>	<u>821,259</u>
Segment results	<u>45,501</u>	<u>23,634</u>	<u>6,014</u>	<u>8,441</u>	83,590
Other income and gain					4,230
Gain on disposal of investment properties					27,410
Central administrative costs					(36,573)
Finance costs					<u>(8,291)</u>
Profit before taxation					<u><u>70,366</u></u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment revenue for the Track Record Period.

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 costs including directors' emoluments, other income and gain, gain on disposal of investment properties, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The segment assets and liabilities at the end of the reporting period by reportable segments are as follows:

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2011					
Segment assets	116,656	35,765	19,111	26,651	198,183
Unallocated					<u>49,980</u>
Total assets					<u><u>248,163</u></u>
Segment liabilities	55,922	17,538	8,012	16,515	97,987
Unallocated					<u>126,104</u>
Total liabilities					<u><u>224,091</u></u>

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2012					
Segment assets	115,814	50,629	16,649	63,764	246,856
Unallocated					<u>39,543</u>
Total assets					<u><u>286,399</u></u>
Segment liabilities	63,237	16,556	7,311	40,784	127,888
Unallocated					<u>120,719</u>
Total liabilities					<u><u>248,607</u></u>

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2013					
Segment assets	210,096	49,257	43,505	58,193	361,051
Unallocated					<u>32,651</u>
Total assets					<u><u>393,702</u></u>
Segment liabilities	85,744	19,350	26,511	35,256	166,861
Unallocated					<u>130,158</u>
Total liabilities					<u><u>297,019</u></u>

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

- all assets are allocated to reportable segments other than available-for-sale financial assets, investment properties, leasehold properties, deferred tax asset, amounts due from related companies, amounts due from directors and other assets for corporate use.
- all liabilities are allocated to reportable segments other than bank borrowings, bank overdrafts, amounts due to related companies, amount due to a director, deferred tax liabilities and other liabilities for corporate use.

Other segment information

	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2011						
Additions to non-current assets	12,574	1,829	30	10,230	76	24,739
Depreciation of property, plant and equipment	4,832	1,112	623	1,306	613	8,486
Depreciation of investment properties	—	—	—	—	81	81
Gain on disposal of property, plant and equipment	1,476	—	31	—	—	1,507
Impairment loss recognised on trade receivables	—	2	—	—	—	2
	<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2012						
Additions to non-current assets	5,585	482	15	35,752	13	41,847
Depreciation of property, plant and equipment	5,084	1,248	569	4,099	598	11,598
Depreciation of investment properties	—	—	—	—	81	81
Gain/(loss) on disposal of property, plant and equipment	413	184	—	(151)	—	446
Impairment loss recognised on trade receivables	—	41	—	—	—	41
	<u>—</u>	<u>41</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41</u>
	Cleaning services business	Landscaping services business	Pest management business	Waste management and recycling business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2013						
Additions to non-current assets	16,332	612	23,542	3,242	133	43,861
Depreciation of property, plant and equipment	6,055	721	1,424	5,405	64	13,669
Depreciation of investment properties	—	—	—	—	54	54
Gain on disposal of property, plant and equipment	967	49	780	296	—	2,092
Gain on disposal of investment properties	—	—	—	—	27,410	27,410
Impairment loss recognised on trade receivables	140	—	—	—	—	140
	<u>140</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>140</u>

Geographical information

No geographical information is presented as all of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the Track Record Period.

Information about major customers

Included in revenue of approximately HK\$618,148,000, HK\$644,714,000 and HK\$821,259,000 for the years ended 31 December 2011, 2012 and 2013 respectively are revenues generated from 2, 2 and 2 customers amounting to approximately HK\$448,784,000, HK\$444,923,000 and HK\$572,166,000 respectively with whom transactions have individually exceeded 10% of the Group's revenue during the years ended 31 December 2011, 2012 and 2013.

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

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Customer A	232,887	285,893	330,173
Customer B	215,897	159,030	241,993
	<u>448,784</u>	<u>444,923</u>	<u>572,166</u>

6. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments****The Group**

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Available-for-sale financial assets	11,372	11,812	12,202
Loans and receivables			
— Pledged bank deposit	137	137	137
— Trade receivables	119,222	123,955	194,190
— Deposits	4,205	2,386	3,241
— Other receivables	6,781	5,749	2,871
— Amounts due from related companies	62	—	—
— Amounts due from directors	10,250	—	—
— Cash and bank balances	<u>2,496</u>	<u>20,109</u>	<u>36,491</u>
Financial liabilities			
Amortised cost			
— Trade payables	9,601	8,587	16,463
— Deposits received and other payables	1,238	2,751	2,071
— Amounts due to related companies	297	47	—
— Amount due to a director	—	912	—
— Bank borrowings	93,812	90,816	121,507
— Bank overdrafts	27,144	22,880	—
— Obligations under finance leases	<u>37,198</u>	<u>54,087</u>	<u>72,278</u>

The Company

As at
31 December
2013
 HK\$'000

Financial liabilities

Amortised cost

— Amount due to a subsidiary

50

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk***(i) Foreign currency risk***

The Group has no foreign current risk as all bank balances of the Group are denominated in Hong Kong Dollar.

(ii) Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section below. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Standard Bills Rate and Hong Kong Dollar Prime Lending Rate/Best Lending Rate arising from the Group's Hong Kong Dollar denominated borrowings. The exposures to the interest rate risk are monitored on an ongoing basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings and bank overdrafts. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2011, 2012 and 2013 would decrease/increase by approximately HK\$605,000, HK\$568,000 and HK\$608,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank overdrafts.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables. In order to minimise the credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is adequately managed and mitigated.

The Group had certain concentration of credit risk as 73%, 71% and 76% of the total trade receivables of the Group were due from 5 largest customers as at 31 December 2011, 2012 and 2013 respectively. Management considered the credit risks is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis. In addition, the credit risks on liquid funds including bank deposit and bank balances is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 December 2011, 2012 and 2013, the Group had unutilised banking facilities of approximately HK\$124,148,000, HK\$131,715,000 and HK\$126,518,000 respectively.

Specifically, for secured term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities are as follows:

The Group

	Effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2011						
Trade payables	—	9,601	—	—	9,601	9,601
Deposits received and other payables	—	1,238	—	—	1,238	1,238
Amounts due to related companies	—	297	—	—	297	297
Obligations under finance leases	4.81	12,270	28,176	—	40,446	37,198
Bank overdrafts	5.00	27,144	—	—	27,144	27,144
Bank borrowings	3.87	93,812	—	—	93,812	93,812
		<u>144,362</u>	<u>28,176</u>	<u>—</u>	<u>172,538</u>	<u>169,290</u>

	Effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2012						
Trade payables	—	8,587	—	—	8,587	8,587
Deposits received and other payables	—	2,751	—	—	2,751	2,751
Amount due to a director	—	912	—	—	912	912
Amounts due to related companies	—	47	—	—	47	47
Obligations under finance leases	4.31	17,774	40,481	—	58,255	54,087
Bank overdrafts	5.00	22,880	—	—	22,880	22,880
Bank borrowings	3.88	90,816	—	—	90,816	90,816
		<u>143,767</u>	<u>40,481</u>	<u>—</u>	<u>184,248</u>	<u>180,080</u>

	Effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2013						
Trade payables	—	16,463	—	—	16,463	16,463
Deposits received and other payables	—	2,071	—	—	2,071	2,071
Obligations under finance leases	3.86	23,661	53,848	—	77,509	72,278
Bank borrowings	4.00	112,472	7,560	1,475	121,507	121,507
		<u>154,667</u>	<u>61,408</u>	<u>1,475</u>	<u>217,550</u>	<u>212,319</u>

The Company

	Effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2013						
Amount due to a subsidiary	—	<u>50</u>	<u>—</u>	<u>—</u>	<u>50</u>	<u>50</u>

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and trade in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded in the combined financial statements approximate to their fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2011			
Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets			
Unlisted equity investment	—	11,372	11,372
As at 31 December 2012			
Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets			
Unlisted equity investment	—	11,812	11,812
As at 31 December 2013			
Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets			
Unlisted equity investment	—	12,202	12,202

There were no transfers between Levels 1 and 2 during the Track Record Period.

	Year ended 31 December 2011 Unlisted equity investment <i>HK\$'000</i>
Opening balance	10,854
Gains recognised in other comprehensive income	<u>518</u>
Closing balance	<u><u>11,372</u></u>
	Year ended 31 December 2012 Unlisted equity investment <i>HK\$'000</i>
Opening balance	11,372
Gains recognised in other comprehensive income	<u>440</u>
Closing balance	<u><u>11,812</u></u>
	Year ended 31 December 2013 Unlisted equity investment <i>HK\$'000</i>
Opening balance	11,812
Gains recognised in other comprehensive income	<u>390</u>
Closing balance	<u><u>12,202</u></u>

7. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders of the Group and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manage its capital structure to maximise the returns to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain new bank borrowings and new bank overdrafts. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group mainly consists of debts, which include bank borrowings, bank overdrafts and obligations under finance leases, and equity attributable to owners of the Company, comprising issued share capital and reserves respectively. The Group considers the cost of capital and the risks associated with each class of capital to monitor its capital structure on the basis of a gearing ratio. This ratio is expressed by as a percentage of total borrowings over the total equity. The Group's overall strategy remains unchanged during the Track Record Period.

The gearing ratio at 31 December 2011, 2012 and 2013 were as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Total borrowings (note (i))	158,154	167,783	193,785
Total equity (note (ii))	24,072	37,792	96,683
Gearing ratio	657%	444%	200%

Notes:

- (i) Total borrowings included bank borrowings, bank overdrafts and obligations under finance leases are as detailed in Notes 31, 32 and 34;
- (ii) Total equity includes all share capital and reserves as at 31 December 2011, 2012 and 2013.

8. REVENUE

The principal activity of the Group is environmental and related service. The amount of each significant category of revenue recognised during the Track Record Period is as follows:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Cleaning services	405,309	401,894	551,694
Landscaping services	120,375	138,443	138,193
Pest management income	76,422	61,711	74,696
Waste management and recycling income	16,042	42,666	56,676
	618,148	644,714	821,259

9. OTHER INCOME AND GAIN, NET

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Other income:			
Rental income	1,138	1,371	1,241
Interest income	—	—	6
Automobile repair services income	15	1	—
Sundry income	672	941	891
	1,825	2,313	2,138
Other gain, net:			
Gain on disposal of property, plant and equipment, net	1,507	446	2,092
	<u>3,332</u>	<u>2,759</u>	<u>4,230</u>

10. FINANCE COSTS

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Interest on:			
Bank overdrafts	974	904	327
Bank loans wholly repayable within five years	3,395	3,633	4,841
Bank loans wholly repayable beyond five years	835	767	683
Obligations under finance leases	1,744	2,281	2,440
	<u>6,948</u>	<u>7,585</u>	<u>8,291</u>

11. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	145	226	530
Depreciation of property, plant and equipment			
Owned by the Group	4,816	5,874	5,727
Held under finance lease obligations	3,670	5,724	7,942
Depreciation of investment properties	81	81	54
Impairment losses recognised on trade receivables	2	41	140
Cost of consumable goods	31,104	32,246	47,174
Staff costs (including directors' remuneration):			
Wages, salaries and other benefits	475,286	465,456	594,204
Provision for long service payment	2,720	152	1,181
Provision for untaken paid leave	3,086	4,747	5,910
Contribution to retirement schemes	19,774	20,639	23,336
	<u>500,866</u>	<u>490,994</u>	<u>624,631</u>
Operating lease rentals: minimum lease payments			
Hire of machinery and motor vehicles	10,588	8,632	13,211
Land and buildings	<u>1,003</u>	<u>2,160</u>	<u>2,196</u>
	<u>11,591</u>	<u>10,792</u>	<u>15,407</u>

12. INCOME TAX EXPENSES

The income tax expenses for the Track Record Period represent Hong Kong Profits Tax which is calculated at 16.5% on the estimated assessable profit of the Group.

The income tax expenses comprise:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
Hong Kong Profits Tax	755	4,764	5,850
Under-provision in prior years	7	—	102
Deferred tax:			
Current year expenses (Note 35)	<u>1,972</u>	<u>1,012</u>	<u>1,913</u>
Income tax expenses	<u>2,734</u>	<u>5,776</u>	<u>7,865</u>

The income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>16,326</u>	<u>34,656</u>	<u>70,366</u>
Notional tax on profit before taxation, calculated at Hong Kong			
Profits Tax rate at 16.5%	2,694	5,718	11,610
Tax effect of non-taxable income	—	—	(4,442)
Tax effect of non-deductible expenses	37	65	453
Tax effect of temporary difference not recognised	32	23	142
Under-provision of tax in prior years	7	—	102
Tax reduction	<u>(36)</u>	<u>(30)</u>	<u>—</u>
Income tax expenses	<u>2,734</u>	<u>5,776</u>	<u>7,865</u>

13. DIVIDENDS

No dividend has been paid or proposed by the Company since its date of incorporation.

Prior to the Group Reorganisation, the Company's subsidiaries had declared and paid dividends in aggregate amounts of HK\$6,500,000, HK\$15,600,000 and HK\$4,000,000 to their shareholders during the years ended 31 December 2011, 2012 and 2013 respectively.

On 24 January 2014, a subsidiary of the Company had proposed to declare final dividend of HK\$32,000,000 to its shareholders for the year ended 31 December 2013. Such dividend has been fully paid in April 2014.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumption that the proposed 320,000,000 ordinary shares in issue, comprising 100 shares in issue as at the date of this prospectus and 319,999,900 shares to be issued pursuant to the Capitalisation Issue as detailed in the section headed "Share Capital" set out in this Prospectus, as if the shares as there were outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The emoluments paid or payable to each of the directors during the Track Record Period were as follows:

	Directors' fees	Salaries, allowances and other benefits	Directors' quarter	Discretionary bonus	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2011						
Executive director:						
Mr. Ng (<i>notes (i) and (ii)</i>)	—	360	—	—	12	372
Ms. Ng Yuk Kwan, Phyllis (<i>notes (i) and (iii)</i>)	—	694	360	—	71	1,125
Mr. Ng Wing Chuen (<i>note (iv)</i>)	—	276	—	—	12	288
Ms. Leung Shuk Ping (<i>note (v)</i>)	—	—	—	—	—	—
Ms. Chan Shuk Kuen (<i>note (v)</i>)	—	483	—	50	12	545
Ms. Cheung Siu Chun (<i>notes (v) and (iv)</i>)	—	586	—	49	48	683
	—	2,399	360	99	155	3,013

	Directors' fees	Salaries, allowances and other benefits	Directors' quarter	Discretionary bonus	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2012						
Executive director:						
Mr. Ng (<i>notes (i) and (ii)</i>)	—	360	—	—	14	374
Ms. Ng Yuk Kwan, Phyllis (<i>notes (i) and (iii)</i>)	—	830	360	500	83	1,773
Mr. Ng Wing Chuen (<i>note (iv)</i>)	—	276	—	—	13	289
Ms. Leung Shuk Ping (<i>note (v)</i>)	—	308	—	100	6	414
Ms. Chan Shuk Kuen (<i>note (v)</i>)	—	499	—	90	14	603
Ms. Cheung Siu Chun (<i>notes (v) and (vi)</i>)	—	616	—	120	55	791
	—	2,889	360	810	185	4,244

	Directors' fees	Salaries, allowances and other benefits	Directors' quarter	Discretionary bonus	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2013						
Executive director:						
Mr. Ng (<i>notes (i) and (ii)</i>)	—	360	—	—	15	375
Ms. Ng Yuk Kwan, Phyllis						
(<i>notes (i) and (iii)</i>)	—	895	450	—	90	1,435
Mr. Ng Wing Chuen (<i>note (iv)</i>)	—	276	—	—	14	290
Ms. Leung Shuk Ping (<i>note (v)</i>)	—	628	—	—	15	643
Ms. Chan Shuk Kuen (<i>note (v)</i>)	—	562	—	—	15	577
Ms. Cheung Siu Chun						
(<i>notes (v) and (vi)</i>)	—	645	—	—	48	693
	—	3,366	450	—	197	4,013

Notes:

- (i) Mr. Ng and Ms. Ng Yuk Kwan, Phyllis were directors of Baguio Cleaning, Baguio Landscaping, Baguio Pest, Baguio Waste, Tak Tai, Modern Automobile and Baguio Green Technology during the Track Record Period and have been appointed as Executive Directors of the Company on 23 January 2014.
- (ii) Mr. Ng is also the Chairman of the Company since 23 January 2014.
- (iii) Ms. Ng Yuk Kwan, Phyllis is also the Chief Executive Officer of the Company since 23 January 2014.
- (iv) Mr. Ng Wing Chuen was directors of Baguio Cleaning, Baguio Landscaping, Tak Tai and Modern Automobile during the Track Record Period and has been appointed as Executive Director of the Company on 23 January 2014.
- (v) Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen and Ms. Cheung Siu Chun were employees of Baguio Cleaning during the Track Record Period and have been appointed as Executive Directors of the Company on 23 January 2014.
- (vi) Ms. Cheung Siu Chun is also the Chief Financial Officer and Company Secretary of the Company since 23 January 2014.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

Five highest paid employees

The five highest paid employees of the Group included 3, 3 and 4 directors for the years ended 31 December 2011, 2012 and 2013 respectively. The emoluments of the five highest paid employees are analysed as follows:

	Year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Director	2,353	3,167	3,348
Non-director	882	938	468
	<u>3,235</u>	<u>4,105</u>	<u>3,816</u>

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follows:

	Year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	813	758	453
Discretionary bonus	45	152	—
Contributions to retirement schemes	24	28	15
	<u>882</u>	<u>938</u>	<u>468</u>

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2011	2012	2013
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>1</u>

Senior management of the Company

The emoluments of the senior management of the Company are within the following band:

	Year ended 31 December		
	2011	2012	2013
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the Track Record Period.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Furniture and fixtures	Equipment and machinery	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost					
As at 1 January 2011	21,403	9,193	13,851	76,975	121,422
Additions	—	2,322	1,490	20,927	24,739
Disposals	—	(219)	(457)	(3,735)	(4,411)
As at 31 December 2011 and 1 January 2012	21,403	11,296	14,884	94,167	141,750
Additions	—	1,686	5,629	34,532	41,847
Disposals	—	(9)	(1,910)	(4,772)	(6,691)
As at 31 December 2012 and 1 January 2013	21,403	12,973	18,603	123,927	176,906
Additions	—	1,398	2,449	40,014	43,861
Disposals	—	(2,109)	(6,568)	(17,004)	(25,681)
As at 31 December 2013	21,403	12,262	14,484	146,937	195,086
Accumulated depreciation					
As at 1 January 2011	918	5,213	10,567	38,921	55,619
Charge for the year	551	1,920	2,122	3,893	8,486
Disposals	—	(158)	(438)	(2,344)	(2,940)
As at 31 December 2011 and 1 January 2012	1,469	6,975	12,251	40,470	61,165
Charge for the year	551	2,000	2,389	6,658	11,598
Disposals	—	(9)	(1,619)	(3,687)	(5,315)
As at 31 December 2012 and 1 January 2013	2,020	8,966	13,021	43,441	67,448
Charge for the year	551	1,973	2,466	8,679	13,669
Disposals	—	(2,108)	(6,543)	(12,434)	(21,085)
As at 31 December 2013	2,571	8,831	8,944	39,686	60,032
Carrying amounts					
As at 31 December 2013	<u>18,832</u>	<u>3,431</u>	<u>5,540</u>	<u>107,251</u>	<u>135,054</u>
As at 31 December 2012	<u>19,383</u>	<u>4,007</u>	<u>5,582</u>	<u>80,486</u>	<u>109,458</u>
As at 31 December 2011	<u>19,934</u>	<u>4,321</u>	<u>2,633</u>	<u>53,697</u>	<u>80,585</u>

The leasehold properties are situated on land in Hong Kong held under medium term leases.

As at 31 December 2011, 2012 and 2013, the leasehold properties with carrying amount of approximately HK\$19,934,000, HK\$19,383,000 and HK\$18,832,000 were pledged for banking facilities granted to the Group respectively.

As at 31 December 2011, 2012 and 2013, the carrying amount of motor vehicles of the Group includes amounts of approximately HK\$51,189,000, HK\$74,344,000 and HK\$100,626,000 in respect of assets held under finance lease respectively.

17. INVESTMENT PROPERTIES

HK\$'000

Cost

As at 1 January 2011, 31 December 2011, 1 January 2012, 31 December 2012 and 1 January 2013	8,207
Disposal	(8,207)

At 31 December 2013

Accumulated depreciation

As at 1 January 2011	913
Charge for the year	81

As at 31 December 2011 and 1 January 2012

Charge for the year	81
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As at 31 December 2012 and 1 January 2013

Charge for the year	54
Disposal	(1,129)

As at 31 December 2013

Carrying amount

As at 31 December 2013	—
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As at 31 December 2012	7,132
------------------------	-------

As at 31 December 2011	7,213
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Fair value

As at 31 December 2013	—
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As at 31 December 2012	32,650
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As at 31 December 2011	26,020
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The Group's properties held to earn rental purposes were measured using the cost model and were classified and accounted for as investment properties.

As at 31 December 2011 and 2012, the investment properties with carrying amounts of approximately HK\$7,213,000 and HK\$7,132,000 were pledged for banking facilities granted to the Group respectively.

In September 2013, the investment properties with carrying amount of approximately HK\$7,078,000 were transferred to assets held for sale (Note 42). In November 2013, the investment properties classified as held for sale with carrying amount of approximately HK\$7,078,000 have been successfully disposed at a consideration of approximately HK\$34,488,000.

The investment properties with carrying amounts of approximately HK\$7,213,000 and HK\$7,132,000 were leased to independent third parties as at 31 December 2011 and 2012 respectively. The details of the Group's total future minimum lease receivables under non-cancellable operating leases are stated in Note 38.

The investment properties are situated on land in Hong Kong held under long term leases.

The fair value of investment properties is based on valuation reports carried out at the end of each reporting period by an independent property valuer (the "Valuer"). The Valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The investment properties were classified as Level 2 under the fair value hierarchy.

18. SUBSIDIARIES

As at the date of this report, details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
<i>Directly held:</i>					
Baguio Holding (BVI)	The British Virgin Islands ("BVI"), 22 November 2013	US\$1.00	100%	—	Investment holding
<i>Indirectly held:</i>					
Baguio Cleaning (BVI)	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Pest (BVI)	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Waste (BVI)	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Tak Tai (BVI)	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Landscaping (BVI)	BVI, 22 November 2013	US\$1.00	—	100%	Investment holding
Baguio Cleaning	Hong Kong, 7 May 1982	HK\$10,000,000	—	100%	Provision of cleaning services
Baguio Landscaping	Hong Kong, 10 January 1995	HK\$2,000,000	—	100%	Provision of landscaping services
Baguio Pest	Hong Kong, 28 January 2005	HK\$200,000	—	100%	Provision of pest control services
Baguio Waste	Hong Kong, 28 January 2008	HK\$10,000	—	100%	Provision of waste management and recycling services
Tak Tai	Hong Kong, 21 August 1984	HK\$8,100,000	—	100%	Provision of plant nursing, landscaping and related services
Modern Automobile	Hong Kong, 26 August 2004	HK\$10,000	—	100%	Provision of automobile repair services
Baguio Green Technology	Hong Kong, 7 October 2011	HK\$10,000	—	100%	Inactive

The amount due to a subsidiary was unsecured, interest free and repayable on demand.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Investment in life insurance, at fair value	11,372	11,812	12,202

Investment in life insurance represents an investment in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no market price for such equity investment. The return of the investment will be based on the guarantee minimum return rate. As at 31 December 2011, 2012 and 2013, the investments in life insurance with carrying values of approximately HK\$11,372,000, HK\$11,812,000 and HK\$12,202,000 were pledged for banking facilities granted to the Group respectively.

The fair values are determined based on the surrender value of the life insurance policies at the end of each reporting period.

The management of the Group has determined that no impairment was recognised in the combined statements of profit or loss and other comprehensive income for the Track Record Period as the life insurance contracts are expected to generate positive income in the future.

20. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to banks to secure long-term borrowings and are therefore classified as non-current asset.

The deposit carries interest rate at prevailing market rate. The pledged deposit will be released upon repayment of the relevant borrowings.

21. INVENTORIES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Consumable goods	3,034	2,776	3,742

22. TRADE RECEIVABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	119,222	123,955	194,190

In general, for the contracts with some quasi-government organisations and The Government of the Hong Kong Special Administrative Region, the Group has no specific number of credit date. For other contracts, the Group normally allows a credit period ranging from 30 to 60 days depending on the customer's creditworthiness and the length of business relationship. The ageing analysis of trade receivables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	102,558	111,591	161,209
61 days to 120 days	9,830	8,166	24,673
121 days to 365 days	5,369	3,143	8,041
Over 365 days	1,465	1,055	267
Total	119,222	123,955	194,190

Movement in the impairment loss of trade receivables is as follow:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	—	—	—
Impairment losses recognised on trade receivables	2	41	140
Amount written off as uncollectable	(2)	(41)	(140)
Balance at end of the year	—	—	—

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK\$13,995,000, HK\$16,559,000 and HK\$22,738,000 as at 31 December 2011, 2012 and 2013 respectively which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
Within 365 days	13,487	15,715	22,523
Over 365 days	508	844	215
Total	13,995	16,559	22,738

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

The Group's bank borrowings consists of factoring loan and term loan amounted to approximately HK\$41,534,000, HK\$29,403,000 and HK\$63,645,000 as at 31 December 2011, 2012 and 2013 respectively are secured by the trade receivables of the Group with carrying amount of approximately HK\$50,630,000, HK\$36,499,000 and HK\$77,151,000 as at 31 December 2011, 2012 and 2013 respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Prepayments	1,320	2,283	5,053
Deposits (note (i))	4,205	2,386	3,241
Other receivables	6,781	5,749	2,871
	12,306	10,418	11,165

Note:

- (i) The Group has entered into certain services contracts and deposited a sum of approximately HK\$449,000, HK\$687,000 and HK\$989,000 as at 31 December 2011, 2012 and 2013 respectively as performance deposits. The performance deposits are interest-free and recoverable at the end of the service contract.

24. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	<u>Plants and flowers</u> <i>HK\$'000</i>
As at 1 January 2011	337
Increase due to purchases	65
Decrease due to usage in services	<u>(71)</u>
As at 31 December 2011 and 1 January 2012	331
Increase due to purchases	9
Decrease due to usage in services	(14)
Change in fair value less costs to sell	<u>1</u>
As at 31 December 2012 and 1 January 2013	327
Increase due to purchases	136
Decrease due to usage in services	(117)
Change in fair value less costs to sell	<u>82</u>
As at 31 December 2013	<u><u>428</u></u>

The plants and flowers are primarily held for further growth for the usage in services and are classified as current assets.

The fair value of biological assets of the Group as at 31 December 2011, 2012 and 2013 has been arrived at the basis of a valuation carried out at that date by the Valuer and the Valuer has appropriate qualifications and experiences in providing biological assets valuation services.

The fair value less cost to sell of plants and flowers are determined using the market based approach which assumes sales of biological assets in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market. The biological assets were classified as Level 2 under the fair value hierarchy.

In addition, the following principal assumptions have been adopted by the Valuer:

- The expected cost to sales of the biological assets provided by the management are best estimates of the management and are reasonable, reflecting market conditions and economic fundamentals and will be materialised;
- The biological assets are properly planted and managed with necessary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the conditions of the biological assets;
- The biological assets are free from any diseases such that will lead to death or materially impair the expected economic benefit from the disposal of the biological assets;
- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;
- The availability of finance will not be a constraint on the forecast growth of the biological assets;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Group;
- There will be no material changes in the Group's business strategy and its operating structure;
- The list of the biological assets and the growing status of the biological assets and as supplied to us have been prepared in a manner which truly and accurately reflect the position of the Group as at the respective balance sheet dates;
- The Group shall have uninterrupted rights to operate its existing business during the unexpired term of its authorised enterprise operating period;
- Interest rates and exchange rates in the localities for the operation of the Group will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group upon the disposal of the biological assets.

25. AMOUNTS DUE FROM RELATED COMPANIES

Name of company	Maximum outstanding balance during the year			As at 31 December		
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cleanic Cleaning Equipment Limited (note (i))	1,814	697	760	27	—	—
Dr. Stone HK Limited (note (i))	35	80	—	35	—	—
				<u>62</u>	<u>—</u>	<u>—</u>

Note:

- (i) A close family member of the shareholder of the Company is one of the directors of the related companies. The amounts due from related companies are unsecured, interest-free and recoverable on demand.

26. AMOUNTS DUE FROM DIRECTORS

Particulars disclosed pursuant to Section 161B of the Predecessor Companies Ordinance, are as follows:

Name of director	Maximum outstanding balance during the year			As at 31 December		
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Ng Wing Chuen (<i>note (i)</i>)	6,558	7,579	—	4,558	—	—
Mr. Ng (<i>note (i)</i>)	10,463	12,087	—	5,692	—	—
				10,250	—	—

Note:

- (i) The balances are unsecured, interest-free and recoverable on demand.

27. CASH AND CASH EQUIVALENTS

For the purposes of the combined statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the combined statements of cash flows can be reconciled to the related items in the combined statements of financial position as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances (<i>note (i)</i>)	2,496	20,109	36,491
Bank overdrafts (<i>Note 32</i>)	(27,144)	(22,880)	—
	(24,648)	(2,771)	36,491

Note:

- (i) The cash and bank balances of the Group are denominated in HK\$ only.

28. TRADE PAYABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade payables	9,601	8,587	16,463

The following is an ageing analysis of trade payables at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	5,121	6,423	8,332
31 days to 60 days	2,266	951	6,025
61 days to 90 days	451	83	1,077
Over 90 days	1,763	1,130	1,029
Total	9,601	8,587	16,463

The credit period on purchases of certain goods and services is generally within 30 to 60 days.

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Accruals (<i>note (i)</i>)	50,286	58,046	74,970
Deposits received	944	1,039	350
Other payables	294	1,712	1,721
	51,524	60,797	77,041

Note:

- (i) Included in accruals of approximately HK\$33,876,000, HK\$36,635,000 and HK\$50,262,000 were accrued salaries as at 31 December 2011, 2012 and 2013 respectively.

30. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies were unsecured, interest-free and repayable on demand.

31. BANK BORROWINGS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Bank loans:			
Secured (<i>notes (a), (b) & (c)</i>)	93,812	90,816	121,507
Secured term loan from bank that repayable within the period of:			
— less than one year	56,468	42,921	86,023
— more than 1 year but within 2 years	7,654	12,435	9,707
— more than 2 years but within 5 years	15,252	25,157	17,673
— over 5 years	14,438	10,303	8,104
Secured term loan	93,812	90,816	121,507
Less: Amount classified as current liabilities			
Secured term loan due within one year or contain a repayment on demand clause	(93,812)	(90,816)	(112,472)
Amount classified as non-current liabilities	—	—	9,035

Notes:

- (a) The bank borrowings of the Group as at 31 December 2011, 2012 and 2013 respectively were secured by:
- (i) personal guarantee provided by the directors of the Company and a close family member of the directors of the Company;
 - (ii) corporate guarantee provided by certain subsidiaries of the Group;
 - (iii) guarantee provided by The Government of the Hong Kong Special Administrative Region and Hong Kong Mortgage Corporation Limited;
 - (iv) pledge of properties owned by the directors of the Company and close family members of the directors of the Company;
 - (v) pledged bank deposit with carrying amounts of approximately HK\$137,000, HK\$137,000 and HK\$137,000 as at 31 December 2011, 2012 and 2013 respectively;
 - (vi) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$19,934,000, HK\$19,383,000 and HK\$18,832,000 as at 31 December 2011, 2012 and 2013 respectively;
 - (vii) pledge of the Group's investment properties with carrying amounts of approximately HK\$7,213,000 and HK\$7,132,000 as at 31 December 2011 and 2012 respectively.
- In September 2013, the Group entered into a sales and purchases agreement with two independent third parties for the disposal of investments properties with carrying amount of approximately HK\$7,078,000 and the investment properties were reclassified as assets classified as held for sale (Note 42). In November 2013, the investment properties classified as held for sale with carrying amount of approximately HK\$7,078,000 have been successfully disposed. The pledge of investment properties had been released upon the disposal;
- (viii) pledge of the Group's investments in life insurance with carrying values of approximately HK\$11,372,000, HK\$11,812,000 and HK\$12,202,000 as at 31 December 2011, 2012 and 2013 respectively; and
 - (ix) pledge of the Group's trade receivables with aggregate values of approximately HK\$50,630,000 and HK\$36,499,000 and HK\$77,151,000 as at 31 December 2011, 2012 and 2013 respectively.

- (b) The loans of the Group with financial institutions amounted to approximately HK\$93,812,000, HK\$90,816,000 and HK\$121,507,000 as at 31 December 2011, 2012 and 2013 respectively, carried interest ranging from 1.22% to 6.75% per annum, 1.22% to 5.50% per annum and 1.22% to 5.50% per annum for the years ended 31 December 2011, 2012 and 2013 respectively.
- (c) The directors of the Company represented that such personal guarantee and pledge of properties provided by their own and their close family members will be released prior to the Listing.

32. BANK OVERDRAFTS

Bank overdrafts of the Group carry interest at market rate of 5.00% per annum during the Track Record Period.

The bank overdrafts of the Group as at 31 December 2011, 2012 and 2013 respectively were secured by:

- (i) personal guarantee provided by the directors of the Company;
- (ii) corporate guarantee provided by certain subsidiaries of the Group;
- (iii) pledge of properties owned by the directors of the Company and close family members of the directors of the Company;
- (iv) pledged bank deposit with carrying amount of approximately HK\$137,000, HK\$137,000 and HK\$137,000 as at 31 December 2011, 2012 and 2013 respectively;
- (v) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$19,934,000, HK\$19,383,000 and HK\$18,832,000 as at 31 December 2011, 2012 and 2013 respectively;
- (vi) pledge of the Group's investment properties with carrying amounts of approximately HK\$7,213,000 and HK\$7,132,000 as at 31 December 2011 and 2012 respectively.

In September 2013, the Group entered into a sales and purchases agreement with two independent third parties for the disposal of investments properties with carrying amount of approximately HK\$7,078,000 and the investment properties were reclassified as assets classified as held for sale (Note 42). In November 2013, the investment properties classified as held for sale with carrying amount of approximately HK\$7,078,000 had been successfully disposed. The pledge of investment properties had been released upon the disposal; and

- (vii) pledge of the Group's investments in life insurance with carrying values of approximately HK\$11,372,000, HK\$11,812,000 and HK\$12,202,000 as at 31 December 2011, 2012 and 2013 respectively.

The directors of the Company represented that such personal guarantee and pledge of properties provided by their own and their close family members in respect of the bank overdrafts will be released prior to the Listing.

33. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and repayable on demand.

34. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments under finance leases			
— within one year	12,270	17,774	23,661
— in the second to fifth years, inclusive	28,176	40,481	53,848
	40,446	58,255	77,509
Less: Future finance charges	(3,248)	(4,168)	(5,231)
Present value of finance leases	37,198	54,087	72,278
	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Present value of minimum lease payments under finance leases			
— within one year	10,756	15,786	21,291
— in the second to fifth years, inclusive	26,442	38,301	50,987
	37,198	54,087	72,278
Less: Amount due for settlement within one year	(10,756)	(15,786)	(21,291)
Amount due for settlement after one year	26,442	38,301	50,987

The obligations under finance leases with carrying amounts of approximately HK\$37,198,000, HK\$54,087,000 and HK\$72,278,000 as at 31 December 2011, 2012 and 2013 respectively were secured by personal guarantee provided by directors of the Company and corporate guarantee provided by a subsidiary of the Group.

The directors of the Company represented that such personal guarantee provided by their own in respect of the finance leases will be released prior to the Listing.

35. DEFERRED TAXATION

The components of deferred tax balances recognised in the combined statements of financial position and the movements thereon during the Track Record Period are as follows:

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2011	2,552	(495)	2,057
Charged/(credited) to profit or loss (<i>Note 12</i>)	<u>3,177</u>	<u>(1,205)</u>	<u>1,972</u>
As at 31 December 2011 and 1 January 2012	5,729	(1,700)	4,029
Charged/(credited) to profit or loss (<i>Note 12</i>)	<u>2,945</u>	<u>(1,933)</u>	<u>1,012</u>
As at 31 December 2012 and 1 January 2013	8,674	(3,633)	5,041
Charged/(credited) to profit or loss (<i>Note 12</i>)	<u>2,789</u>	<u>(876)</u>	<u>1,913</u>
As at 31 December 2013	<u><u>11,463</u></u>	<u><u>(4,509)</u></u>	<u><u>6,954</u></u>

The following is the analysis of the deferred tax balances for the financial reporting purposes.

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities	4,395	5,316	6,954
Deferred tax asset (<i>notes (a) and (b)</i>)	<u>(366)</u>	<u>(275)</u>	<u>—</u>
	<u><u>4,029</u></u>	<u><u>5,041</u></u>	<u><u>6,954</u></u>

Notes:

- (a) Deferred tax asset represents the amount available indefinitely for offsetting future taxable profit of a subsidiary in which the losses arose.
- (b) No deferred tax asset has been recognised in respect of the estimated unused tax loss of the Group amounted to approximately HK\$577,000, HK\$607,000 and HK\$1,165,000 as at 31 December 2011, 2012 and 2013 respectively due to the unpredictability of future profit stream of subsidiaries which incurred this remaining tax loss.

36. SHARE CAPITAL

The Group

For the purpose of the preparation of the combined statements of financial position, the balance of share capital of the Group as at 31 December 2011 and 2012 represent the issued share capital of Baguio Cleaning, Baguio Pest, Baguio Waste, Tak Tai, Modern Automobile and Baguio Green Technology prior to the establishment of the Company.

For the purpose of the preparation of the combined statements of financial position, the balance of share capital of the Group as at 31 December 2013 represents the issued share capital of the Company, Baguio Holding (BVI), Baguio Cleaning (BVI), Baguio Landscaping (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI), Baguio Cleaning, Baguio Pest, Baguio Waste, Tak Tai, Modern Automobile and Baguio Green Technology prior to the completion of the Reorganisation.

The Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 November 2013, with an initial authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each.

37. RETIREMENT BENEFIT COSTS**Defined contribution plan**

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling of HK\$1,250 (HK\$1,000 prior to 1 June 2012).

The total expense recognised in the combined statements of profit or loss and other comprehensive income included approximately HK\$19,774,000, HK\$20,639,000 and HK\$23,336,000 for the years ended 31 December 2011, 2012 and 2013 respectively contributions payable to these plans by the Group at rates specified in the rules of the plans.

38. OPERATING LEASE COMMITMENT**The Group as lessor**

The Group leases investment properties with a lease term of one to three years. The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Majority of the leases are renewable at the end of the lease periods at market rates. None of the leases includes contingent rentals.

Property rental income earned, net of direct outgoings, during the years ended 31 December 2011, 2012 and 2013 were approximately HK\$1,138,000, HK\$1,371,000 and HK\$1,241,000 respectively.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,282	1,378	—
In the second to fifth years, inclusive	1,849	1,038	—
	<u>3,131</u>	<u>2,416</u>	<u>—</u>

The Group as lessee

The Group entered into commercial leases on certain land and office buildings. These leases have an average life of one to two years. None of the leases includes contingent rentals.

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

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,376	1,646	2,502
In the second to fifth years, inclusive	1,340	903	1,186
	<u>2,716</u>	<u>2,549</u>	<u>3,688</u>

39. MAJOR NON-CASH TRANSACTION

For the Track Record Period, the Group settled dividend to shareholders of approximately HK\$6,500,000, HK\$15,600,000 and HK\$4,000,000 for the years ended 31 December 2011, 2012 and 2013 respectively through the Group's current account with the shareholders.

Additions to property, plant and equipment of approximately HK\$19,046,000, HK\$31,095,000 and HK\$37,189,000 for the years ended 31 December 2011, 2012 and 2013 respectively were made under the finance leases.

40. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 13, 25, 26, 30, 31, 32, 33, 34 and 39 to the combined financial statements, the Group had also entered the following material transactions with related parties during the year.

- (a) Compensation paid to key management personnel of the Group represented are disclosed in Note 15.

(b)	Nature of related party relationship	Nature of transaction	Interested director	Year ended 31 December		
				2011	2012	2013
				HK\$'000	HK\$'000	HK\$'000
	The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng	60	277	347
	The company owned by close member of director and shareholder	Purchase of consumable goods	Mr. Ng	2,256	2,045	2,202
	Common director and shareholder	Purchase of equipment	Mr. Ng	2,145	485	535
	Common director and shareholder	Repair and maintenance expenses	Mr. Ng	224	267	370
	Common director and shareholder	Purchase of equipment	Mr. Ng	—	—	103
	Common director and shareholder	Repair and maintenance expenses	Mr. Ng	—	—	73
	Director and shareholder	Rent paid	Mr. Ng	360	360	450
	Director	Sale of vehicles	Ms. Ng Yuk Kwan, Phyllis	—	—	473

41. CAPITAL COMMITMENTS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of motor vehicle contracted for but not provided in the combined financial statements			
— Within one year	19,657	1,453	2,004
Capital expenditure in respect of the additions of office equipment, furniture and fixtures contracted for but not provided in the combined financial statements			
— Within one year	—	—	807

42. ASSETS CLASSIFIED AS HELD FOR SALE

In September 2013, the Company entered into a sales and purchases agreement with two independent third parties, pursuant to which the Company agreed to dispose 2 investment properties at a consideration of approximately HK\$34,488,000, resulting the investment properties amounted to approximately HK\$7,078,000 being reclassified from investment properties to assets classified as held for sale. In November 2013, the investment properties classified as held for sale with carrying amount of approximately HK\$7,078,000 had been successfully disposed at a consideration of approximately HK\$34,488,000.

43. LITIGATION

As at 31 December 2011, 2012 and 2013, Baguio Cleaning, Baguio Landscaping and Baguio Pest incurred 5, 7 and 6 ongoing claims related to employee's work-related injuries with claim amounts of approximately HK\$253,000, HK\$302,000 and HK\$494,000 respectively, where Baguio Cleaning, Baguio Landscaping and Baguio Pest are the defendants and the plaintiffs alleged that they suffered from work-related injuries. In the opinion of the Directors, the provision of insurance deductibles had been provided based on the insurance policy. For the costs and expenses above the insurance deductibles are expected to be covered by the Group's insurance policy.

44. EVENTS AFTER THE REPORTING PERIOD

Save as disclose elsewhere in the Prospectus, the Group's major subsequent events included the followings:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 24 April 2014 in preparation for the listing of the Shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Corporate Reorganisation" in Appendix IV to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.
- (b) The Company's executive directors, Mr. Ng, Ms. Ng Yuk Kwan, Phyllis, Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen, Mr. Ng Wing Chuen and Ms. Cheung Siu Chun were appointed on 23 January 2014. The Company's independent non-executive directors, Mr. Lau Chi Yin, Mr. Sin Ho Chiu and Dr. Law Ka Hung were appointed on 24 April 2014.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Global Offering on our net tangible assets as of 31 December 2013 as if it had taken place on 31 December 2013.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature it may not give a true picture of our combined net tangible assets as of 31 December 2013 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 3)	HK\$ (Notes 2 and 3)
Based on the Offer Price of HK\$0.80 per Share	<u>96,683</u>	<u>45,660</u>	<u>142,343</u>	<u>0.36</u>
Based on the Offer Price of HK\$1.20 per Share	<u>96,683</u>	<u>76,697</u>	<u>173,380</u>	<u>0.43</u>

Notes:

1. The estimated net proceeds from the Global Offering are based on 80,000,000 Shares and the price range of HK\$0.80 and HK\$1.20 per Share, after deduction of underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of the Group as at 31 December 2013 and take no account of any Shares which may be issued upon the exercise of the Adjustment Option and the options that may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 400,000,000 Shares (including Shares in issue as at 31 December 2013, Shares under the Capitalisation Issue and the Global Offering) are in issue and that the Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.

3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the final dividend of HK\$32,000,000 proposed on 24 January 2014 for the year ended 31 December 2013. Such dividend has been fully paid before the Latest Practicable Date. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$110,343,000 (assuming an Offer Price of HK\$0.80 per Share) and approximately HK\$141,380,000 (assuming an Offer Price of HK\$1.20 per Share) respectively, while the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.28 (assuming an Offer Price of HK\$0.80 per Share) and HK\$0.35 (assuming an Offer Price of HK\$1.20 per Share) respectively.
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2013.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

12 May 2014

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN
INVESTMENT CIRCULAR****TO THE DIRECTORS OF BAGUIO GREEN GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Baguio Green Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the pro forma net tangible assets statement as at 31 December 2013, and related notes as set out on pages II-1 to II-2 of the prospectus (the "Prospectus") dated 12 May 2014 issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed international placing and Hong Kong public offer (the "Global Offering") on the Group's combined net tangible assets as at 31 December 2013 as if the Global Offering had taken place at 31 December 2013. As part of this process, information about the Group's combined net tangible assets has been extracted by the directors from the Group's financial statements for the year ended 31 December 2013, on which an accountants' report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 November 2013 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted with effect from listing on 24 April 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include

any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly

authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than

such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the

holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the

Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the

same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the

Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and

repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the

manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the

company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 December 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of

members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge

the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 November 2013. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 13 December 2013 and our principal place of business in Hong Kong is at Unit A, 4/F, Dragon Industrial Building, No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong. Mr. Ng, one of our executive Directors, has been appointed as the authorised representative of our Company for the purpose of acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and our constitutional documents which comprise a memorandum of association and articles of association. A summary of certain relevant provisions of our constitutional documents and certain relevant aspects of the Companies Law are set out in Appendix III to this prospectus.

2. Changes in share capital of our Company and our subsidiaries*Changes in share capital of our Company*

- (a) The authorised share capital of our Company on the date of its incorporation was HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. On 8 November 2013, one Share was allotted and issued for cash at par to Sharon Pierson as the initial subscriber, which was transferred to Mr. Ng on the same date. On 9 April 2014, Mr. Ng transferred the initial subscriber Share to Baguio Green Holding (BVI) for cash at par.
- (b) On 24 April 2014, pursuant to a reorganisation agreement entered into between our Company and Mr. Ng, Mr. Ng transferred the entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares by our Company to Baguio Green Holding (BVI) credited as fully paid.
- (c) On 24 April 2014, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 990,000,000 Shares of HK\$0.01 each which rank pari passu in all respects with the existing Shares.

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares to be allotted and issued on the exercise of the Adjustment Option and the options to be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 400,000,000 Shares will be in issue, fully paid or credited as fully-paid, and 600,000,000 Shares will remain unissued.

Other than the Capitalisation Issue, the Shares to be issued as mentioned herein, the Shares issuable pursuant to the exercise of the Adjustment Option and the options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the

paragraph headed “Written resolutions of the sole Shareholder passed on 24 April 2014” of this section below, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and no issue of Share which would effectively alter the control of our Company will be made without the prior approval of members in general meeting.

Save for the aforesaid and those mentioned in the paragraphs headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 24 April 2014 and “A. Further information about our Company — 4. Corporate reorganisation” of this section below, there has been no alteration in the share capital of our Company since the date of its incorporation.

Changes in share capital of our subsidiaries

The company’s subsidiaries as at 31 December 2013 are set out in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes to the share capital made by the subsidiaries of the Company during the two years immediately preceding the date of this prospectus:

(a) Baguio Holding (BVI)

Baguio Holding (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to the Company as the initial subscriber.

(b) Baguio Cleaning (BVI)

Baguio Cleaning (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(c) Baguio Pest (BVI)

Baguio Pest (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(d) Baguio Waste (BVI)

Baguio Waste (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(e) Tak Tai (BVI)

Tak Tai (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(f) Baguio Landscaping (BVI)

Baguio Landscaping (BVI) was incorporated in the British Virgin Islands on 22 November 2013 as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as set out above and in the paragraph headed “Corporate reorganisation” of this section below, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

3. Written resolutions of the sole Shareholder passed on 24 April 2014

Pursuant to the written resolutions passed by the sole Shareholder on 24 April 2014:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and approved and adopted the Articles of Association conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of additional 990,000,000 Shares of HK\$0.01 each, such additional Shares to rank pari passu in all respects with the existing Shares;
- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, and our Directors were authorised to grant options to subscribe for the Share thereunder and, conditional on the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and the Shares to be issued as mentioned herein; (ii) the Offer Price having been determined and (iii) the obligations of the Underwriters under

the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

- (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and to approve the transfer of Sale Shares;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise HK\$3,199,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 319,999,900 Shares for the Sale Shares and such number of Shares to be allotted and issued to the shareholders of our Company, and the Shares to be allotted and issued pursuant this resolution shall rank *pari passu* in all respect with the existing issued Shares;
- (iv) a general unconditional mandate (the “Issuing Mandate”) was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue, or by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting) Shares with an aggregate nominal value not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Adjustment Option and the options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting; and
- (v) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of our Company to purchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of

the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Adjustment Option and the options which may be granted under the Share Option Scheme) until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting.

4. Corporate Reorganisation

In preparation for the Listing, our Group has undergone the Reorganisation and the material steps of the Reorganisation are as follows:

(i) Incorporation of our Company

On 8 November 2013, our Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. On 8 November 2013, one Share was allotted and issued to Sharon Pierson as the initial subscriber, which was transferred to Mr. Ng on the same date. On 9 April 2014, Mr. Ng transferred the initial subscriber Share to Baguio Green Holding (BVI) for nominal consideration.

(ii) Incorporation of Baguio Holding (BVI)

On 22 November 2013, Baguio Holding (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to the Company as the initial subscriber.

(iii) Incorporation of Baguio Cleaning (BVI)

On 22 November 2013, Baguio Cleaning (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued for cash at par to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(iv) Incorporation of Baguio Pest (BVI)

On 22 November 2013, Baguio Pest (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(v) *Incorporation of Baguio Waste (BVI)*

On 22 November 2013, Baguio Waste (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vi) *Incorporation of Tak Tai (BVI)*

On 22 November 2013, Tak Tai (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vii) *Incorporation of Baguio Landscaping (BVI)*

On 22 November 2013, Baguio Landscaping (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(viii) *Incorporation of Baguio Green Holding (BVI)*

On 22 November 2013, Baguio Green Holding (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng as the initial subscriber.

(ix) *Transfer of our Company to Baguio Green Holding (BVI)*

On 9 April 2014, Mr. Ng transferred his entire issued share capital of our Company to Baguio Green Holding (BVI) for nominal consideration.

(x) *Transfer of Baguio Green Technology to Baguio Holding (BVI)*

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Holding (BVI), Mr. Ng transferred his entire issued share capital of Baguio Green Technology to Baguio Holding (BVI) for nominal consideration.

Upon completion of the transfer, Baguio Green Technology has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xi) *Transfer of Baguio Cleaning to Baguio Cleaning (BVI)*

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng, Baguio Group Limited and Baguio Cleaning (BVI), Mr. Ng and Baguio Group Limited transferred 7,000,000 shares and 3,000,000 shares in Baguio Cleaning respectively, representing the entire issued share capital of Baguio Cleaning, to Baguio Cleaning (BVI) for nominal consideration.

Upon completion of the transfer, Baguio Cleaning has become a wholly-owned subsidiary of Baguio Cleaning (BVI).

(xii) Transfer of Baguio Landscaping to Baguio Landscaping (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng, Baguio Cleaning and Baguio Landscaping (BVI), Mr. Ng and Baguio Cleaning transferred 2 shares and 1,999,998 shares in Baguio Landscaping respectively, representing the entire issued share capital of Baguio Landscaping, to Baguio Landscaping (BVI) for nominal consideration.

Upon completion of the transfer, Baguio Landscaping has become a wholly-owned subsidiary of Baguio Landscaping (BVI).

(xiii) Transfer of Baguio Pest to Baguio Pest (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Pest (BVI), Mr. Ng transferred his entire issued share capital of Baguio Pest to Baguio Pest (BVI) for nominal consideration.

Upon completion of the transfer, Baguio Pest has become a wholly-owned subsidiary of Baguio Pest (BVI).

(xiv) Transfer of Baguio Waste to Baguio Waste (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Waste (BVI), Mr. Ng transferred his entire issued share capital of Baguio Waste to Baguio Waste (BVI) for nominal consideration.

Upon completion of the transfer, Baguio Waste has become a wholly-owned subsidiary of Baguio Waste (BVI).

(xv) Transfer of Modern Automobile to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng and Baguio Holding (BVI), Mr. Ng transferred his entire issued share capital of Modern Automobile to Baguio Holding (BVI) for nominal consideration.

Upon completion of the transfer, Modern Automobile has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xvi) Transfer of Tak Tai to Tak Tai (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between World Creation, Composil and Tak Tai (BVI), World Creation and Composil transferred 607,500 shares and 202,500 shares in Tak Tai respectively, representing the entire issued share capital of Tak Tai, to Tak Tai (BVI) for nominal consideration.

Upon completion of the transfer, Tak Tai has become a wholly-owned subsidiary of Tak Tai (BVI).

(xvii) Transfer of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI)

On 24 April 2014, pursuant to a reorganisation agreement entered into between our Company and Mr. Ng, Mr. Ng transferred the entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares by our Company to Baguio Green Holding (BVI) credited as fully paid.

Upon completion of the transfer, Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) have become wholly-owned subsidiaries of Baguio Holding (BVI).

5. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole Shareholder on 24 April 2014, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Adjustment Option and options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting, until whichever is the earliest.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law,

any repurchases by our Company may only be made out of profits of our Company, or out of share premium account, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) Connected Parties

A company is prohibited from knowingly repurchasing securities from a "connected person", that is, a director, chief executive or substantial shareholder of our Company or any of their respective associates and a connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent, as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, would result in up to 40,000,000 Shares being repurchase by our Company during the period if which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholders' proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder of a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts


The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or the subsidiaries within the two years preceding the date of this prospectus and are or may be material.

- (a) the reorganisation agreement dated 24 April 2014 and entered into between our Company and Mr. Ng, pursuant to which Mr. Ng transferred his entire shareholding interest in Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to our Company in return for (i) the allotment and issue of 99 Shares as fully-paid Shares, to Baguio Green Holding (BVI) as Mr. Ng's nominee; and (ii) the credit of one Share held by Mr. Ng as fully-paid;
- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity; and
- (d) the Hong Kong Underwriting Agreement.



2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following material trademarks in Hong Kong:

<u>Trademark</u>	<u>Registered owner</u>	<u>Class</u>	<u>Place of registration</u>	<u>Trademark no.</u>	<u>Effective period</u>
	Baguio Cleaning	37, 39, 40, 44	Hong Kong	301327509	20 April 2009 – 19 April 2019

As at the Latest Practicable Date, our Group had applied for registration of the following material trademarks in Hong Kong:

<u>Trademark</u>	<u>Applicant</u>	<u>Class</u>	<u>Place of registration</u>	<u>Application no.</u>	<u>Date of application</u>
	Baguio Cleaning	31, 37, 39, 40, 44	Hong Kong	302828935	6 December 2013
	Baguio Cleaning	31, 37, 39, 40, 44	Hong Kong	302803130	14 November 2013

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

<u>Domain name</u>	<u>Date of registration</u>	<u>Place of registration</u>
<u>www.baguio.com.hk</u>	31 October 1997	Hong Kong

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

3. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the sole Shareholder on 24 April 2014. The terms of the Share Option Scheme comply with Chapter 17 of the Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional
“Eligible Person”	means any employee or proposed employee (whether full time or part time employee, including any director) of any member of our Group or any invested entity, any supplier of goods or services, any customer, any person or entity that provide research, development or other technological support, any shareholders or any participants who contribute to the development and growth of our Group or any invested entity
“Exercise Price”	has the meaning ascribed to it in paragraph (i) below
“Listing Date”	means the date on which the Shares commence trading on the Stock Exchange
“Participant Limit”	has the meaning ascribed to it in paragraph (vii) below
“Scheme Limit”	has the meaning ascribed to it in paragraph (vi) below
“Scheme Period”	means the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“Subscription Price”	means, in relation to an option, an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which an option is exercised
“trading day”	means a day on which the Stock Exchange is open for business of dealing in securities

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to our Group and/or to recruit and retain high caliber Eligible Persons and to attract human resources that are valuable to our Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, our Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. Our board is also entitled to determine the price per Share payable on the exercise of an option (the “Exercise Price”) according to the terms of the Share Option Scheme. Our Board believes that such terms, together with the incentive that the option will bring about, will serve the purpose of the Share Option Scheme.

(ii) Conditions

The Scheme is conditional on, among others, the commencement of trading of the Shares on the Stock Exchange.

(iii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at the Exercise Price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iv) Price for subscription of Shares

The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and

- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

(v) *Grant of options and acceptance of offers*

A grant of options shall not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules by our Company. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules); and
- (bb) the deadline of our Company to publish its results announcement for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules);

and ending on the date of the results announcements, no option may be granted.

An offer for the grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(vi) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (dd) below, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of the Shares in issue on the Listing Date, i.e., 40,000,000 Shares (the "Scheme Limit").

Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.

- (bb) The Scheme Limit may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

- (cc) Our Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

(vii) Maximum entitlement of each Eligible Person

The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of our Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the “Participant Limit”). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(viii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the offeree of the option).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time; and
 - (ii) having an aggregate value, based on the closing price of the Shares on each date of grant, in excess of HK\$5 million (or such other percentage as may from time to time specified by the Stock Exchange),

such further grant of options is required to be approved by Shareholders in general meeting.

Our Company must send a circular, containing such information as required under the Listing Rules, to the Shareholders for seeking approval on the matter referred to in the subparagraph (bb) above. All connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

Any change in terms of the options granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates must also be approved by the Shareholders in general meeting.

(ix) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the Memorandum and Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and issue, and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment, provided always that when the date of exercise of the option falls on a date upon which the register of members of our Company is closed then the exercise of the options shall become effective on the first Business Day on which the register of members of our Company is re-opened. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option, and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(xiii) Rights for grantees ceasing to be an Eligible Person

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person ceases to be an Eligible Person:

- (aa) by reason of serious illness or death or of retirement in accordance with his contract of employment or service, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within a period being the earlier of (i) 12 months of such cessation, (ii) the expiration of the relevant option period referred to in paragraph (ix) above, or (iii) such period extended by the Board failing which the option will lapse; or
- (bb) by reason of matters other than those specified in paragraph (aa) above, then he may exercise his outstanding options within a period being the earlier of (i) three months after he so ceases, or (ii) the expiration of the relevant option period referred to in paragraph (ix) above.

(xiv) Rights on a general offer

If a general offer is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), an option holder shall be entitled to exercise at any time within a period being the earlier of (i) the expiry of the relevant option period referred to in paragraph (ix) above, or (ii) 14 days after our Company has notified of the general offer, any option in whole or in part to the extent not already exercised. An option not exercised shall lapse upon the expiry of such period.

(xv) Rights on winding-up

If notice is given by our Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice to all options holders and each option holder shall be entitled, at any time no later than two business days prior to the proposed general meeting of our Company, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse and determine on the commencement of the winding-up.

(xvi) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and Shareholders or our Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, notice of the relevant meeting shall be given to the options holders on the same day notice is given to the Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse upon such compromise or arrangement becoming effective.

(xvii) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period referred to in paragraph (xiii) above;
- (cc) the expiry of any of the relevant periods referred to in paragraph (xiv), (xv) or (xvi) above;
- (dd) the commencement of the winding-up of our Company;
- (ee) the date on which an option holder ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct or other breach of the terms of his contract of employment or service, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or has committed any act which is prejudicial to or not in the interests of our Company or any company in our Group;
- (ff) the Board cancels the option because the option holder commits a breach of paragraph (xii) above; and
- (gg) the date on which the option is cancelled by the Board as provided in paragraph (xviii).

Our Company shall owe no liability to any option holder for the lapse of any option under this paragraph (xvii).

(xviii) Cancellation of options granted but not yet exercised

The Board may cancel an option granted by not exercised with the approval of the option holder. No compensation shall be payable to the option holder for cancellation of the options granted but not exercised.

Where our Company cancels any options granted but not exercised and issues new ones to the same option holder, such options may only be granted under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit referred to in paragraph (vi).

(xix) Effects of alterations to capital

In the event of any alteration in the capital structure of our Company, whether by way of capitalisation issue, rights issue, re-classification, sub-division or consolidation of Shares or reduction of capital of our Company, such corresponding adjustments (if any) shall be made in the number or nominal amount of Shares comprised in each option for the time

being outstanding, the Exercise Price, the Scheme Limit and/or the Participant Limit as the auditors of our Company or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (aa) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (bb) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (cc) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (dd) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

(xx) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date unless terminated earlier by Shareholders in general meeting.

(xxi) Alteration to the Share Option Scheme

Our Directors may in their absolute discretion vary or amend the terms of the Share Option Scheme, provided that:

- (aa) the terms and conditions of the Share Option Scheme relating to the definition of “Eligible Person” or the Scheme Period or matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except with the prior approval of the Shareholders in general meeting;
- (bb) any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted to the advantage of an option holder must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (cc) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting; and
- (dd) any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxii) Termination to the Share Option Scheme

Our Company may, with the approval in a general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(c) *Present status of the Share Option Scheme*

Application has been made to the Listing Committee for the listing of and permission to deal in 40,000,000 Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(d) *Value of Options*

Our Directors consider it inappropriate to value the Options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the Options is calculated based on a set of speculative assumptions. However, the information on value of the Options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of our Company.

4. Related party transactions

Save as disclosed in Note 40 to the Accountants' Report set out in Appendix I to this prospectus and the section headed "Connected transactions" of this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Particulars of Directors' services contracts and letters of appointment*

Executive Directors

Each of our Executive Directors has entered into a service contract with our Company pursuant to which he has agreed to act as an Executive Director for a fixed term of three years with effect from 23 January 2014 subject to a right of early termination by serving a three-month written notice by either party to the other party.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual review in accordance with the amount fixed in each financial year by the remuneration committee and approved by majority of the Board), which is payable on the last day of every calendar month on a pro-rata basis. Each of our executive Directors is also entitled to a discretionary bonus in respect of each financial year during the term of his employment (the amount of which is subject to the decision by the remuneration committee and at the discretion and approval by majority of the Board) taking into account of the performance of our Group and such executive Director. An executive Director may not vote on any resolution of our Directors nor shall that executive Director be counted as quorum should a meeting be held for considering the amount of the annual salary or discretionary bonus payable to him.

<u>Name</u>	<u>Annual Basic Salary</u> (HK\$)
Mr. Ng	1,944,000
Ms. Ng Yuk Kwan, Phyllis	1,344,000
Mr. Ng Wing Chuen	960,000
Ms. Leung Shuk Ping	840,000
Ms. Chan Shuk Kuen	840,000
Ms. Cheung Siu Chun	960,000

Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company pursuant to which he has agreed to act as an independent non-executive Director for a term of three years commencing from the Listing Date subject to a right of early termination by serving a three-month written notice by either party to the other party, and is entitled to a basic salary as set out below, which is payable on the last day of every calendar month on a pro-rata basis. Each of our independent non-executive Directors is also entitled to discretionary bonus, benefit or other entitlement which are available to our the executive Directors or our employees.

<u>Name</u>	<u>Annual Director Fee</u> (HK\$)
Mr. Sin Ho Chiu	120,000
Dr. Law Ka Hung	120,000
Mr. Lau Chi Yin, Thomas	120,000

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors' remuneration

- (a) The aggregate sums of approximately HK\$3.0 million, HK\$4.2 million and HK\$4.0 million were paid by us to our Directors as fees, salaries, contributions to pension schemes, housing and other allowances, discretionary bonus and other benefits in kind for each of the years ended 31 December 2011, 2012 and 2013, respectively. Further information in respect of our Directors' remuneration is set out in the Note 15 to Accountants' Report in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$7,824,000 will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any Director) by our Group for financial year ending 31 December 2014.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three financial years ended 31 December 2013, respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 December 2013, respectively.
- (e) After Listing, the Company's remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme.

(c) Interests in Shares

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account the allotment and issue of any Shares upon the exercise of the Adjustment Option or options to be granted under the Share Option Scheme), the interests or short positions of our Directors in the Shares, underlying Shares and debentures of our Company and the associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

<u>Name of Director</u>	<u>Long/Short Position</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares/ underlying shares</u>	<u>Percentage of shareholding</u>
Mr. Ng	Long Position	Interest in controlled corporation (<i>Note 1</i>)	300,000,000	75%
Ms. Chan Shuk Kuen	Long Position	Family interest (<i>Note 2</i>)	300,000,000	75%

Notes:

- (1) The entire issued share capital of Baguio Green Holding (BVI) is beneficially owned by Mr. Ng. Therefore, Mr. Ng is deemed to be interested in all the Shares of our Company held by Baguio Green Holding (BVI). Mr. Ng is a Controlling Shareholder and an executive Director of our Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng and is therefore deemed to be interested in all the Shares held/ owned by Mr. Ng (by himself or through Baguio Green Holding (BVI)) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director of our Company.

2. Substantial Shareholders

Interests in Shares

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares to be allotted and issued upon the exercise of the Adjustment Option or options to be granted under the Share Option Scheme), so far as our Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% 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 our Group.

<u>Name</u>	<u>Long/Short Position</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Baguio Green Holding (BVI)	Long Position	Beneficial interest	300,000,000	75%
Mr. Ng	Long Position	Interest in a controlled incorporation (<i>Note 1</i>)	300,000,000	75%
Ms. Chan Shuk Kuen	Long Position	Family interest (<i>Note 2</i>)	300,000,000	75%

Notes:

- (1) The entire issued share capital of Baguio Green Holding (BVI) is beneficially owned by Mr. Ng. Therefore, Mr. Ng is deemed to be interested in all the Shares of our Company held by Baguio Green Holding (BVI). Mr. Ng is a Controlling Shareholder and an executive Director of our Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng and is therefore deemed to be interested in all the Shares held/ owned by Mr. Ng (by himself or through Baguio Green Holding (BVI)) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director of our Company.

3. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares to be allotted and issued upon the exercise of options to be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% 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 our Group;

- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor any of the parties listed under the paragraph headed “D. Other information — 7. Consents of experts” of this section is interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “D. Other information — 7. Consents of experts” of this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “D. Other information — 7. Consents of experts” of this section:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our Company’s issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group during the Track Record Period.

D. OTHER INFORMATION**1. Tax and other indemnities**

Our controlling shareholders have entered into the Deed of Indemnity with and in favor of each member of our Company (being the contract referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” of this section above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional, any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties (“Costs”) in connection with any failure, delay or defects of corporate or regulatory non-compliance under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional.

2. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

3. Litigation

As at the Latest Practicable Date and except as set out in the section headed “Business — Litigation” of this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our results of operations or financial condition.

4. Sponsor

The Sponsor made an application on our Company’s behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. All necessary arrangements have been made by our Company to enable such Shares to be admitted into CCASS. The Sponsor is independent of our Company pursuant to Rule 3A.07 of the Listing Rules. The Sponsor’s fees are approximately HK\$3.3 million and are payable by our Company.

5. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company will appoint Guotai Junan Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Guotai Junan Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Peak Vision Appraisals Limited	Independent Valuer
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Robertsons	Legal advisers as to Hong Kong law

7. Consents of experts

Each of Guotai Junan Capital Limited, HLB Hodgson Impey Cheng Limited, Peak Vision Appraisals Limited, Conyers Dill & Pearman (Cayman) Limited and Robertsons has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of Guotai Junan Capital Limited, HLB Hodgson Impey Cheng Limited, Peak Vision Appraisals Limited, Conyers Dill & Pearman (Cayman) Limited and Robertsons has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

8. Promoters

Our Company has no promoters for the purposes of the Listing Rules.

9. Preliminary Expenses

Our Company's estimated preliminary expenses are estimated to be approximately HK\$42,600 and are payable by our Company.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance (Miscellaneous Provisions) so far as applicable.

11. Share Registrars

Our Company's principal Cayman Share Registrar is Codan Trust Company (Cayman) Limited and a branch register of members will be maintained by Tricor Investor Services Limited, our Company's branch share registrar in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with, and registered by, our Company's branch registrar in Hong Kong which may not be lodged for registration with the principal share registrar in Cayman Islands.

12. Taxation of holders of Shares**(a) *The Cayman Islands***

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(b) Hong Kong**(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses. Gains from sales of Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and Shares are regarded as Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(c) Consultation with professional advisers

Intended holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable except for the commission payable to the Underwriters, for submission of, agreeing to subscribe or procuring subscription of any shares of our Company or any of our subsidiaries; and
 - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Our Directors confirm that:
 - (i) there has been no material development occurring after the Track Record Period and no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up);
 - (ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
 - (iii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iv) our Group has no outstanding convertible debt securities.
- (c) Save as disclosed in this prospectus, neither our Company nor any of the subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares.
- (d) Save as disclosed in this prospectus, none of the persons named in the paragraph headed “D. Other information — 6. Qualifications of experts” of this section is interested beneficially or non-beneficially in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share of any member of our Group or has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (f) None of our Directors or the experts named in the paragraph headed “D. Other information — 6. Qualifications of experts” of this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

15. Particulars of the Selling Shareholder

The Selling Shareholder is Baguio Green Holding (BVI), an investment holding company incorporated in the BVI on 22 November 2013 with registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The number of Sale Shares to be initially offered for sale under the International Placing is 20,000,000 Shares.

Baguio Green Holding (BVI) will hold approximately 75% of the issued share capital of our Company immediately after the Global Offering, assuming the Adjustment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme.

Baguio Green Holding (BVI) is wholly-owned by Mr. Ng, an executive Director of our Company and one of our Controlling Shareholders. Mr. Ng is therefore considered as interested in the sale of the Sale Shares. Save for Mr. Ng, none of our Directors is interested in the Sale Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and general information — D. Other information — 7. Consents of experts” in Appendix IV to this prospectus;
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Robertsons at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Company dated 12 May 2014 prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the unaudited pro forma financial information set out in Appendix II to this prospectus;
- (d) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the legal opinion issued by Robertsons in respect of certain statements referred to in this prospectus;
- (f) the Companies Law;
- (g) the material contracts referred to in the section headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the rules of the Share Option Scheme;
- (i) the written consents referred to in the section headed “Statutory and general information — D. Other information — 7. Consents of experts” in Appendix IV to this prospectus;

- (j) the service contracts and the letters of appointment referred to in the section headed “Statutory and general information — C. Further information about our Directors and substantial Shareholders” in Appendix IV to this prospectus; and
- (k) the statement of particulars of the Selling Shareholder.

