



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)  
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1397

2014

INTERIM  
REPORT  
中期報告



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Ng Wing Hong  
Ms. Ng Yuk Kwan, Phyllis  
Mr. Ng Wing Chuen  
Ms. Leung Shuk Ping  
Ms. Chan Shuk Kuen  
Ms. Cheung Siu Chun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ho Chiu  
Dr. Law Ka Hung  
Mr. Lau Chi Yin, Thomas

## AUTHORIZED REPRESENTATIVE

Mr. Ng Wing Hong  
Ms. Cheung Siu Chun

## AUDIT COMMITTEE

Mr. Lau Chi Yin, Thomas (*Chairman*)  
Mr. Sin Ho Chiu  
Dr. Law Ka Hung

## REMUNERATION COMMITTEE

Mr. Sin Ho Chiu (*Chairman*)  
Mr. Lau Chi Yin, Thomas  
Dr. Law Ka Hung  
Mr. Ng Wing Hong

## NOMINATION COMMITTEE

Dr. Law Ka Hung (*Chairman*)  
Mr. Sin Ho Chiu  
Mr. Lau Chi Yin, Thomas  
Ms. Ng Yuk Kwan, Phyllis

## COMPANY SECRETARY

Ms. Cheung Siu Chun (HKICPA)

## LEGAL ADVISERS

Robertsons  
(*Hong Kong law*)  
Conyers Dill & Pearman (Cayman) Limited  
(*Cayman Islands law*)

## AUDITORS

HLB Hodgson Impey Cheng Limited

## COMPLIANCE ADVISER

**Guotai Junan Capital Limited**  
27/F, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Unit A, 4/F, Dragon Industrial Building  
No. 93 King Lam Street, Lai Chi Kok  
Kowloon, Hong Kong

## 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 SHARE REGISTRAR

**Tricor Investor Services Limited**  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## COMPANY WEBSITE ADDRESS

<http://www.baguio.com.hk>

## STOCK CODE

1397

# FINANCIAL HIGHLIGHTS

	For the six months period ended 30 June		% to Change
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	
Turnover			
Cleaning services	<b>310,524</b>	266,932	16.3%
Landscaping services	<b>77,034</b>	67,895	13.5%
Pest management	<b>40,431</b>	34,312	17.8%
Waste management and recycling	<b>32,504</b>	28,098	15.7%
	<b>460,493</b>	397,237	15.9%
Cost of service	<b>413,709</b>	357,480	15.7%
Gross profit	<b>46,784</b>	39,757	17.7%
Listing expenses	<b>12,915</b>	0	N/A
Profit from operations	<b>10,527</b>	25,111	-58.1%
Profit attributable to owners of the Company	<b>3,786</b>	18,017	-79.0%
Basic earnings per share (HK\$)	<b>0.01</b>	0.06	

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Baguio Green Group Limited (the “**Company**”), I am pleased to present the first interim report of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**Baguio**”) as a listed company for the six months ended 30 June 2014 (the “**Period**”).

## A MILESTONE ACHIEVED

We are just half way through the year 2014 and it has already been a successful year for us. On 22 May 2014, Baguio was successfully listed on the Main Board of the Hong Kong Stock Exchange (the “**Listing**”); this has laid a solid capital foundation for future development and has also elevated the image of Baguio brand in the environmental services industry in Hong Kong. We believe the successful Listing will set a strong foothold for Baguio to pursue bigger goals and seek greater expansions in the future.

## THE RESULTS

In the past six months, we have been implementing the strategies as elaborated in our prospectus dated 12 May 2014 (the “**Prospectus**”). In enhancing our operation efficiency, we have expanded our office, upgraded our network backbone, expanded our training and safety of our staff as well as the IT department and started implementing our ERP system. In branding and marketing, we have established a new Marketing and Business Development Department which has been actively promoting our “integrated environmental services provider” image and cross selling our services to existing and potential customers. In expanding our range of services, we have completed the operation setup for chemical wastes, clinical wastes and confidential wastes and material destruction services which we believe will contribute to our future revenue soon. In the recycling business which is our main development focus in future, we have already set up a recycling centre in Fanling with waste sorting and glass bottle crushing facilities.

It is encouraging to see that we have achieved considerable growth in revenue for the Period as compared to the same period in 2013 while the gross profit margin also slightly increased. We have recorded growth in all four lines of business as well as in all four segments of customers. Such growth was mainly driven by increased demand for better hygiene and greener environment from both private and public sectors. The Board believes that such growth will continue in the second half of the year.

There is a one-off listing expenses in the Period that has lowered our net profit after tax for the Period substantially as compared to the same period in 2013. As these one-off listing expenses have already been absorbed in this six-month period, the Board believes that our net profit after tax for the second half of the year will resume growth over the same period in 2013.

## A BRIGHT FUTURE

Looking ahead, as a leading environmental services provider in Hong Kong, we will continue to strengthen our positions in our existing cleaning, landscaping, pest control and waste management businesses to maintain a strong and sustainable growth while actively expand our capacity in collection, sorting and processing of the different type of recyclables, including plastics, glass bottles and food waste which the Hong Kong Government (the “**Government**”) is particularly concerned with. Given the imminent waste and landfill problems in Hong Kong and the Government's clear policy to resolve these problems by increasing the recycling rate, there will be a lot of new opportunities emerging from the recycling industry. Our Board believes that with our existing collection network and resources, coupled with our experience in the waste management industry and our long working relationship with Government, we are in a very good position to capture these emergent opportunities.

# CHAIRMAN'S STATEMENT

## APPRECIATION

Last but not least, on behalf of the Board, I would like to take this opportunity to thank everyone at Baguio for their dedication and hard work. Without your commitments, Baguio would not have been such a successful company as it is today. I would also like to convey my deepest gratitude to our shareholders, business partners and associates, bankers and professional parties for their strong support to the Group throughout the Period.

**Ng Wing Hong**

*Chairman of the Board*

Hong Kong  
29 August 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Baguio is a leading environmental services provider in Hong Kong, offering full-range of services from professional cleaning, waste management and recycling to landscaping and pest management. As disclosed in the Prospectus, the Group is one of the few (less than 2%) environmental service providers in Hong Kong who offers such comprehensive scope of services and further, the Group is a leading player with number one in market share in terms of revenue in Hong Kong in 2013.

## Market Overview

Hong Kong has been facing a number of potential health and environmental threats that have created increasing demand for a cleaner, greener and safer environment. These include the outbreak of severe acute respiratory syndrome (SARS) in 2003; the constant threat of avian flu, the mosquito-transmitted dengue fever and the Japanese encephalitis, the recent Ebola virus diseases; the fatal tree accidents that reflected a hidden danger in the green environment surrounding us; the depleting landfill for our wastes and the lack of recycling facilities. Driven by concerns for these risks the demand for all range of environment services, namely, cleaning, landscaping, pest controls, waste management and recycling from the Government and the private sector are constantly increasing. This has created a lucrative, growing and sustainable market for professional environmental service providers, particularly for those that can provide a full range of environmental services like our Group. As disclosed in the Prospectus, the market size for environmental services will increase from HK\$5,734 million in 2013 to HK\$8,426 million in 2018, representing a growth rate of 46.9% in five years.

## Highlight of revenue and gross profit margin by segments

Services	For the six months ended 30 June					
	2014			2013		
	Revenue (HK\$ Million)	% to total revenue	Gross profit margin	Revenue (HK\$ Million)	% to total revenue	Gross profit margin
Cleaning	310.5	67.4%	7.9%	266.9	67.2%	7.9%
Landscaping	77.0	16.7%	18.5%	67.9	17.1%	17.4%
Pest management	40.5	8.8%	8.2%	34.3	8.6%	7.8%
Waste management and recycling	32.5	7.1%	14.1%	28.1	7.1%	15.3%
Total/Overall	460.5	100.0%	10.2%	397.2	100.0%	10.0%

### Cleaning services — accounted for approximately 67.4% of the overall revenue

During the Period, the Group's cleaning services recorded continuous growth with revenue increased from approximately HK\$266.9 million in the same period last year to approximately HK\$310.5 million, representing a growth of approximately 16.3%. This was mainly driven by the increasing contribution from the Government. Gross profit margin of the segment maintained at approximately 7.9% (1H2013: approximately 7.9%).

During the Period, the Group successfully won and renewed numerous contracts with total contract sum of approximately HK\$901.5 million.

### Landscaping Services — accounted for approximately 16.7% of the overall revenue

During the Period, revenue from the landscaping service business recorded increase by approximately 13.5% to approximately HK\$77.0 million (1H2013: approximately HK\$67.9 million). Gross profit margin increased by approximately 1.1 percentage points to approximately 18.5%.

During the Period, the total contract sum of contracts won and renewed was approximately HK\$20.8 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Pest management services — accounted for approximately 8.8% of the overall revenue

During the Period, the Group's pest management services contributed approximately HK\$40.5 million of the Group's revenue (1H2013: approximately HK\$34.3 million), representing a growth of approximately 17.8%. Gross profit margin of the segment maintained at a stable level of approximately 8.2% (1H2013: approximately 7.8%).

During the Period, the total contract sum of contracts won and renewed was approximately HK\$96.5 million.

## Waste management and recycling services — accounted for approximately 7.1% of the overall revenue

During the Period, the revenue generated from our waste management and recycling service business recorded satisfactory growth with revenue increased by approximately 15.7% to approximately HK\$32.5 million (1H2013: approximately HK\$28.1 million). The Group aimed to further develop our recycling business and increased the number of employees. The profit margin for this segment during the period slightly decreased by approximately 1.2 percentage points to approximately 14.1%.

During the Period, our Group has won the government contract of collection services for the "Three-colour Recycle Bins" in all districts of Hong Kong. Together with other recycling related services and general waste management services, the total contract sum of newly won and renewed contracts during the Period was approximately HK\$24.5 million.

## New contracts gained/renewed and contracts on hand

As of 30 June 2014, the Group has a total amount of approximately HK\$1,956.1 million worth of unexpired contracts on hand. Among which, approximately HK\$565.3 million will be recognised by the end of 2014; approximately HK\$913.8 million will be recognised in 2015 and the rest of approximately HK\$477.0 million will be recognised in 2016 and beyond.

	Unexpired contract value (HK\$ M)	Contract value to be recognized by 31 December 2014 (HK\$ M)	Contract value to be recognized by 31 December 2015 (HK\$ M)	Contract value to be recognized in 2016 and beyond (HK\$ M)
Cleaning services	1,444.3	398.4	673.6	372.3
Waste management and recycling services	160.0	35.2	65.7	59.1
Landscaping services	152.8	68.2	72.0	12.6
Pest Management services	199.0	63.5	102.5	33.0
Total	1,956.1	565.3	913.8	477.0



# MANAGEMENT DISCUSSION AND ANALYSIS

## AWARDS

During the Period, the Group has been recognised by many renowned institutes and the following awards have been granted:

Date	Issuer of Award	Award
February 2014	The Hong Kong Council of Social Service	<ul style="list-style-type: none"><li>Caring Company Award</li></ul>
April 2014	Employees Retraining Board	<ul style="list-style-type: none"><li>Manpower Developer Award</li></ul>
May 2014	The Society of Rehabilitation and Crime Prevention, Hong Kong	<ul style="list-style-type: none"><li>Benevolent Employers of Rehabilitated Offenders</li></ul>
June 2014	Environmental Protection Association of China, Hong Kong, Taiwan and Macau	<ul style="list-style-type: none"><li>*<i>Green China 2014</i> Environmental Achievement Award — Green China Outstanding Listed Company for Environmental Protection (第四屆「綠色中國2014環保成就獎 — 傑出環保上市公司獎」)</li></ul>
June 2014	MetroBox magazine	<ul style="list-style-type: none"><li>Prime Awards for Eco Business 2014</li></ul>

*Note*\*: This award name has been translated into English. If there is any inconsistency or ambiguity between the English version and the Chinese version, the Chinese version of the award name shall prevail.

## DEVELOPMENT PLAN AND STRATEGY

With our strong track record and quality services, the Group has set us in a strong position to gain new governmental projects for all four business segments. In the second half of 2014, the Group targets to seize the opportunities from the private sector. By participating in more tenders from the private sector, the Group aims to further expand our client base and capture greater market share.

With an aim to achieve greater operation efficiency, the Group will expand the scope of our Enterprise Resources Planning (“ERP”) system in the second half of 2014. By integrating all business processes into one management platform, the system will effectively streamline operation process and provide scientific analysis and performance evaluations of each business segment. The Group believes that such platform will lower operation expenses and raise profit margin in the long-run.

In June 2014, the Group obtained a HK\$21.6 million, 2-year contract from the Government to collect recycled plastics, papers and metal from approximately 3,000 “Three-colored Recycle Bins” distributed all over Hong Kong. This contract, started on 1 August 2014, would extend the Group’s collection network for recyclables to cover the whole territory and further establish our position as a leading recyclable collector in Hong Kong. In addition, we have already started to establish a recycling centre in Fanling to provide three critical recycling services: firstly, a sorting facility of approximately 20 tons a day to recycle plastics, papers, metals and glass bottles from the general wastes; secondly, a glass bottles processing line with capacity to crush 20 tons of waste glass bottles a day into cullet with size below 20 mm; and thirdly, a destruction line to securely destroy and, as much as possible, recycle 20 tons of confidential or sensitive materials a day. This centre has started operation in August 2014. By the end of the next 6-month period, the Group will have a territory-wide collection fleet and facilities for sorting and processing recyclables. With such set-ups, the Group will have a good foundation for expanding the recycling business in the years ahead.

The Group will actively expand other waste management services such as confidential material destruction, clinical wastes and chemical wastes collection, which demand higher professional standards for handling and collection. Riding on the advantages of our existing customer and collection network, our monitoring system for operation, as well as our brand image for compliance and reliability, the Board believes that these areas will have great potential for growth in future.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue for each of the six-month period ended 30 June 2013 and 2014 was approximately HK\$397.2 million and approximately HK\$460.5 million, respectively, representing an increase of approximately 15.9% as compared with the corresponding period in 2013. The increase was mainly because of the overall increase in revenue of all of our four services segments of cleaning, landscaping, pest management and waste management and recycling with increase in numbers of contracts and orders during the Period.

### Cost of Services

For each of the six-month period ended 30 June 2013 and 2014, the cost of services amounted to approximately HK\$357.5 million and approximately HK\$413.7 million, respectively, representing approximately 90.0% and approximately 89.8% of the Group's revenue for the corresponding periods, respectively. Our cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue remained stable.

### Gross Profit

The Group's gross profit for the Period was approximately HK\$46.8 million, representing an increase of approximately 17.7% from approximately HK\$39.8 million of the corresponding period of 2013. The increase was mainly due to increase of overall revenue.

### Gross Profit Margin

The gross profit margins of the Group for each of the six-month period ended 30 June 2013 and 2014 remained stable at approximately 10.0% and approximately 10.2% respectively.

### Administrative Expenses

The administrative expenses for the Period and the corresponding period in 2013 were approximately HK\$24.3 million and approximately HK\$15.6 million respectively, representing approximately 5.3% and approximately 3.9% of the respective period's revenue. The change was mainly due to increase in the number of administrative staff and directors and adjustment of their remunerations to reflect market level which include a one-off discretionary bonus a total of approximately HK\$1.2 million for administrative staff and approximately HK\$1.4 million for our directors. Increased professional fees after listing and office related expenses after expansion also contributed to the increase.

### Finance Costs

The finance costs amounted to approximately HK\$3.8 million and approximately HK\$4.0 million for each of the six-month period ended 30 June 2013 and 2014, respectively, representing approximately 0.9% of the Group's revenue for both respective periods. The increase was primarily due to the increase in interest on factoring loan and interest on obligation under finance leases incurred in connection with the additions of motor vehicles under finance lease during the Period.

### Profit for the Period Attributable to Owners of The Company

The Group's unaudited net profit attributable to owners of the company for the six-month period ended 30 June 2013 and 2014 decreased by approximately 79.0% from approximately HK\$18.0 million to approximately HK\$3.8 million, after deduction of listing expenses amounted to approximately HK\$12.9 million. If without the listing expenses, the unaudited net profit attributable to owners of the company for the Period would represent a decrease of approximately HK\$1.3 million from that of the six-month period ended 30 June 2013. The decrease is mainly due to the increase in administrative staff cost and directors emolument to cope with the further development of the business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

The share capital of the Group comprises only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks and obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital and reserves.

The Directors review the capital structure regularly, taking into consideration of the cost of capital and the risks associated with the capital. 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 gearing ratio.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$8.3 million (1H2013: net cash used in operating activities of approximately HK\$4.5 million). The Group had available cash and bank balances amounting to approximately HK\$70.5 million (31 December 2013: approximately HK\$36.5 million), representing an increase of approximately 93.3% from 31 December 2013. All cash and bank balances were denominated in Hong Kong dollar.

As at 30 June 2014, the Group's total current assets and current liabilities were approximately HK\$319.3 million (31 December 2013: approximately HK\$246.3 million) and approximately HK\$246.0 million (31 December 2013: approximately HK\$230.0 million) respectively, while the current ratio was approximately 1.3 times (31 December 2013: approximately 1.1 times).

As at 30 June 2014, the Group's finance lease payables were approximately HK\$74.0 million (31 December 2013: approximately HK\$72.3 million) for financing the acquisition of motor vehicles for operation use. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 1.1 times as at 30 June 2014 (31 December 2013: approximately 2.0 times), which was calculated based on the total interest-bearing bank and other borrowings over equity attributable to owners of the Company.

## FOREIGN CURRENCY RISK

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars.

## USE OF PROCEEDS

The Group was listed on the Stock Exchange on 22 May 2014 and raised net proceeds of approximately HK\$90.0 million. The future plans as stated in the Prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus and as at the date of this interim report, the Group does not anticipate any changes to the use of proceeds stated in the Prospectus. During the period between the date of the Listing and 30 June 2014, we have utilized approximately HK\$27.4 million to expand our business. As at 30 June 2014, the unused proceeds were deposited in licensed banks in Hong Kong.

## CAPITAL COMMITMENT

As at 30 June 2014, the Group had capital expenditure of approximately HK\$16.6 million in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements (31 December 2013: approximately HK\$2.0 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2014, the amounts payable under finance leases within one year was approximately HK\$21.9 million (31 December 2013: approximately HK\$21.3 million), and in the second to fifth year inclusive was approximately HK\$52.1 million (31 December 2013: approximately HK\$51.0 million).

As at 30 June 2014, the obligations under finance leases of the Group were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

In addition, we have (i) pledged bank deposit with carrying amounts of approximately HK\$7.2 million (31 December 2013: approximately HK\$0.1 million) as at 30 June 2014; (ii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18.6 million (31 December 2013: approximately HK\$18.8 million) as at 30 June 2014; (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12.4 million (31 December 2013: approximately HK\$12.2 million) as at 30 June 2014; and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK\$92.4 million (31 December 2013: approximately HK\$77.2 million) as at 30 June 2014.

Save as mentioned above in this section, we did not have any outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance lease or hire purchase.

## CONTINGENT LIABILITIES

As at 31 December 2013 and 30 June 2014, the Group did not have any material contingent liabilities.

## ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

During the Period, the Group did not make any material acquisition, disposal nor significant investment.

## HUMAN RESOURCES

As at 30 June 2014, the Group employed 9,050 employees. Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

During the Period, various training activities, such as training on operational safety, office and management skills, have been conducted to improve the front-end quality of services and office support. In additions, employees are also encouraged and sponsored to attend job-related seminars and course organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

# REPORT ON REVIEW OF INTERIM 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

## TO THE BOARD OF DIRECTORS OF BAGUIO GREEN GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have reviewed the interim financial information set out on pages 13 to 29, which comprises the condensed consolidated statement of financial position of Baguio Green Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Main Board Listing Rules”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCORE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

### **Shek Lui**

Practising Certificate Number: P05895

Hong Kong, 29 August 2014

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Turnover</b>	4	<b>460,493</b>	397,237
Cost of service		<b>(413,709)</b>	(357,480)
<b>Gross profit</b>		<b>46,784</b>	39,757
Other income and gain, net		<b>1,364</b>	1,131
Selling and marketing expenses		<b>(412)</b>	(146)
Administrative expenses		<b>(24,294)</b>	(15,631)
Listing expenses		<b>(12,915)</b>	–
<b>Profit from operations</b>		<b>10,527</b>	25,111
Finance costs	5	<b>(4,020)</b>	(3,751)
<b>Profit before taxation</b>	6	<b>6,507</b>	21,360
Income tax expenses	7	<b>(2,721)</b>	(3,343)
<b>Profit for the period attributable to owners of the Company</b>		<b>3,786</b>	18,017
<b>Other comprehensive income for the period, net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net fair value gain on available-for-sale financial assets		<b>163</b>	189
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>3,949</b>	18,206
<b>Earnings per share</b>			
Basic and diluted (HK\$)	9	<b>0.01</b>	0.06

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	<i>Notes</i>	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	148,684	135,054
Available-for-sale financial assets		12,365	12,202
Pledged bank deposits		7,237	137
		<b>168,286</b>	147,393
<b>Current assets</b>			
Inventories		4,807	3,742
Trade receivables	11	226,542	194,190
Prepayments, deposits and other receivables		16,558	11,165
Biological assets		428	428
Tax recoverable		390	293
Cash and bank balances		70,535	36,491
		<b>319,260</b>	246,309
<b>Current liabilities</b>			
Trade payables	12	15,108	16,463
Accruals, deposits received and other payables		94,932	77,041
Bank borrowings	13	110,745	112,472
Obligations under finance lease	14	21,938	21,291
Income tax payable		3,298	2,776
		<b>246,021</b>	230,043
<b>Net current assets</b>		<b>73,239</b>	16,266
<b>Total assets less current liabilities</b>		<b>241,525</b>	163,659
<b>Non-current liabilities</b>			
Bank borrowings	13	7,810	9,035
Obligations under finance lease	14	52,076	50,987
Deferred tax liabilities		7,911	6,954
		<b>67,797</b>	66,976
<b>Net assets</b>		<b>173,728</b>	96,683
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital	15	4,150	18,330
Reserves		169,578	78,353
<b>Total equity</b>		<b>173,728</b>	96,683

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital HK\$'000	Share premium HK\$'000 (Note (a))	Other reserve HK\$'000 (Note (b))	Available-for-sale financial assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	18,330	–	–	(1,867)	21,329	37,792
Profit for the period	–	–	–	–	18,017	18,017
Other comprehensive income for the period	–	–	–	189	–	189
Total comprehensive income for the period	–	–	–	189	18,017	18,206
At 30 June 2013 (unaudited)	18,330	–	–	(1,678)	39,346	55,998
At 1 January 2014 (audited)	<b>18,330</b>	–	–	<b>(1,477)</b>	<b>79,830</b>	<b>96,683</b>
Profit for the period	–	–	–	–	<b>3,786</b>	<b>3,786</b>
Other comprehensive income for the period	–	–	–	<b>163</b>	–	<b>163</b>
Total comprehensive income for the period	–	–	–	<b>163</b>	<b>3,786</b>	<b>3,949</b>
Dividend paid	–	–	–	–	<b>(32,000)</b>	<b>(32,000)</b>
Effect of Reorganisation	<b>(18,330)</b>	–	<b>18,330</b>	–	–	–
Issue of shares under the Capitalisation Issue	<b>3,200</b>	<b>(3,200)</b>	–	–	–	–
Issue of shares under the Global Offering	<b>950</b>	<b>113,050</b>	–	–	–	<b>114,000</b>
Transaction costs attributable to issue of shares	–	<b>(8,904)</b>	–	–	–	<b>(8,904)</b>
<b>At 30 June 2014 (unaudited)</b>	<b>4,150</b>	<b>100,946</b>	<b>18,330</b>	<b>(1,314)</b>	<b>51,616</b>	<b>173,728</b>

Notes:

- a. The decrease in share premium of approximately HK\$3,200,000 during the period ended 30 June 2014 represented the capitalisation of the sum by applying such sum in paying up in full at par 319,999,900 shares of the Company (the "Capitalisation Issue").

The increase in share premium of approximately HK\$113,050,000 during the period ended 30 June 2014 represented the difference between the nominal amount of shares issued by the Company and the gross proceeds on issue of shares under the global offering ("Global Offering") for the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board") in May 2014.

The decrease in share premium of approximately HK\$8,904,000 during the period ended 30 June 2014 represented the capitalised listing expenses arose from the Global Offering.

- b. The increase in other reserve of approximately HK\$18,330,000 during the period ended 30 June 2014 represented the difference between the nominal amount of shares issued by the Company under the group reorganisation in preparation of the Global Offering (the "Reorganisation") and the aggregate amount of share capital of the Company and its subsidiaries acquired under common control pursuant to the Reorganisation.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>8,324</b>	(4,494)
<b>Net cash used in investing activities</b>	<b>(14,512)</b>	(2,176)
<b>Net cash generated from financing activities</b>	<b>40,232</b>	13,416
<b>Net increase in cash and cash equivalents</b>	<b>34,044</b>	6,746
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36,491</b>	(2,771)
<b>Cash and cash equivalents at the end of the period</b>	<b>70,535</b>	3,975
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>70,535</b>	6,425
Bank overdrafts, secured	-	(2,450)
	<b>70,535</b>	3,975

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated as exempted company with limited liability in the Cayman Islands on 8 November 2013. The ultimate holding company of the Company is Baguio Green (Holdings) Limited, which was incorporated in the British Virgin Islands (“BVI”). 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, Hong Kong.

The Company had its primary listing on the Main Board on 22 May 2014.

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. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules and with HKAS 34 issued by the HKICPA.

The Interim Financial Statements have been prepared under the historical cost convention, except for certain financial instruments (available-for-sale financial assets) which are measured at fair value, and biological assets which are measured at fair value less costs to sell. The Interim Financial Statements are presented in Hong Kong Dollar (“HK\$”) which is also the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand except when otherwise stated.

The Interim Financial Statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013 as contained in the Company’s prospectus dated 12 May 2014 (the “Prospectus”).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the impact of the adoption of the new and revised HKASs, Hong Kong Financial Reporting Standards (“HKFRS”), amendments and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these Interim Financial Statements and/or disclosures set out in these Interim Financial Statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective, in these Interim Financial Statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial information.

## 4. 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 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 HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2014 (unaudited)</b>					
Segment revenue	310,524	77,034	40,431	32,504	460,493
Segment results	24,291	14,205	3,307	4,569	46,372
Other income and gain					1,364
Central administrative costs					(37,209)
Finance costs					(4,020)
Profit before taxation					6,507

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
Six months ended 30 June 2013 (unaudited)					
Segment revenue	266,932	67,895	34,312	28,098	397,237
Segment results	20,883	11,799	2,641	4,288	39,611
Other income and gain					1,131
Central administrative costs					(15,631)
Finance costs					(3,751)
Profit before taxation					21,360

### 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 HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
<b>As at 30 June 2014 (unaudited)</b>					
Segment assets	255,028	58,481	53,782	68,067	435,358
Unallocated					52,188
Total assets					487,546
Segment liabilities	103,856	21,564	29,082	32,001	186,503
Unallocated					127,315
Total liabilities					313,818

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities *(Continued)*

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 2013 (audited)					
Segment assets	210,096	49,257	43,505	58,193	361,051
Unallocated					32,651
Total assets					393,702
Segment liabilities	85,744	19,350	26,511	35,256	166,861
Unallocated					130,158
Total liabilities					297,019

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 interim period.

## 5. FINANCE COSTS

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest on:		
Bank overdrafts	124	148
Bank loans wholly repayable within five years	2,187	2,083
Bank loans wholly repayable beyond five years	313	342
Obligations under finance leases	1,396	1,178
	<b>4,020</b>	3,751

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit before taxation for the interim period has been arrived at after charging/(crediting) the following items:		
Depreciation of property, plant and equipment	8,173	6,332
Loss/(gain) on disposal of property, plant and equipment	242	(208)
Cost of consumables goods	20,724	22,381
Staff costs (including directors' remuneration)		
Wages, salaries and other benefits	346,649	287,697
Provision for long service payments	1,240	191
Provision for untaken paid leave	3,726	3,059
Contributions to retirement benefits schemes	12,415	11,670
	<b>364,030</b>	302,617
Operating lease rentals: minimum lease payments	<b>7,395</b>	7,179

## 7. INCOME TAX EXPENSES

The income tax expenses for the interim 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:

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	1,764	2,837
Deferred tax:		
Current period expenses	957	506
Income tax expenses	<b>2,721</b>	3,343

## 8. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$3,786,000 (six months ended 30 June 2013: HK\$18,017,000) and the weighted average number of ordinary shares in issue of approximately 340,583,000 (six months ended 30 June 2013: 320,000,000), and on the assumption that the 320,000,000 ordinary shares in issue, comprising 100 shares in issue upon completion of the Reorganisation and 319,999,900 shares in issue pursuant to the Capitalisation Issue, were outstanding throughout the interim period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the interim period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$22,253,000 (six months ended 30 June 2013: approximately HK\$16,839,000), and disposed items of property, plant and equipment with aggregate carrying value of approximately HK\$450,000 (six months ended 30 June 2013: approximately HK\$320,000).

## 11. TRADE RECEIVABLES

The ageing analysis of trade receivables based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Within 60 days	199,408	161,209
61 days to 120 days	21,353	24,673
121 days to 365 days	5,391	8,041
Over 365 days	390	267
	<b>226,542</b>	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.

Receivables that were past due but not impaired included in the trade receivables 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. TRADE PAYABLES

The following is an ageing analysis of trade payables at the end of each reporting period:

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Within 30 days	10,729	8,332
31 days to 60 days	1,290	6,025
61 days to 90 days	593	1,077
Over 90 days	2,496	1,029
	<b>15,108</b>	<b>16,463</b>

The credit period on purchases of certain goods and services is generally within 30 to 60 days.

## 13. BANK BORROWINGS

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Bank loans:		
Secured	118,555	121,507
Carrying amount repayable within the period of:		
– less than one year	93,959	86,023
– more than 1 year but within 2 years	5,925	9,707
– more than 2 years but within 5 years	12,262	17,673
– over 5 years	6,409	8,104
Secured bank loan	118,555	121,507
Less: Amount classified as current liabilities		
Secured bank loan due within one year or contain a repayment on demand clause	(110,745)	(112,472)
Amount classified as non-current liabilities	7,810	9,035



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. BANK BORROWINGS (Continued)

Notes:

- (a) The bank borrowings of the Group as at 30 June 2014 were secured by:
  - (i) personal guarantee provided by the directors of the Company (note (d));
  - (ii) corporate guarantee provided by the Company and certain subsidiaries of the Company;
  - (iii) pledge of properties owned by the directors of the Company and close family members of the directors of the Company (note (d));
  - (iv) pledged bank deposit with carrying amounts of approximately HK\$7,237,000 as at 30 June 2014;
  - (v) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,556,000 as at 30 June 2014;
  - (vi) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,365,000 as at 30 June 2014; and
  - (vii) pledge of the Group's trade receivables with aggregate values of approximately HK\$92,378,000 as at 30 June 2014.
- (b) The bank borrowings of the Group as at 31 December 2013 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 as at 31 December 2013;
  - (vi) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,832,000 as at 31 December 2013;
  - (vii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,202,000 as at 31 December 2013; and
  - (viii) pledge of the Group's trade receivables with aggregate values of approximately HK\$77,151,000 as at 31 December 2013.
- (c) The loans of the Group with financial institutions amounted to approximately HK\$118,555,000 (31 December 2013: HK\$121,507,000) as at 30 June 2014 carried interest ranging from 1.22% to 5.50% per annum (31 December 2013: 1.22% to 5.50% per annum).
- (d) All pledge of properties owned by the directors of the Company and close family members of the directors of the Company have been subsequently released. Financial institutions from which banking facilities were granted to the Group are agreeable to releasing all personal guarantee provided by the directors of the Company, whilst such personal guarantee will be released after a retention period considered by the financial institutions to be reasonably appropriate, which is normally six months.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. As at 30 June 2014, the amounts payable under finance leases within one year was approximately HK\$21,938,000 (31 December 2013: HK\$21,291,000), and in the second to fifth year inclusive was approximately HK\$52,076,000 (31 December 2013: HK\$50,987,000).

As at 30 June 2014, the obligations under finance leases of the Group were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

As at 31 December 2013, the obligations under finance leases of the Group were secured by personal guarantee provided by directors of the Company and corporate guarantee provided by a subsidiary of the Group.

## 15. SHARE CAPITAL

	Number of shares	Nominal value HK\$
<b>Authorised:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2013 and 1 January 2014	10,000,000	100,000
Increase under the Reorganisation	990,000,000	9,900,000
As at 30 June 2014	<u>1,000,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2013 and 1 January 2014	1	–
Issue of shares under the Reorganisation	99	1
Issue of shares under the Capitalisation Issue	319,999,900	3,199,999
Issue of shares under the Global Offering	95,000,000	950,000
<b>As at 30 June 2014</b>	<b><u>415,000,000</u></b>	<b><u>4,150,000</u></b>

## 16. FAIR VALUE MEASUREMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair value.

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 other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. FAIR VALUE MEASUREMENTS *(Continued)*

### Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2014 and 31 December 2013:

- 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 30 June 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Available-for-sale financial assets</b>				
Unlisted equity investment	–	–	12,365	12,365

	As at 31 December 2013			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Available-for-sale financial assets</b>				
Unlisted equity investment	–	–	12,202	12,202

There were no transfers between Levels 1 and 2 during the interim period.

### Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2014 Unlisted equity investment HK\$'000
Opening balance	12,202
Gains recognised in other comprehensive income	163
Closing balance	12,365

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. FAIR VALUE MEASUREMENTS *(Continued)*

### Reconciliation of Level 3 fair value measurements *(Continued)*

	Six months ended 30 June 2013 Unlisted equity investment HK\$'000
Opening balance	11,812
Gains recognised in other comprehensive income	189
Closing balance	<u>12,001</u>

## 17. OPERATING LEASE COMMITMENT

The Group entered into commercial leases on certain land and office buildings. These leases have an average life of one to three years. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Within one year	3,060	2,502
In the second to fifth years, inclusive	1,259	1,186
	<u>4,319</u>	<u>3,688</u>

## 18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group entered into the following material related party transactions:

- (a) Compensation paid to key management personnel who were directors of the Company was as follows:

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Short term employee benefits	5,010	1,857
Post-employment benefits	240	107
	<u>5,250</u>	<u>1,964</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng	178	112
The company owned by close member of director and shareholder	Purchase of consumable goods	Mr. Ng	949	1,205
Common director and shareholder	Purchase of equipment	Mr. Ng	80	–
Common director and shareholder	Repair and maintenance expenses	Mr. Ng	428	–
Common director and shareholder	Repair and maintenance expenses	Mr. Ng	–	120
Director and shareholder	Rent paid	Mr. Ng	288	180

## 19. CAPITAL COMMITMENT

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of motor vehicle contracted for but not provided in the financial statements		
– Within one year	13,969	2,004

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. CAPITAL COMMITMENT *(Continued)*

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Capital expenditure in respect of additions of office equipment contracted for but not provided in the financial statements		
— Within one year	<b>368</b>	807
Capital expenditure in respect of additions of machinery contracted for but not provided in the financial statements		
— Within one year	<b>2,230</b>	–

## 20. LITIGATION

During the interim period, the Group may from time to time be involved in litigation concerning personal injuries by its employees or third party claimants. In the opinion of the directors of the Company, all potential liabilities are accounted for the financial statements and covered by insurance protection.

## 21. EVENTS AFTER THE INTERIM PERIOD

The Group does not have material events after the end of the reporting period.

## 22. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised to issue by the board of directors on 29 August 2014.

## OTHER INFORMATION

### DIVIDENDS

The Board has resolved not to declare an interim dividend by the Company for the Period.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2014, as far as is known to the Director or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Cap. 571) (“SFO”) or as otherwise notified to the Company:

Name	Capacity/ Nature of Interest	Number of Issued Shares Held	Approximate Percentage Holding (%)
Mr. Ng Wing Hong	Interest of controlled corporation <sup>(Note 1)</sup>	300,000,000	72.29
Ms. Chan Shuk Kuen	Family interest <sup>(Note 2)</sup>	300,000,000	72.29
Baguio Green (Holding) Limited	Beneficial owner <sup>(Note 1)</sup>	300,000,000	72.29
Rays Capital Partners Limited	Investment manager	39,108,000	9.42
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	32,244,000	7.77

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 above, as at 30 June 2014, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, none of the Directors and chief executive of the Company or any of their respective associates, other than Mr. Ng Wing Hong and Ms. Chan Shuk Kuen, whose interests are set out in the section “SUBSTANTIAL SHAREHOLDERS' INTERESTS” above, had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Listing Rules.

## OTHER INFORMATION

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) which became effective on 24 April 2014. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimise their performance efficiently for the benefit of the Group; and (ii) attract and retain or maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the Shares of the Company at an exercise price and subject to other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the Shares first commence on the Stock Exchange. Please refer to the Group’s Prospectus for a summary of the terms of the Share Option Scheme.

The Directors confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at the date of this report, no option had been granted by the Company under the Share Option Scheme.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading “DIRECTOR’S INTERESTS DISCLOSEABLE UNDER THE SFO” above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange since the date of the Listing to 30 June 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code

### CHANGE IN INFORMATION OF DIRECTORS

During the Period, there is no change in information of the Directors since the date of the Prospectus of the Company which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all directors, each of the directors has confirmed that he/she has complied with the required standards as set out in the Model Code since the date of the Listing to 30 June 2014.



## OTHER INFORMATION

### AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) which currently consists of three independent non-executive Directors of the Company within written terms of reference which deals clearly with its authority and duties.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the Period.

### EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2014 and up to the date of this interim report.

### DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This interim report (in both English and Chinese versions) is available to any shareholder in printed form and on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.baguio.com.hk>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this interim report.

This document is published in English version and Chinese translation version. In case of any inconsistency of meanings of the words or terms between the Chinese translation version and the English version, the English version shall prevail.

