



碧 瑤 BAGUIO

碧瑤綠色集團有限公司
Baguio Green Group Limited

(於開曼群島註冊成立之有限公司)
(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code : 1397

Interim Report 中期報告 2015



Clean & Green

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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 REPRESENTATIVES

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
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 2681
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Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
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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
	2015	2014	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Revenue			
Cleaning services	443,471	310,524	42.8%
Landscaping services	70,305	77,034	-8.7%
Pest management	43,558	40,431	7.7%
Waste management and recycling	40,725	32,504	25.3%
	598,059	460,493	29.9%
Cost of services	544,200	413,709	31.5%
Gross profit	53,859	46,784	15.1%
Listing expenses	-	12,915	-100%
Profit from operations	25,517	10,527	142.4%
Profit attributable to owners of the Company	18,466	3,786	387.7%
Basic earnings per share (HK\$)	0.04	0.01	

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2015 marked a new phase for Baguio Green Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “Baguio”). While solidifying the Group’s core businesses namely cleaning services, waste management and recycling, landscaping and pest management in Hong Kong, we have also been actively exploring business opportunities in the People’s Republic of China (“PRC”). During the past six months, the Group has participated in the 14th China International Environmental Protection Exhibition and Conference in Beijing and the 16th IE EXPO 2015 in Shanghai. These events expanded the Group’s business network and opened new opportunities in the PRC. The Group also organised exchange tours and plant visits to enhance our knowledge of the latest technologies of the PRC’s environmental industry.

With over 35 years of experience and knowledge in the environmental industry and the endeavours invested in the past six months, the Group identified an environmental project with great potential. On 30 July 2015, the Group entered into a Memorandum of Understanding (“MOU”) with an independent third party (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) by which we became strategic cooperating partners in respect of six biogas multipurpose utilisation and organic fertiliser recycling projects spreading across Shandong, Henan, Hebei and Guangdong Provinces in the PRC. The Group believes that this project can lead our waste management and recycling business to the PRC market.

Market Overview

During the first half of 2015, the Middle East Respiratory Syndrome outbreak in South Korea and rising demand of higher living standard in Hong Kong have increased the public consciousness regarding the necessity of building a clean and green environment. As such, the Group has seen increasing demand for our cleaning and landscaping services. On the other hand, the Hong Kong Government announced several environmental protection policies to be enacted in the coming years, including the municipal solid waste disposal charging scheme and the levy on glass bottles. The Group views that these key developments have raised public awareness in waste reduction and recycling. The Group considers that many large corporations have started considering total waste management solutions. Businesses in material destruction, waste sorting and recycling is expanding and the Group believes these services will become the development trend in coming years.

Results

For the six months ended 30 June 2015 (the “Period”), contributed by the newly gained contracts from public clinics and health centres, the Group’s cleaning business has seen strong revenue growth, therefore, driving the Group’s revenue to increase by approximately 29.9% year-on-year from approximately HK\$460.5 million to approximately HK\$598.1 million. As the Group’s core businesses are labour intensive, the raise in statutory minimum wage has affected the cost of services of the Group. During the Period, cost of services was approximately HK\$544.2 million, surged by approximately 31.5% (first half “1H” 2014: approximately HK\$413.7 million). Gross profit for the Period increased to approximately HK\$53.9 million (1H2014: approximately HK\$46.8 million) while gross profit margin was approximately 9.0% (1H2014: 10.2%). During the Period, the Group did not incur any listing expenses as it did for the first half of 2014 (1H2014: HK\$12.9 million). The profit for the period attributable to owners of the Company amounted to approximately HK\$18.5 million for the Period (1H2014: HK\$3.8 million), representing a 387.7% year-on-year increase. Earnings per share for the Period was 4 HK cents (1H2014: 1 HK cent).

Revenue breakdown of major business segments

With over 35 years of experience, solid reputation and strong track record, the Group has earned long-term trusts from various governmental departments, semi-governmental entities as well as many private enterprises. In the first half of 2015, the Group’s cleaning services segment has obtained eminent results with segment revenue increased by 42.8% to approximately HK\$443.5 million (1H2014: approximately HK\$310.5 million). During the Period, the Group has successfully obtained a 27-month cleaning services contract for providing cleaning services to 83 clinics and health centres under the Department of Health. The total contract sum amounted to HK\$106.8 million. The increase in statutory minimum wage has driven the overall labour cost to increase and therefore, slightly lowered the gross profit margin of the cleaning business to 7.4% (1H2014: approximately 7.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's waste management and recycling business is gradually gaining tractions. In April 2015, the Group gained a 36-month contract from The Airport Authority Hong Kong rendering waste management recycling services to the Hong Kong International Airport. The service officially commenced on 6 May 2015. In first half of 2015, revenue of the Group's waste management and recycling segment amounted to approximately HK\$40.7 million, representing an increment of approximately 25.3% year-on-year compared to approximately HK\$32.5 million for the corresponding period in 2014. Since the recycling services and material destruction services are still under the development stage, gross profit margin decreased to approximately 11.5% (1H2014: 14.1%).

Highlight of revenue and gross profit margin by segments

Services	For the six months ended 30 June					
	2015	2015		2014	2014	
	Revenue (HK\$ Million)	% to total revenue	Gross profit margin	Revenue (HK\$ Million)	% to total revenue	Gross profit margin
Cleaning	443.5	74.2%	7.4%	310.5	67.4%	7.9%
Landscaping	70.3	11.7%	17.8%	77.0	16.7%	18.5%
Pest management	43.6	7.3%	8.6%	40.5	8.8%	8.2%
Waste management and recycling	40.7	6.8%	11.5%	32.5	7.1%	14.1%
Total/Overall	598.1	100.0%	9.0%	460.5	100.0%	10.2%

New contracts gained/renewed and contracts on hand

As of 30 June 2015, the Group has a total amount of approximately HK\$1,601.3 million worth of unexpired contracts on hand. Among which, approximately HK\$623.9 million will be recognised by the end of 2015; approximately HK\$697.4 million will be recognised in 2016 and the rest of approximately HK\$280.0 million will be recognised in 2017 and beyond.

	Unexpired contract value (HK\$ Million)	Contract value to be recognised by 31 December 2015 (HK\$ Million)	Contract value to be recognised by 31 December 2016 (HK\$ Million)	Contract value to be recognised in 2017 and beyond (HK\$ Million)
Cleaning services	1,193.7	469.4	526.5	197.8
Landscaping services	188.3	78.8	73.4	36.1
Pest Management services	68.0	32.2	29.6	6.2
Waste management and recycling services	151.3	43.5	67.9	39.9
Total	1,601.3	623.9	697.4	280.0

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
Jan 2015	Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence
Jan 2015	Green Council	Member of the Hong Kong Green Purchasing Charter
Feb 2015	RoadShow	Best Loved Brands Awards (Environmental Service)
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Pest Management Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Landscaping Services Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Cleaning Services Company Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Waste Management Recycling Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Tak Tai Enviroscape Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Employer
May 2015	Food Grace Food Recycling Scheme	Food Grace Outstanding Partnership 2014–2015
May 2015	Hong Kong Sheng Kung Hui Welfare Council Limited and ERB	Certificate of Appreciation — Employment & Program Promotion for Job Fair 2015
May 2015	Friends of the Earth (HK)	Earth Partner — Mars 2014/15
May 2015	CLP Power Safety, Health and Environment Quiz 2015 Contractor Stream Competition	In Appreciation of Team Participation
Jun 2015	The Hongkong Electric Company Limited	Transmission & Distribution Division — Good Environmental, Health & Safety Performance Award — Other Contractor
Jun 2015	The CLP Group	North Region Contractor One Year Disabling Injury Incident Free Record The Safety Performance Award

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In addition to focusing on its professional services to improve living standard of Hong Kong citizens, the Group strived to contribute to the society together with our employees. The following are some of the activities organised by the Group during the first half of 2015.

Month	Activity
Mar 2015	Electrical Appliances for the Elderly Program
Apr 2015	Hoops for Hope
May 2015	Holiday Farm Day
Jun 2015	Green Day 2015

PROSPECTS

Looking into the second half of 2015, the Group endeavours to materialise expansion in the PRC while pursuing stable growth of our core businesses in Hong Kong. The signing of the MOU in respect of the biogas multipurpose utilisation and organic fertiliser recycling projects on 30 July 2015 showed the Group's determination to expand its business into the PRC. By processing livestock manure collected from farms to produce biogas and natural gas for electricity generation, turning the residues from the process to organic fertilizer to grow animal feeds for the farm, the projects aim to recycle and turn waste into valuable resources in a complete closed-loop cycle. Such concept echoes the 13th Five-year plan of the PRC Central Government in achieving environmental conservation and sustainable economic development. Other than the new projects, the Group will continue to participate in exhibitions in the PRC in the second half of 2015, aiming to widen the Group's exposure in the PRC market. The Group believes that such efforts will assist Baguio to extend our service offering and expand our business to the PRC. Other than providing environmental services, developing green technologies and products is also the emphasis of the Group's coming business directions.

On 3 August 2015, the Environment Bureau announced the establishment of an Advisory Committee to facilitate the operation of the HK\$1 billion Recycling Fund. The fund will be used to promote the recovery and recycling of waste by assisting the recycling industry to upgrade its operational capabilities and efficiency for sustainable development. With the Hong Kong Government's strong support, the Group is confident that its waste management and recycling services are having high development potential in Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the six-month period ended 30 June 2015 and 2014 was approximately HK\$598.1 million and approximately HK\$460.5 million, respectively, representing an increase of approximately 29.9%. The increase was mainly because of the overall increase in revenue in our services segments of cleaning, pest management and waste management and recycling with increase in number of contracts and orders during the Period.

Cost of Services

For each of the six-month period ended 30 June 2015 and 2014, the cost of services amounted to approximately HK\$544.2 million and approximately HK\$413.7 million, respectively, representing approximately 91.0% and approximately 89.8% of the Group's revenue for the corresponding periods, respectively. The cost of services primarily comprised of direct wages, direct overhead expenses, consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue increased due to the increase in operation cost incurred from the recycling centre in Fanling which was set up in August 2014. In addition, the raise of statutory minimum wage also increased the cost of services of the Group.

Gross Profit

The Group's gross profit for the Period was approximately HK\$53.9 million, representing an increase of approximately 15.1% from approximately HK\$46.8 million for the corresponding period in 2014. The increase was mainly due to increase in the Group's overall revenue.

Gross Profit Margin

The gross profit margins of the Group for each of the six-month period ended 30 June 2015 and 2014 were approximately 9.0% and approximately 10.2% respectively. The decrease in gross profit margin was mainly due to the depreciation of plant and equipment as well as operating expenses incurred from the Fanling recycling centre which was set up in August 2014. In addition, due to the labour intensive nature of our businesses, the gross profit margin of the Group was also affected by the increase in direct labour cost.

Administrative Expenses

The administrative expenses of the Group for each of the six-month period ended 30 June 2015 and 2014 were approximately HK\$28.7 million and approximately HK\$24.3 million respectively, representing approximately 4.8% and approximately 5.3% of the respective period's revenue. With improvements in management control and operation efficiency, the percentage of administrative staff cost for supporting the growth of business was controlled to a more satisfactory level.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The finance costs amounted to approximately HK\$3.6 million and approximately HK\$4.0 million for each of the six-month period ended 30 June 2015 and 2014, respectively, representing approximately 0.6% and approximately 0.9% of the Group's revenue respectively. The decrease was primarily due to the decrease in the average level of bank borrowing and factoring loans 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 each of the six-month period ended 30 June 2015 and 2014 were approximately HK\$18.5 million and approximately HK\$3.8 million respectively, representing an increase of approximately 387.7%. Without taking into account of the Group's listing expenses for the six month period ended 30 June 2014, the unaudited net profit attributable to owners of the Company for the Period would represent an increase of approximately HK\$1.8 million or approximately 10.6% from that of the six-month period ended 30 June 2014. The increase was mainly due to the increase in revenue as the Group's businesses continue to expand.

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 of the Company ("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\$35.1 million (1H2014: approximately HK\$8.3 million). As at 30 June 2015, the Group had available cash and bank balances amounting to approximately HK\$72.8 million (31 December 2014: approximately HK\$61.4 million), representing an increase of approximately 18.7% from 31 December 2014. All cash and bank balances were denominated in Hong Kong dollar.

As at 30 June 2015, the Group's total current assets and current liabilities were approximately HK\$365.1 million (31 December 2014: approximately HK\$326.0 million) and approximately HK\$291.9 million (31 December 2014: approximately HK\$257.3 million) respectively, while the current ratio was approximately 1.3 times (31 December 2014: approximately 1.3 times).

As at 30 June 2015, the Group's finance lease payables were approximately HK\$73.2 million (31 December 2014: approximately HK\$80.0 million) for financing the acquisition of motor vehicles for operational usage. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 1.0 times as at 30 June 2015 (31 December 2014: approximately 1.0 times), which was calculated based on the total interest-bearing bank borrowings and obligations under finance lease over equity attributable to owners of the Company.

As at 30 June 2015, the Group had unutilised banking facilities of approximately HK\$368,041,000 (31 December 2014: approximately HK\$281,315,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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 of Hong Kong Limited (the "Stock Exchange") on 22 May 2014 (the "Listing") and raised net proceeds of approximately HK\$90.0 million. The future plans as stated in the prospectus of the Company dated 12 May 2014 (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, 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 2015, we have utilized approximately HK\$67.1 million to expand our business. As at 30 June 2015, the unused proceeds were deposited in licensed banks in Hong Kong.

CAPITAL COMMITMENT

As at 30 June 2015, the Group had capital commitment of approximately HK\$6.6 million in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements (31 December 2014: approximately HK\$3.7 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2015, the amounts payable under finance leases within one year was approximately HK\$24.3 million (31 December 2014: approximately HK\$24.2 million), and in the second to fifth year inclusive was approximately HK\$48.9 million (31 December 2014: approximately HK\$55.8 million).

As at 30 June 2015, 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\$7.6 million as at 30 June 2015 (31 December 2014: approximately HK\$7.2 million); (ii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18.0 million as at 30 June 2015 (31 December 2014: approximately HK\$18.3 million); (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12.7 million as at 30 June 2015 (31 December 2014: approximately HK\$12.5 million); and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK\$118.3 million as at 30 June 2015 (31 December 2014: approximately HK\$103.4 million).

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 30 June 2015 and 31 December 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 2015, the Group employed 10,118 employees. Remuneration packages were 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 addition, employees are also encouraged and subsidised to attend job-related seminars and course organised by professional and/or educational institutions 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

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TO THE BOARD OF DIRECTORS OF BAGUIO GREEN GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

We have reviewed the interim financial information set out on pages 11 to 26, 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 2015 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.

SCOPE 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, 28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	598,059	460,493
Cost of services		(544,200)	(413,709)
Gross profit		53,859	46,784
Other income and gain, net		1,605	1,364
Change in fair value less costs to sell of biological assets		151	–
Selling and marketing expenses		(1,385)	(412)
Administrative expenses		(28,713)	(24,294)
Listing expenses		–	(12,915)
Profit from operations		25,517	10,527
Finance costs	5	(3,609)	(4,020)
Profit before taxation	6	21,908	6,507
Income tax expenses	7	(3,442)	(2,721)
Profit for the period attributable to owners of the Company		18,466	3,786
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets		139	163
Total comprehensive income for the period attributable to owners of the Company		18,605	3,949
Earnings per share			
Basic and diluted (HK\$)	9	0.04	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	<i>Notes</i>	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	172,195	171,777
Available-for-sale financial assets		12,678	12,539
Pledged bank deposits		7,587	7,237
		192,460	191,553
Current assets			
Inventories		4,807	3,669
Trade receivables	11	260,275	244,795
Prepayments, deposits and other receivables		21,940	14,518
Biological assets		4,037	463
Tax recoverable		1,227	1,184
Cash and bank balances		72,829	61,365
		365,115	325,994
Current liabilities			
Trade payables	12	20,029	16,964
Accruals, deposits received and other payables		129,017	105,479
Bank borrowings	13	116,302	109,741
Obligations under finance lease	14	24,338	24,183
Income tax payable		2,262	939
		291,948	257,306
Net current assets		73,167	68,688
Total assets less current liabilities		265,627	260,241
Non-current liabilities			
Bank borrowings	13	5,352	6,609
Obligations under finance lease	14	48,897	55,820
Deferred tax liabilities		10,467	10,111
		64,716	72,540
Net assets		200,911	187,701
Equity			
Capital and reserves			
Share capital	15	4,150	4,150
Reserves		196,761	183,551
Total equity		200,911	187,701

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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 2014 (audited)	18,330	–	–	(1,477)	79,830	96,683
Profit for the period	–	–	–	–	3,786	3,786
Other comprehensive income for the period	–	–	–	163	–	163
Total comprehensive income for the period	–	–	–	163	3,786	3,949
Dividend paid	–	–	–	–	(32,000)	(32,000)
Effect of Reorganisation	(18,330)	–	18,330	–	–	–
Issue of shares under the Capitalisation Issue	3,200	(3,200)	–	–	–	–
Issue of shares under the Global Offering	950	113,050	–	–	–	114,000
Transaction costs attributable to issue of shares	–	(8,904)	–	–	–	(8,904)
At 30 June 2014 (unaudited)	4,150	100,946	18,330	(1,314)	51,616	173,728
At 1 January 2015 (audited)	4,150	100,850	18,330	(1,140)	65,511	187,701
Profit for the period	–	–	–	–	18,466	18,466
Other comprehensive income for the period	–	–	–	139	–	139
Total comprehensive income for the period	–	–	–	139	18,466	18,605
Dividend paid	–	–	–	–	(5,395)	(5,395)
At 30 June 2015 (unaudited)	4,150	100,850	18,330	(1,001)	78,582	200,911

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 arising 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 2015

	For the six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash generated from operating activities	35,090	8,324
Investing activities		
Purchase of property, plant and equipment	(7,525)	(7,630)
Other cash flow arising from/(used in) investing activities	713	(6,882)
Net cash used in investing activities	(6,812)	(14,512)
Financing activities		
Proceeds from new bank borrowings	473,910	349,548
Repayment of bank borrowings	(468,606)	(352,500)
Dividend paid	(5,395)	(32,000)
Other cash flows (used in)/arising from financing activities	(16,667)	75,184
Net cash (used in)/generated from financing activities	(16,758)	40,232
Net increase in cash and cash equivalents	11,520	34,044
Cash and cash equivalents at the beginning of the period	61,365	36,491
Effect of exchange rate changes	(56)	–
Cash and cash equivalents at the end of the period	72,829	70,535
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	72,829	70,535

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 principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the provision of environmental and related services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 (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 2014.

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 2014, 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 2015.

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

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.

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
Six months ended 30 June 2015 (unaudited)					
Segment revenue	443,471	70,305	43,558	40,725	598,059
Segment results	32,125	12,491	3,321	4,537	52,474
Other income and gain					1,605
Change in fair value less costs to sell of biological assets	–	151	–	–	151
Central administrative costs					(28,713)
Finance costs					(3,609)
Profit before taxation					21,908

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 2014 (unaudited)					
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

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
As at 30 June 2015 (unaudited)					
Segment assets	309,644	61,373	59,822	92,558	523,397
Unallocated					34,178
Total assets					557,575
Segment liabilities	132,794	20,983	28,514	39,874	222,165
Unallocated					134,499
Total liabilities					356,664

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 2014 (audited)					
Segment assets	286,656	55,382	56,625	85,619	484,282
Unallocated					33,265
Total assets					517,547
Segment liabilities	112,409	17,621	30,294	40,422	200,746
Unallocated					129,100
Total liabilities					329,846

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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on:		
Bank overdrafts	5	124
Bank loans wholly repayable within five years	2,084	2,187
Bank loans wholly repayable beyond five years	112	313
Obligations under finance leases	1,408	1,396
	3,609	4,020

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit before taxation for the interim period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	11,994	8,173
Loss on disposal of property, plant and equipment	340	242
Cost of consumables goods	25,218	20,724
Staff costs (including directors' remuneration)		
Wages, salaries and other benefits	461,086	346,649
Provision for long service payments	2,833	1,240
Provision for untaken paid leave	4,098	3,726
Contributions to retirement benefits schemes	15,992	12,415
	484,009	364,030
Operating lease rentals: minimum lease payments	1,708	7,395

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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	3,086	1,764
Deferred tax:		
Current period expenses	356	957
Income tax expenses	3,442	2,721

8. DIVIDENDS

	For the six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Final dividend paid	5,395	–
Dividend paid by a subsidiary to shareholders	–	32,000
	5,395	32,000

On 19 June 2015, a dividend of HK1.3 cents per share was paid to shareholders as the final dividend for the year ended 31 December 2014.

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.

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$18,466,000 (six months ended 30 June 2014: HK\$3,786,000) and the weighted average number of ordinary shares in issue of approximately 415,000,000 (six months ended 30 June 2014: 340,583,000) during 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 2015, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$13,815,000 (six months ended 30 June 2014: approximately HK\$22,253,000), and disposed items of property, plant and equipment with aggregate carrying value of approximately HK\$1,403,000 (six months ended 30 June 2014: approximately HK\$450,000).

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 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within 60 days	244,251	221,253
61 days to 120 days	12,505	15,467
121 days to 365 days	3,404	7,893
Over 365 days	115	182
	260,275	244,795

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.

12. TRADE PAYABLES

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

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within 30 days	13,568	11,898
31 days to 60 days	4,014	3,195
61 days to 90 days	1,461	485
Over 90 days	986	1,386
	20,029	16,964

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

13. BANK BORROWINGS

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Bank loans:		
Secured (<i>Notes (a), (b) & (c)</i>)	121,654	116,350
Carrying amount repayable within the period of:		
— less than one year	109,418	101,535
— more than 1 year but within 2 years	5,127	5,205
— more than 2 years but within 5 years	6,846	8,180
— over 5 years	263	1,430
Secured bank loan	121,654	116,350
Less: Amount classified as current liabilities		
Secured bank loan due within one year or contain a repayment on demand clause	(116,302)	(109,741)
Amount classified as non-current liabilities	5,352	6,609

Notes:

- (a) The bank borrowings of the Group as at 30 June 2015 were secured by:
- (i) corporate guarantee provided by the Company and certain subsidiaries of the Company;
 - (ii) pledged bank deposit with carrying amounts of approximately HK\$7,587,000 as at 30 June 2015;
 - (iii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,005,000 as at 30 June 2015;
 - (iv) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,678,000 as at 30 June 2015; and
 - (v) pledge of the Group's trade receivables with aggregate values of approximately HK\$118,331,000 as at 30 June 2015.
- (b) The bank borrowings of the Group as at 31 December 2014 were secured by:
- (i) corporate guarantee provided by the Company and certain subsidiaries of the Company;
 - (ii) pledged bank deposit with carrying amounts of approximately HK\$7,237,000 as at 31 December 2014;
 - (iii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,281,000 as at 31 December 2014;
 - (iv) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,539,000 as at 31 December 2014; and
 - (v) pledge of the Group's trade receivables with aggregate values of approximately HK\$103,392,000 as at 31 December 2014.
- (c) The loans of the Group with financial institutions amounted to approximately HK\$121,654,000 (31 December 2014: HK\$116,350,000) as at 30 June 2015 carried interest ranging from 1.24% to 5.75% per annum (31 December 2014: 1.23% to 5.75% per annum).

14. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. As at 30 June 2015, the amounts payable under finance leases within one year was approximately HK\$24,338,000 (31 December 2014: HK\$24,183,000), and in the second to fifth year inclusive was approximately HK\$48,897,000 (31 December 2014: HK\$55,820,000).

As at 30 June 2015 and 31 December 2014, the obligations under finance leases of the Group were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

15. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2014, 1 January 2015 and 30 June 2015	1,000,000,000	10,000,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2014, 1 January 2015 and 30 June 2015	415,000,000	4,150,000

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:

- (i) 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.
- (ii) 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 2015 and 31 December 2014:

- 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 2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investment in life insurance	–	–	12,678	12,678

	As at 31 December 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investment in life insurance	–	–	12,539	12,539

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 2015 Investment in life insurance HK\$'000
Opening balance	12,539
Gains recognised in other comprehensive income	139
Closing balance	12,678

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 2014 Investment in life insurance HK\$'000
Opening balance	12,202
Gains recognised in other comprehensive income	163
Closing balance	12,365

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 ten 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 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within one year	3,665	3,060
In the second to fifth years, inclusive	4,541	1,259
Over five years	2,241	–
	10,447	4,319

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 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short term employee benefits	4,061	5,010
Post-employment benefits	222	240
	4,283	5,250

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	
			2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	116	178
The company owned by close member of director and shareholder	Purchase of consumable goods	Mr. Ng Wing Hong	644	949
Common director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	2,651	80
Common director and shareholder	Repair and maintenance expenses	Mr. Ng Wing Hong	242	428
Director and shareholder	Rent paid	Mr. Ng Wing Hong	288	288

19. CAPITAL COMMITMENT

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 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	6,628	3,291
Capital expenditure in respect of the acquisition of equipment and machinery contracted for but not provided in the financial statements — Within one year	—	399

20. LITIGATION

During the interim period, the Group may from time to time to 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 28 August 2015.

OTHER INFORMATION

INTERIM DIVIDENDS

The board of directors of the Company (the “Board”) did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (1H2014: nil).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2015, as far as is known to the Directors 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 Part XV 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 ^(Note 1)	300,000,000	72.29
Ms. Chan Shuk Kuen	Family interest ^(Note 2)	300,000,000	72.29
Baguio Green (Holding) Limited	Beneficial owner ^(Note 1)	300,000,000	72.29
RAYS Capital Partners Limited	Investment manager/Beneficial Owner/ Interest of controlled corporation ^(Note 4)	33,072,000	7.97
Ruan David Ching Chi	Interest of controlled corporation ^(Note 3)	33,072,000	7.97
Yip Yok Tak Amy	Interest of controlled corporation ^(Note 3)	33,072,000	7.97
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner ^(Note 4)	29,952,000	7.22

Notes:

- (1) The entire issued share capital of Baguio Green (Holding) Limited is beneficially owned by Mr. Ng Wing Hong. Therefore, Mr. Ng Wing Hong is deemed to be interested in all the shares of the Company (“Shares”) held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the Listing Rules) and an executive Director of our Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director of the Company.
- (3) The shares in RAYS Capital Partners Limited are equally held by Ruan David Ching Chi and Yip Yok Tak Amy. Therefore, they are deemed interested in all the Shares held by RAYS Capital Partners Limited.
- (4) Asian Equity Special Opportunities Portfolio Master Fund Limited (“Asian Equity”) is wholly-owned by RAYS Capital Partners Limited. Therefore, RAYS Capital Partners Limited is deemed to be interested in all the Shares held by Asian Equity.

Save as disclosed above, as at 30 June 2015, 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 2015, 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.

SHARE OPTION SCHEME

On 24 April 2014, the Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. 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.

A summary of the Share Option Scheme of the Company is as follows:

Purpose: To enable the Board to grant options to selected Eligible Persons (an “Eligible Person” means any employee or proposed employee (whether full time or part time employee, including any director) of any member of the Group or any invested entity, any supplier of goods or services, any customer, any person or entity that provide research, development or other technical support, any shareholders or any participants who contribute to the development and growth of the Group or any invested entity) as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber Eligible Persons and to attract human resources that are valuable to the Group.

Eligible Participants:

- (i) 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 (as defined in the paragraph “Exercise Price” of this section) for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme;
- (ii) 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 the Group.

Total number of securities available for issue under the Share Option Scheme: The maximum number of Shares which may be issued upon exercise of options to be granted under the Share Option Scheme and any other share option schemes of the 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 the Company) must not in aggregate exceed 10% of the Shares in issue on the date of the Listing, 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.

The Scheme Limit may be refreshed at any time by obtaining approval of the shareholders of the Company (“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 scheme of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

The 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 the Company before such approval is sought. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

OTHER INFORMATION

	<p>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 the Company must not exceed 30% of the Shares in issue from time to time.</p>
Price for Subscription of Shares:	<p>The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:</p> <ul style="list-style-type: none">(i) 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(ii) 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.
Amount payable on acceptance of the option and the period within which such payment must be made:	<p>An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00.</p>
Maximum entitlement of each eligible participant:	<p>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 the 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. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.</p>
Exercise price:	<p>The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.</p>
Minimum holding period:	<p>The 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.</p>
Period within which the securities must be taken up under an option:	<p>In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.</p>
Movements of share options granted:	<p>No share options were granted, exercised, lapsed or cancelled under the Share Option Scheme during the year ended 31 December 2014 and the six months ended 30 June 2015 and no share option was outstanding as at the date of this report.</p>
The remaining life of the Share Option Scheme:	<p>The Share Option Scheme remains in force for a period of 10 years commencing on 24 April 2014 unless terminated earlier by Shareholders in general meeting.</p>

OTHER INFORMATION

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 maintain 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 Listing Rules throughout the six months ended 30 June 2015. 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 throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee since 24 April 2014 ("Audit Committee") with written terms of reference which states clearly the authorities and duties of the Audit Committee. The Audit Committee currently consists of three independent non-executive Directors of the Company.

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

On 30 July 2015, the Company entered into a non-legally binding memorandum of understanding with a limited liability company incorporated in the PRC (which is an independent third party as defined under the Listing Rules) to which the parties intended to become strategic cooperating partners in respect of six biogas multipurpose utilization and organic fertilizer recycling projects spreading across Shandong, Henan, Hebei and Guangdong provinces in the PRC. Please refer to the announcement of the Group dated 30 July 2015 for details. Other than this, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2015 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 English version and the Chinese translation version, the English version shall prevail.

