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

Annual Report 年報 2015

Clean Green

CONTENTS

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
28/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

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 BANKERS

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

Dear Honourable Shareholders,

On behalf of the board of directors (the "Board") of Baguio Green Group Limited (the "Company", and together with its subsidiaries, the "Group" or "Baguio"), I am pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2015 (the "Year").

2015 marked a new phase for Baguio in terms of business development and geographical expansion. The successful listing on the Mainboard of Hong Kong Exchange in 2014 has built a solid capital foundation for us to pursuit a greater business development. Oriented by a dual growth strategy, we have endeavoured to maintain a solid organic growth in our established businesses, namely cleaning, waste management and recycling, landscaping and pest management in Hong Kong. At the same time, we have also made a good start in exploring China's biowaste-to-energy market by investing, building and operating two biowaste-to-energy plants in Guangdong Province and Shandong Province, respectively. Leverage on over 35 years of experiences in the environmental industry, well-established and solid management system, we strongly believe that this strategic breakthrough has opened a new front for Baguio's development.

CAPTURE THE GROWING OPPORTUNITIES IN CHINA'S BIOWASTE-TO-ENERGY MARKET

After three decades of high-speed economic development that heavily relied on natural resources, China is facing enormous environmental problems. In China's 13th Five Year Plan, "Green Development" has become the top priorities of national policy and focus. Our two biowaste-to-energy projects target to turn manure into biogas through anaerobic fermentation, and generate electricity and organic fertiliser. The electricity will be sold to local grid companies and the fertilisers will be sold to surrounding agricultural communities to replace chemical fertilisers. These projects meet the national policies for pollution control, soil improvement as well as turning biowaste into clean energy.

The establishment of the two biowaste-to-energy projects in 2015 marked a new phase of our development in China. However, this is just a beginning. Through the operation of these two biowaste-to-energy projects, we will gain valuable experiences and technological know-hows in biogas related energy generation projects. In line with China's environmental protection blueprint, Baguio will be devoted to exploring the feasibility of other waste-to-energy projects by utilizing domestic waste, landfills, industrial waste water and food waste. With such know-how, we are looking forward to replicating these projects to other regions in China.

STRENGTHENING EXISTING BUSINESS SEGMENTS

Achieving a 19.1% revenue growth in 2015, our established businesses of cleaning, waste management and recycling, landscaping and pest management demonstrated sustainable growth capabilities in 2015. During the Year, we have continued to leverage on our cross-selling platform to fully explore and satisfy the needs of our clients. Such diversified service offering has successfully increased our market penetration to private sector. In addition to business expansion, the Group is committed to enhancing operational efficiency. Considering the labour-intensive nature of the existing businesses, we foresee the statutory minimum wage will continue to increase and drive the escalation in labour costs. The Group, hence, invested to enhance our enterprise resource planning system, which optimises human resources allocation and provides scientific analysis on labour efficiency. We believe high quality of services and continuous improvement in management efficiency cements our position as a market leader in Hong Kong's integrated environmental services.

Established in August 2014, the Group's waste recycling plant in Fanling has gained reputation in the industry and has been visited by media, renowned corporations, public and high ranking government officials. These visits enabled the public and government to have more understanding of the current status and development potentials of the recycling industry in Hong Kong. As more and more environmental protection policies will enter the legislative procedure, we believe the local recycling industry will flourish in the upcoming years and our Group is prepared to capture these opportunities.

PROSPECTS

In 2016, we will continue to pursuit a stable growth in our core cleaning, landscaping, pest management and waste management and recycling business; to explore and develop downstream recycling product business, and most importantly continue to venture and secure strong foothold in our China business. In pursuing our growth, we will be actively looking for joint venture partners or suitable targets for merger and acquisitions. The Board believes that 2016 will be another year of important growth and development for our Group.

APPRECIATION

After a year of hard work and delivery of fruitful results for our shareholders, I would like to express my heartfelt gratitude to the Baguio team for their considerable contribution in 2015. I would also like to sincerely thank our shareholders and business partners for their continued support and confidence in the Group.

Ng Wing Hong
Chairman of the Board

Hong Kong
30 March 2016

ABOUT BAGUIO

Baguio is mainly engaged in providing professional cleaning, landscaping, pest management and waste management and recycling services. With over 30 years of experiences and established reputation, a seasoned management team and comprehensive resources, Baguio is one of the largest cleaning and environmental services provider in Hong Kong in terms of revenue. As a dominant player, the Group has competitive advantages in gaining contracts and projects across different sectors including government departments, semi-government entities, public utility companies as well as non-governmental organizations ("NGOs") and private companies.

BUSINESS REVIEW

Venturing into China's Biowaste-to-Energy Sector

For the Year, the Group has delivered impressive results in its existing business by achieving approximately 19.1% revenue growth against the backdrop of global economic downturn. Most importantly, it has also moved a significant step forward in expanding its business to China's biowaste-to-energy market. Together with its strategic partners in the People's Republic of China ("PRC"), the Group will invest, build and operate two projects of anaerobically fermenting livestock manure to generate biogas, which in turn will be used to generate electricity. The two projects are located in Guangdong (Guangdong Project) and Shandong (Shandong Project) provinces. Each with a designed power generating capacity reaching 48,000 kilowatts per day, these projects are considered to be large scale in terms of power generation capacity. The power generated will be connected to the local grid. Another by-product of the process is organic fertiliser which will be used for raising feedstocks for farms to complete a close-loop eco-system of turning waste into resources. The designed annual production capacity of the organic fertiliser reaches 22,000 tonnes. Trial production of both projects will commence in September 2016. The Group expects that both projects will reach its designed power generation capacity by the end of 2016.

Market Review

According to the Environmental Protection Department, there are over 9,000 tonnes of disposed waste in Hong Kong every day. The three existing landfills will be full, one-by-one, as we approach 2020; Hong Kong is facing a severe waste management problem. As mapped out in the "Hong Kong Blueprint For Sustainable Use of Resources 2013–2022", the Hong Kong Special Administrative Region Government (the "Hong Kong Government") introduced several measures and policies to tackle the imminent waste problems. Those measures have been gradually implementing in 2015. With an aim to reduce the waste production and nurture the habit of recycling, the Hong Kong Government is planning to introduce a quantity-based charging scheme for municipal solid waste. Adding on top, the HK$1 billion Recycling Fund was launched by the Hong Kong Government in October 2015 for application, with an aim to support Hong Kong enterprises in upgrading and expanding their waste recycling operations. The above measures demonstrated the Hong Kong Government's determination in developing and building the recycling industry, which has created an optimal operational environment for the Group's waste management and recycling business.

Janitorial or cleaning service is one of the most important services that create a pleasant and healthy living environment. The rising living standard and the demand of a cleaner living environment have all led to the needs of professional cleaning service from commercial, industrial, government and residential sectors. In particular, government entities have outsourcing more cleaning contracts to professional services providers in the recent year, and providing a strong growth momentum for the Group's business.

Corporate Sustainability

The Group believes that promoting sustainability is as important as achieving long-term business growth and taking care of shareholders' interests. It has therefore made continuous efforts to maintain a high degree of sustainability to strengthen its operation and management. To demonstrate its commitment to transparency and accountability to its stakeholders, the Group has completed its first Environmental, Social and Governance ("ESG") Report this year by reference to the "ESG Reporting Guide" set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The report represents our wide commitment to sustainable development during the year under review, and covers the significant economic, environmental and social achievements and impact arising from the activities of the Group.

The ESG report will be included in the Group's 2015 annual report to be published in due course.

Results

For the Year, contributed by the new cleaning contracts and the substantial contribution from the new recycling and waste management contracts, the overall revenue of the Group increased by approximately 19.1% from approximately HK$1,028.7 million in 2014 to approximately HK$1,224.9 million in 2015. However, the raise in statutory minimum wage to HK$32.5 per hour on 1 May 2015 has inevitably affected the cost level of the Group. During the Year, cost of services surged by approximately 21.4% to approximately HK$1,130.0 million (2014: HK$930.5 million). Gross profit for the Year recorded a decrease of approximately 3.4% to approximately HK$94.9 million (2014: HK$98.2 million) while gross profit margin was decreased by 1.8 percentage points to approximately 7.7%.

The Group has endeavoured to maintain a relatively low level of administrative expenses in the Year by enhancing its enterprise resource planning system and operational efficiency. Administrative expenses had a year-on-year increase of approximately 15.5% to approximately HK$61.8 million (2014: HK$53.5 million), which represented approximately 5.0% (2014: 5.2%) of revenue. The profit attributable to owners of the Company amounted to approximately HK$24.1 million, representing an increase of approximately 36.2% (2014: HK$17.7 million). This was mainly due to the lower comparison base in 2014 with the non-recurring listing expense of approximately HK$13.2 million. No listing expense was incurred for the Year. Net profit margin increased by 0.3 percentage points to approximately 2.0% (2014: 1.7%). Basic and diluted earnings per share was HK$0.06 (2014: HK$0.05).

Final Dividend

The directors of the Company (the "Directors") recommended the payment of a final dividend for the year ended 31 December 2015 at HK1.7 cents (2014: HK1.3 cents) per share totalling HK$7,055,000 (2014: HK$5,395,000), subject to approval by shareholders of the Company ("Shareholders") at the forthcoming annual general meeting ("Annual General Meeting") of the Company to be held on 20 May 2016. If so approved by shareholders, it is expected that the final dividend will be paid out on or around 24 June 2016 to shareholders whose names appear on the register of members of the Company on 10 June 2016.

The Directors did not declare any interim dividend for the six months ended 30 June 2015.

Revenue breakdown of major business segments

	For the year ended 31 December 2014 Revenue (HK$ Million)	31 December 2014 % of total revenue	**31 December 2015 Revenue (HK$ Million)**	**31 December 2015 % of total revenue**	Change
Cleaning	734.6	71.4%	**911.1**	**74.4%**	+24.0%
Landscaping	143.5	14.0%	**144.1**	**11.8%**	+0.4%
Pest management	84.2	8.2%	**80.9**	**6.6%**	-3.9%
Waste management and recycling	66.4	6.4%	**88.8**	**7.2%**	+33.7%
Total	1,028.7	100.0%	**1,224.9**	**100.0%**	+19.1%

Gross profit margin of major business segments

	For the year ended 31 December 2014 Gross profit margin	**For the year ended 31 December 2015 Gross profit margin**	Change
Cleaning	8.1%	**6.0%**	-2.1p.p.
Landscaping	17.3%	**17.0%**	-0.3p.p.
Pest management	8.5%	**7.5%**	-1.0p.p.
Waste management and recycling	10.4%	**11.2%**	+0.8p.p.
Total/Overall	9.5%	**7.7%**	-1.8p.p.

During the Year, the Group has managed to deliver good performance in all its core business segments against the backdrop of global economic downturns. The revenue from the cleaning business shared approximately 74.4% of total revenue, increasing by 24.0% year-on-year to approximately HK$911.1 million for the Year from approximately HK$734.6 million in 2014. In February 2015, the Group successfully obtained the tendering contracts with the Hong Kong Government in providing support and cleaning services to 84 clinics and health centres under the Department of Health for a period of 27 months with the total contract value amounted to approximately HK$106.8 million. In addition, the Group also gained a 36-month contract from The Airport Authority Hong Kong in providing cleaning services in Terminal 2 and Skye Pier of the Hong Kong International Airport. The contract was effective from 16 August 2015. As the cleaning business is labour intensive in nature, the increase in statutory minimum wage has driven the surge of labour costs. As a result, the segment gross profit margin recorded a decrease to approximately 6.0% (2014: 8.1%).

The Group's waste management and recycling business has also delivered improved performance. In the Year, revenue for the waste management and recycling business shared approximately 7.2% of total revenue, reaching to approximately HK$88.8 million compared to approximately HK$66.4 million in 2014 and representing a growth of approximately 33.7%. In April 2015, the Group gained a 36-month contract from The Airport Authority Hong Kong rendering waste management and recycling services to the Hong Kong International Airport. The service officially commenced on 6 May 2015. Adding on top was the contribution from the Group's confidential material destruction services. Thanks to the overall enhancement in operating efficiencies and gradually the increasing in processing scale, segment gross profit margin increased by 0.8 percentage points to approximately 11.2% (2014: 10.4%).

New Contract Gains and Contract on-hand

As of 31 December 2015, the Group has a total amount of approximately HK$1,225.4 million worth of unexpired contracts on hand. Among which, approximately HK$835.9 million will be recognised by the end of 2016; approximately HK$299.5 million will be recognised in 2017 and the rest of approximately HK$90.0 million will be recognised in 2018 and beyond.

	Backlog contract value (HK$ Million)	Contract value to be recognised by 31 December 2016 (HK$ Million)	Contract value to be recognised by 31 December 2017 (HK$ Million)	Contract value to be recognised in 2018 and beyond (HK$ Million)
Cleaning services	847.4	607.7	200.0	39.7
Landscaping services	154.1	107.0	44.6	2.5
Pest management services	38.7	32.2	6.5	–
Waste management and recycling services	185.2	89.0	48.4	47.8
Total	1,225.4	835.9	299.5	90.0

PROSPECTS

Three decades of industrial and manufacturing growth in China has fuelled the world leading economic success. Such resource-heavy growth model has made waste generation a problem that is too big to ignore. As a result, waste treatment and resources recycling has become the top priorities for the Chinese Government to pursuit a "Green Development". According to Goldman Sachs Global Investment Research, China's waste treatment, environmental protection as well as pollution cleanup is estimated to grow into a RMB8.2 trillion market in the 13th Five Year Period (2016–2020).

Livestock in farms around China generates large amount of manure a day. Without proper treatment, livestock manure generated may pollute water and spread diseases. The Group's biowaste-to-energy project is a sustainable and efficient close-loop eco-mechanism to recycle the manure and turn to organic fertilisers and clean energy. Through microbial reaction and anaerobic fermentation, manure yields biogas, which is clean fuel for electricity generation. Residues from the process can be used as organic fertilisers for raising feedstocks in the farms to complete the cycle of turning waste into resources. From the operation of these projects, the Group can comprehend the core technology and gain experiences on waste treatment and resources recycling as well as biogas related environmental projects. The establishment of the two biowaste-to-energy projects is just the first step for Baguio's development in China. Leverage on our knowledges and experiences in the environmental industry as well as our well-established management system, the Group is going to replicate these successful cases to other regions in China and is aiming to explore more integrated environmental protection projects in the future.

In October 2015, the Group established a subsidiary in Qianhai, Shenzhen to act as a base of the Group in China. The subsidiary will actively participate in industry related conferences and exchange tour to closely follow and monitor the environmental protection trend in China. Moreover, it will also act as a pioneer for the Group to source merge and acquisition projects in the environmental and recycling industry.

In terms of the Group's core business segments in Hong Kong, the Group will continue to participate in tendering of both governmental and private sectors, in order to capture greater market share. In addition, the Group will continue to enhance its operational efficiency. To uphold the cost-effective measures, the management is setting up internal framework and guidelines to monitor the key performance indicators of human resources allocation, administrative expenses and operational efficiency. Leverage on the our strong track record, quality services and management system, the Group is confident to achieve sustainable growth in all cleaning, waste management and recycling, landscaping and pest management business.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the year ended 31 December 2015 and 2014 was approximately HK$1,224.9 million and HK$1,028.7 million, respectively, representing an increase of approximately 19.1%. The increase was mainly due to overall increase in revenue in our services segments of cleaning, landscaping and waste management and recycling with increase in total value of contracts and orders during the Year.

More details of the Company's performance for the Year by business segments is set out in note 6 to the consolidated financial statements.

Cost of Services

For each of the year ended 31 December 2015 and 2014, the cost of services of the Group amounted to approximately HK$1,130.0 million and HK$930.5 million respectively, representing approximately 92.3% and 90.5% of the Group's revenue for the corresponding years. 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 increased, primary due to the increase in labour costs arising from the raise of statutory minimum wage during the Year. In addition, operation cost incurred in the Group's recycling plant which was only set up in August 2014 also increased the cost of services of the Group.

Gross Profit

The Group's gross profit for the Year was approximately HK$94.9 million, representing a decrease of approximately 3.4% from approximately HK$98.2 million in 2014. The decrease was mainly due to increase in cost of services of the Group.

Gross Profit Margin

The gross profit margins of the Group for each of the year ended 31 December 2015 and 2014 were approximately 7.7% and 9.5% respectively. As mentioned above, the decrease was mainly attributable to increase in direct labour costs due to the labour intensive nature of our business and additional operating expenses, such as depreciation of plant and equipment, of the Group's recycling plant set up in August 2014.

Selling and Marketing Expenses

The selling and marketing expenses incurred by the Group for each of the year ended 31 December 2015 and 2014 were approximately HK$2.5 million and HK$1.7 million respectively, representing an increase of approximately 44.5%, and approximately 0.2% and 0.2% of the respective year's total revenue. This was mainly due to increase in marketing activities for penetrating our business in the private sector, promoting the new business in the recycling sector and expanding Baguio's footprint into the PRC. In additions, increased marketing cost was incurred in promoting activities in various communication channels, and fostering public and investors' relationships after listing of the Company.

Administrative Expenses

The administrative expenses incurred by the Group for each of the year ended 31 December 2015 and 2014 were approximately HK$61.8 million and HK$53.5 million respectively, representing an increase of approximately 15.5%, and approximately 5.0% and 5.2% of the respective year's total revenue. With improvements in cost control and operation efficiency, the percentage of administrative expenses for supporting the growth of business in comparison to revenue generated was controlled to an acceptable level.

Finance Costs

The finance costs of the Group amounted to approximately HK$7.6 million and HK$8.4 million for the year ended 31 December 2015 and 2014 respectively, representing approximately 0.6% and approximately 0.8% of the Group's revenue in the respective years.

Profit for the Year Attributable to Owners of The Company

The Group's profit attributable to owners of the Company for each of the year ended 31 December 2015 and 2014 were approximately HK$24.1 million and HK$17.7 million respectively, representing an increase of approximately 36.2%. The significant increase was primarily attributable to inclusion of the non-recurring listing expenses of approximately HK$13.2 million in connection with the listing of the Company in year 2014. If the above factor is excluded from calculation, the net profit attributable to owners of the Company for the Year would represent a decrease of approximately HK$6.8 million from the year 2014. Such decrease was due to the decrease in gross profit and increase in selling and marketing expenses and administrative expenses with the factors described above.

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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering comprehensive range of environmental services. For the Year, we had net cash generated from operating activities of approximately HK$50.6 million (2014: HK$20.7 million). The Group had available cash and bank balances amounting to approximately HK$90.3 million as at 31 December 2015 (31 December 2014: HK$61.4 million), representing an increase of approximately 47.2% from 31 December 2014.

As at 31 December 2015, the Group's total current assets and current liabilities were approximately HK$384.9 million (31 December 2014: HK$326.0 million) and HK$296.4 million (31 December 2014: HK$257.3 million) respectively, while the current ratio was approximately 1.3 times (31 December 2014: approximately 1.3 times).

As at 31 December 2015, the Group's finance lease payables were approximately HK$66.2 million (31 December 2014: HK$80.0 million) for financing the acquisition of motor vehicles for operation use. During the Year, no financial instruments were used for hedging purposes (2014: nil).

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

For the Year, our capital expenditures mainly included additions in motor vehicles, plant and equipment amount to approximately HK$28.5 million (2014: HK$58.7 million). These capital expenditures were funded by borrowings from bank and finance companies, funds generated from our operating activities and capital contributions from our shareholders through the initial public offering of the Company.

As at 31 December 2015, the Group had capital commitment of approximately HK$1.4 million (31 December 2014: HK$3.7 million) in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any material contingent liabilities.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 22 May 2014 and raised net proceeds of approximately HK$90.0 million. The plans for the use of net proceeds were stated in the prospectus of the Company dated 12 May 2014 (the "Prospectus") and subsequently changed during the Year as stated in the announcement of the Company dated 31 December 2015. During the period between the date of the listing of the Company to 31 December 2015, the net proceeds were used for the following purposes:

Summary of use of proceeds

	Available (HK$ Million)	Utilised (HK$ Million)	Unutilised (HK$ Million)
Acquisition of vehicles and equipment for expanding and broadening for existing services	18.4	18.4	–
Development and expansion of waste management and recycling services	9.9	9.9	–
Enhancing operation efficiency and quality services	11.7	7.4	4.3
Working capital and other general purposes	35.0	35.0	–
Investment in PRC projects *(Note)*	15.0	–	15.0
	90.0	70.7	19.3

As at 31 December 2015, the unused proceeds were deposited in licensed banks in Hong Kong.

Note: As per the Company's announcement dated 31 December 2015, the Group changed the application of HK$15 million of the net proceeds from the global offering to be used for the formation of the joint ventures for the two biowaste-to-energy projects.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2015, the amounts payable under finance leases within one year was approximately HK$23.7 million (31 December 2014: HK$24.2 million), and in the second to fifth year inclusive was approximately HK$42.4 million (31 December 2014: HK$55.8 million).

As at 31 December 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$5.1 million as at 31 December 2015 (31 December 2014: HK$7.2 million); (ii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK$17.7 million as at 31 December 2015 (31 December 2014: HK$18.3 million); (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK$12.9 million as at 31 December 2015 (31 December 2014: HK$12.5 million); and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK$113.2 million as at 31 December 2015 (31 December 2014: 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.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

EXECUTIVE DIRECTORS

Ng Wing Hong (吳永康), aged 61, is the chairman and an executive Director of the Company. Mr. Ng was appointed as our executive Director and the Chairman on 23 January 2014. Mr. Ng is also one of the founders and controlling shareholders of our Group. Mr. Ng has over 35 years of experience in the environmental service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In 1980, Mr. Ng together with his brother, Mr. Ng Wing Sun formed a partnership under the name of Baguio Cleaning Services Company Limited which started off as a cleaning service provider in Hong Kong.

Mr. Ng graduated from the University of Hong Kong in October 1977 with a Bachelor of Science degree. He also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983, a Bachelor of Laws degree from the University of London (external degree) in August 1990 and a Postgraduate Certificate in Laws from the University of Hong Kong in September 1991. Mr. Ng was admitted as an associated member of the Association of Chartered Certified Accountants in September 1988 and became a fellow of the Association of Chartered Certified Accountants in September 1993. He was also a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2000. He was admitted as an associate member of the Institute of Chartered Secretaries and Administrators in March 1988 and an associate member of the Hong Kong Institute of Company Secretaries in August 1994. He became a fellow member of the Hong Kong Institute of Chartered Secretaries in March 2014 and he was also admitted as a fellow of the Hong Kong Institute of Directors in May 2014. He has been a member of the Environmental Campaign Committee Publicity Working Group and Steering Group on the Modification of Recycling and Refuse Collection Facilities in Public Services of the Environmental Protection Department of Hong Kong since August 2015 and February 2016, respectively. Mr. Ng is the husband of Ms. Chan Shuk Kuen and the brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan Phyllis.

Ng Yuk Kwan Phyllis (吳玉群), aged 47, is an executive Director, the chief executive officer and compliance officer of the Company. She was appointed as our executive Director and chief executive officer on 23 January 2014. She joined our Group as an assistant general manager in November 1995 and was promoted as a general manager in February 2000. Ms. Ng has over 20 years of experience in the environmental service industry and is primarily responsible for the overall management of our Group and for overseeing the corporate development department and corporate communication department.

Ms. Ng graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1991 and a Master of Business Administration degree from University of South Australia in April 1999. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by the Hong Kong Polytechnic University in June 2009, the ISO 9000:2000 Series Internal Quality Auditor Training Course co-organised by the Hong Kong Productivity Council and SGS International Certification Services in November 2002 and the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She was certified as a certified arborist by the International Society of Arboriculture in September 2012. She was admitted as a fellow of the Hong Kong Institute of Directors in May 2014 and she obtained Professional Diploma in Corporate Governance & Directorship jointly awarded by Hong Kong Institute of Directors and Hong Kong Productivity Council in June 2014. Ms. Ng is the sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen as well as the sister-in-law of Ms. Chan Shuk Kuen.

Ng Wing Chuen (吳永全), aged 65, is an executive Director of the Company. He was appointed as our executive Director on 23 January 2014. He joined our Group since 1982 as one of Baguio Cleaning Services Company Limited's directors. He is currently in charge of the overall management and strategic planning of our Group. Prior to joining our Group, Mr. Ng had served at various banks and other financial institutions, including Hong Kong Chinese Bank Limited.

Mr. Ng was awarded a graduate diploma in international marketing from Central Connecticut State University, USA in July 1993. Mr. Ng was admitted as a fellow of the Hong Kong Institute of Directors in May 2014. Mr. Ng is the brother of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis as well as the brother-in-law of Ms. Chan Shuk Kuen.

Leung Shuk Ping (梁淑萍), aged 43, is an executive Director of the Company. She was appointed as our executive Director on 23 January 2014. She joined our Group in August 1997 as a secretary and resigned in October 2010 with her last position as a senior administration manager. She rejoined our group as the operation Director in June 2012. Ms. Leung has over 16 years' of experience in administration and business management. She currently oversees the operation department, administration department, IT department, SHEQ department and fleet management department of our Group.

Ms. Leung was awarded a Certificate in Business Management in January 2001 and a Diploma in Business Management in April 2008 from the School of Continuing Education Hong Kong Baptist University. She completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by Hong Kong Polytechnic University in 2009. She completed the Certificate Programme on Inventory Management organised by the Hong Kong Management Association on July 1991. She was admitted as an associate of The Hong Kong Institute of Directors in May 2014.

Chan Shuk Kuen (陳淑娟), aged 47, is an executive Director of the Company. She was appointed as our executive Director on 23 January 2014. Ms. Chan joined our Group in May 2006 as human resources manager and was promoted as senior human resources manager in December 2008 and as human resource Director in July 2012. Ms. Chan oversees the full spectrum of human resources functions including compensation management, employee relations, recruitment, performance management, training and development. Prior to joining our Group, Ms. Chan worked in HK Art's Group, whose business is retails of optical products, as general manager between May 1992 and August 1997, where she was responsible for setting the group's development strategy as well as managing the daily operations of the 14 optical retail shops of the group.

Ms. Chan was awarded Bachelor of Business Administration from the Open University of Hong Kong in December 2000 and a Professional Diploma in Human Resources Management from the School of Continuing Education of Hong Kong Baptist University in May 2013. She was admitted as an associate of The Hong Kong Institute of Directors in May 2014. Ms. Chan is the wife of Mr. Ng Wing Hong and the sister-in-law of Ms. Ng Yuk Kwan Phyllis and Mr. Ng Wing Chuen.

Cheung Siu Chun (張笑珍), aged 51, is an executive Director, chief financial officer and company secretary of the Company. She was appointed as an executive Director, chief financial officer and company secretary on 23 January 2014. She joined our Group in November 1999 as our financial controller and resigned in November 2004. She rejoined our Group in August 2005 and in July 2012, she became our Finance Director. Ms. Cheung currently oversees the Group's finance department, purchasing department and logistics department and is responsible for the Group's accounting, cost control, corporate finance and cash management affairs.

She was awarded a post-experience certificate in accountancy from the Hong Kong Polytechnic University in September 2001, a Master of Business Administration degree from University of South Australia in April 2004. Ms. Cheung was admitted as a fellow member of the Association of Chartered Certified Accountants in June 1999 and a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2013. She was admitted as a fellow member of the Taxation Institute of Hong Kong in January 2014. She was admitted as a life full member of Association of Women Accountants (Hong Kong) Limited in December 2007. She was also admitted as an associate member of the Institute of Chartered Accountants in England and Wales in February 2008. Ms. Cheung was granted a Certificate of Completion of the Best Practices for ERP Implementation and Enterprise Collaboration Applications Workshop by the Hong Kong Productivity Council in June 2004. She was admitted as a member of the Hong Kong Institute of Directors in May 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sin Ho Chiu (冼浩釗), aged 60, was appointed as an independent non-executive Director of the Company on 24 April 2014 and he is also the chairman of our Remuneration Committee. He has been the legal representative of Shanghai GrafTech Trading Company Limited since February 2011 and the sales director and general manager of GrafTech Hong Kong Limited since May 2011. From October 2001 to April 2011, Mr. Sin served and was promoted as the business director-Asia Pacific in GrafTech International Trading Inc. Between September 1999 and September 2001, Mr. Sin served as the treasurer and controller of Union Carbide Asia Pacific Inc. Between September 1987 and August 1999, Mr. Sin served as the finance manager of Union Carbide Asia Limited.

Mr. Sin graduated from the Chinese University of Hong Kong with a Bachelor of Science in December 1979 and a Master of Business Administration in December 1983.

Dr. Law Ka Hung (羅家熊), aged 60, was appointed as an independent non-executive Director of the Company on 24 April 2014 and also the chairman of our Nomination Committee. He has been appointed as independent non-executive director of HKC International Holdings Limited (stock code: 248) since December 2012. From September 2012 to now, Dr. Law worked as a visiting lecturer (part-time) in the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University.

Dr. Law was awarded a Bachelor of Business Administration in Accounting degree from the University of Texas at Arlington in December 1981, a Master of Science degree from Warwick University in July 1988 and a Doctor of Business Administration degree from the Hong Kong Polytechnic University in November 2001. He has been admitted as a full member of the Hong Kong Computer Society since January 1989.

Lau Chi Yin Thomas (劉志賢), aged 57, was appointed as an independent non-executive Director of the Company on 24 April 2014 and is also the chairman of our Audit Committee. Mr. Lau has been the executive director and responsible officer of Jolmo Capital Limited, a licenced corporation of the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities, corporate finance and asset management, since January 2008 and March 2005 respectively. He has been serving as a member of the Disciplinary Committee Panel of the Social Workers Registration Board since January 2008. Between April 2008 and September 2011, Mr. Lau was appointed as a director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司) (Shenzhen stock code: 300094). Between April 2008 and December 2011, Mr. Lau was appointed as the supervisor of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. (珠海恒基達鑫國際化工倉儲股份有限公司) (Shenzhen stock code: 002492).

Mr. Lau obtained a Bachelor of Science degree from the University of Hong Kong in July 1981 and a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983. Mr. Lau has been a Chartered Financial Analyst since September 2001. He is also a member of the Hong Kong Society of Financial Analysts.

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements. During the year, there were no significant changes in the nature of the Group's principal activities.

2. BUSINESS REVIEW

A review of the Group's business during the Year is provided in the section headed "Management Discussion and Analysis" on page 5 to 11 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on page 33 to 47 of this annual report.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's assets and liabilities by reportable segments of operations for the year ended 31 December 2015 is set out in note 6 to the consolidated financial statements. No geographical information is represented as all of the Group's businesses were carried out in Hong Kong during the Year and the Group's revenue from external customers was generated in Hong Kong during the Year.

4. RESULTS AND FINAL DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 49. The Directors recommended the payment of a final dividend of HK1.7 cents per share, totalling approximately HK$7,055,000, to be paid on or around 24 June 2016, to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 10 June 2016.

5. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 40 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

6. SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements.

7. DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK$102.3 million, of which approximately HK$7.1 million has been proposed be paid to the Shareholders as a final dividend for the Year. Under the laws of Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to the distributed, the Company will be in a position to pay off its debts as and when fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

8. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2015 are set out in the note 28 to the consolidated financial statements.

10. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

11. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the date of listing up to 31 December 2015.

12. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2015 and of the assets and liabilities of the Group as at 31 December 2015 and for the previous four financial years are set out on page 106.

13. DIRECTORS

The Directors during the Year and up to the date of this report are as follows:

Executive Directors:
Mr. Ng Wing Hong *(Chairman)*
Ms. Ng Yuk Kwan Phyllis *(Chief Executive Officer and Compliance Officer)*
Mr. Ng Wing Chuen
Ms. Leung Shuk Ping
Ms. Chan Shuk Kuen
Ms. Cheung Siu Chun *(Chief Financial Officer and Company Secretary)*

Independent Non-executive Directors:
Mr. Sin Ho Chiu
Dr. Law Ka Hung
Mr. Lau Chi Yin Thomas

Pursuant to Article 84(1) of the Articles of Association of the Company, Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen and Ms. Cheung Siu Chun are subject to retirement by rotation at the forthcoming annual general meeting and, being eligible, to offer themselves for re-election.

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") from each of the independent non-executive directors and, as at the date of this report, still considers them to be independent.

14. BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as of the date of publication of this report are set out on page 12 to 14.

15. DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract for an initial term of three years commencing from 23 January 2014 and is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive director has entered into a letter of appointment for an initial term of three years commencing on 24 April 2014 and is subject to termination by either party giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

16. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under the section headed " Connected Transactions" in this report of the Directors and note 37 to the consolidated financial statements.

17. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules

18. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2015, 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 *(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)*	28,564,000	6.88

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 our 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 our 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 of our Company 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.

(5) On 22 January 2016, Baguio Green (Holding) Limited transferred 25,000,000 shares of the Company to Ms. Ng Yuk Kwan Phyllis. The deemed interests of Mr. Ng Wing Hong and Ms. Chan Shuk Kuen changed accordingly. As a result, Ms. Ng Yuk Kwan Phyllis received 25,000,000 shares of the Company and became a substantial shareholder of the Company and Mr. Mak Che Fai Lawrence, being the spouse of Ms. Ng Yuk Kwan Phyllis, is also deemed to be interested in all the Shares held by Ms. Ng Yuk Kwan Phyllis.

19. DIRECTORS' INTERESTS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, the shareholding interests of Mr. Ng Wing Hong and Ms. Chan Shuk Kuen are set out in the section "Substantial Shareholders' Interest" above and the share option interests of all Directors are presented on page 20 in the section "Share Option Scheme" below. In addition, during the period from 9 September 2015 to 17 September 2015, Ms. Cheung Siu Chun purchased, in aggregate, 800,000 shares of the Company for her personal long term investment. As at 31 December 2015, Ms. Cheung Siu Chun held 800,000 shares of the Company. Other than as disclosed here, none of the Directors and chief executive of the Company or any of their respective associates 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 under the Listing Rules.

20. CONNECTED TRANSACTIONS

During the Year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions exempt from reporting, announcement, circular, annual review and independent shareholders' approval requirements

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

On 8 October 2015, Baguio Cleaning and Mr. Ng Wing Hong renewed the lease agreement of the same premises for a period commencing from 1 October 2015 to 30 September 2017, at a total annual rent of HK$576,000. The amount of annual rent was determined on an arm's length basis between Mr. Ng Wing Hong and Baguio Cleaning by reference to the prevailing market rate for the lease of properties of similar standard in the neighbouring areas of the premises and the terms of the previous lease agreement. It is estimated that the total amount of rent payable under the renewed lease agreement for each of the two financial years ending 31 December 2017 will be less than HK$1,000,000 per annum and the percentage ratios in Rule 14.07 of the Listing Rules are less than 5%. Accordingly, the total rent payable under the renewed lease agreement falls below the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and thus is not subject to any reporting, announcement, circular, annual review or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Year, the approximate total amount of rent paid for the abovementioned lease agreements was approximately HK$576,000, which did not exceed the HK$1,000,000 annual cap for the Year.

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

(B) On 27 January 2014, Baguio Cleaning and Cleanic Cleaning Equipment Limited ("CCE") (which is owned as to approximately 74% by Mr. Ng Wing Sun, the brother of Mr. Ng Wing Hong), entered into a supply agreement (the "Supply Agreement") pursuant to which CCE has agreed to supply cleaning equipment and materials to our Group for use in our ordinary course of business for a period of three years commencing from 27 January 2014 and expiring on 26 January 2017.

During the Year, the approximate total amount of purchases under the Supply Agreement was approximately HK$1,419,000, which did not exceed the HK$3,500,000 annual cap for the Year.

(C) On 28 January 2014, Baguio Cleaning and Nexus Solutions Limited ("NSL") (which is owned as to approximately 87% by Mr. Ng Wing Hong and as to approximately 0.14% through his wholly-owned Company, IT Holdings Limited), entered into an IT service agreement (the "IT Agreement") pursuant to which NSL has agreed to provide information technology services to our Group. Pursuant to the IT Agreement, NSL shall provide our Group with hardware and networking support for a period of three years commencing from 28 January 2014 and expiring on 27 January 2017.

With reference to the Company's announcement dated 1 April 2015, the annual caps for the transaction for the years ending 31 December 2015 and 2016, respectively have been revised to HK$6,000,000 and HK$2,500,000, respectively per annum.

During the Year, the transaction amounts of the IT product and services provided by NSL to the Group was approximately HK$3,153,000, which did not exceed the HK$6,000,000 annual cap.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions mentioned in paragraph 20(B) and 20(C) and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions mentioned in paragraph 20(B) and 20(C) in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in note 37 to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

21. CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" in this report of the Directors:

(i) No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the Year or at the end of the Year; and

(ii) No contract of significance for the provision of services to the Company or any of its subsidiaries by controlling shareholder of the Company or any of its subsidiaries subsisted during the Year or at the end of the Year.

22. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 75.9% (2014: 78.8%) of the total sales for the year and sales to the largest customer included therein amounted to 36.9% (2014: 38.9%). Purchases from the Group's five largest suppliers accounted for 23.6% (2014: 28.1%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 6.8% (2014: 6.6%).

None of the directors or any of their associates or any shareholders (which, to the best of the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

23. COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the Year.

24. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

25. EMOLUMENT AND REMUNERATION POLICY

The Company has a remuneration committee for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

26. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 16 to the consolidated financial statements.

No director has waived or has agreed to waive any emolument during the Year.

27. 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.

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. 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.
Price for Subscription of Shares:	The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of: (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:	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.

Maximum entitlement of each eligible participant:	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.
Exercise price:	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.
Minimum holding period:	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.
Period within which the securities must be taken up under an option:	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.
The remaining life of the Share Option Scheme:	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.

On 16 October 2015, the Company granted share options (the "Share Options") to certain eligible participants to subscribe for an aggregate of 5,216,000 ordinary shares of HK$0.01 each in the Capital of the Company, represented approximately 1.26% of all the Shares in issue as at the date of this report.

The movement of the share options granted during the Year is as follows:

Name or category of participants	Date of grant *(Note 1)*	Number of underlying shares comprised in share options: As at 1 January 2015	Granted during the Year	As at 31 December 2015	Exercise period	Exercise price per share (HK$)
Directors						
Ms. Ng Yuk Kwan Phyllis	16/10/2015	–	292,000	292,000	16/10/2017–23/04/2024	1.00
Mr. Ng Wing Chuen	16/10/2015	–	240,000	240,000	16/10/2017–23/04/2024	1.00
Ms. Leung Shuk Ping	16/10/2015	–	216,000	216,000	16/10/2017–23/04/2024	1.00
Ms. Chan Shuk Kuen	16/10/2015	–	216,000	216,000	16/10/2017–23/04/2024	1.00
Ms. Cheung Siu Chun	16/10/2015	–	240,000	240,000	16/10/2017–23/04/2024	1.00
Mr. Sin Ho Chiu	16/10/2015	–	140,000	140,000	16/10/2017–23/04/2024	1.00
Dr. Law Ka Hung	16/10/2015	–	140,000	140,000	16/10/2017–23/04/2024	1.00
Mr. Lau Chi Yin Thomas	16/10/2015	–	140,000	140,000	16/10/2017–23/04/2024	1.00
Subtotal		–	1,624,000	1,624,000		
Other Eligible Participants (in aggregate)						
Other employees	16/10/2015	–	3,592,000	3,592,000	16/10/2017–23/04/2024	1.00
Subtotal		–	3,592,000	3,592,000		
Total		–	5,216,000	5,216,000		

Note:

(1) The share options will vest on 16 October 2017.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the Share Option Scheme during the Year.

28. RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Save as otherwise disclosed in this report, at no time during the Year 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 and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

29. EVENTS AFTER THE REPORTING PERIOD

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

30. 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 on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the Year. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 25 to 32 of this annual report.

31. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

32. AUDIT COMMITTEE

The audit committee has reviewed with the management of the Company the audited consolidated annual results of the Group for the Year, and reviewed the effectiveness of the risk management and internal control system of the Company with the management of the Company.

33. AUDITOR

The financial statements have been audited by HLB Hodgson Impey Cheng Limited who will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Ng Wing Hong
Chairman

Hong Kong, 30 March 2016

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2015.

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2015, the Company has applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance with the Employees Written Guidelines was noted by the Company.

3. BOARD OF DIRECTORS

The Board currently comprises a total of 9 members, with six executive directors, and three independent non-executive directors:

Executive Directors:
Mr. Ng Wing Hong *(Chairman)*
Ms. Ng Yuk Kwan Phyllis *(Chief Executive Officer and Compliance Officer)*
Mr. Ng Wing Chuen
Ms. Leung Shuk Ping
Ms. Chan Shuk Kuen
Ms. Cheung Siu Chun *(Chief Financial Officer and Company Secretary)*

Independent Non-executive Directors:
Mr. Sin Ho Chiu
Dr. Law Ka Hung
Mr. Lau Chi Yin Thomas

Mr. Ng Wing Hong, Ms. Ng Yuk Kwan Phyllis and Mr. Ng Wing Chuen are siblings, while, Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules.

The biography details of the directors of the Company are set out under the section headed "Biographical Details of Directors" on page 12 to 14 in this annual report.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive officer of the Company are Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis, respectively. Mr. Ng Wing Hong is the brother of Ms. Ng Yuk Kwan Phyllis. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively.

Independent non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive directors are seasoned individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise.

The Company has received confirmations of independence from all existing independent Non-executive Directors and considers them independent, in accordance with Rule 3.13 of the Listing Rules. All Directors have a term of office of three years and are required to retire and, being eligible, can offer themselves for re-election at the Company's forthcoming annual general meeting in accordance with the Articles of Association the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, and through her, to the senior management, to execute the Board's strategy and implementing its policies through the day-to-day management and operation of the Company.

The Board determines which functions are reserved to the Board and which are delegated to the senior management. It delegates appropriate aspects of its management and administrative functions to senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate structure, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors, announcements of interim and final results and payment of dividends.

During the Year, the Board has reviewed the above arrangements for delegation of responsibilities to senior management and considered it to be appropriate.

Directors' Continuous Professional Development

During the Year, to develop and refresh their knowledge and skills, all Directors have participated in appropriate continuous professional development training which covered updates on laws, rules and regulations and also directors' duties and responsibilities. The following shows the training of each of the directors received during the year:

	Attending seminars/briefings	Reading materials
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	✓	✓

4. BOARD DIVERSITY POLICY

Pursuant to the code provision A.5.6 of the CG Code, the Board has adopted the board diversity policy in April 2015 which sets out the approach to achieve diversity on the Board.

The Board sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

5. BOARD COMMITTEES

The Board has established a remuneration committee, a nomination committee and an audit committee. They are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities.

There was satisfactory attendance for meetings of the board committees during the Year. The minutes of the committee meetings were circulated to all members of the Board unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Company and the remuneration of all directors of each subsidiary of the Company.

The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy in respect of all directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also makes recommendations to the Board on the remuneration of independent non-executive directors.

The committee consults the chairman and the chief executive officer about remuneration proposals for other executive directors.

The Company's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at market levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Company's profits and performance.

Members of the remuneration committee are:

Mr. Sin Ho Chiu *(Independent non-executive director) (Chairman)*
Mr. Lau Chi Yin Thomas *(Independent non-executive director)*
Dr. Law Ka Hung *(Independent non-executive director)*
Mr. Ng Wing Hong *(Executive director)*

The terms of reference of the remuneration committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the remuneration committee had held one meeting to review the remuneration packages of the directors and senior management of the Company. All member of the remuneration committee have attended the above meeting.

Details of directors' remuneration are set out in note 16 to the consolidated financial statements.

Nomination Committee

The purpose of the nomination committee is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the vice chairman and the chief executive officer of the Company.

The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

Members of the nomination committee are:

Dr. Law Ka Hung *(Independent non-executive director) (Chairman)*
Mr. Sin Ho Chiu *(Independent non-executive director)*
Mr. Lau Chi Yin Thomas *(Independent non-executive director)*
Ms. Ng Yuk Kwan Phyllis *(Executive director)*

The terms of reference of the nomination committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the nomination committee had held one meeting to review the structure, size and composition of the Board. All member of the nomination committee have attended the above meeting.

Audit Committee

The purpose of the audit committee is to establish formal and transparent arrangements to consider how the Board applies financial reporting and internal control principles and maintains an appropriate relationship with the Company's external auditors.

The committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and considering any questions of its resignation or dismissal.

The committee reports to the Board any suspected fraud and irregularities, failures of internal control or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Members of the audit committee are:

Mr. Lau Chi Yin Thomas *(Independent non-executive director) (Chairman)*
Mr. Sin Ho Chiu *(Independent non-executive director)*
Dr. Law Ka Hung *(Independent non-executive director)*

The members of the committee possess appropriate professional qualifications and/or experience in financial matters.

The audit committee reviewed, together with senior management and the external auditors, the financial statements for the six months ended 30 June 2015 and for the year ended 31 December 2015, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, internal control systems and continuing connected transactions of the Company.

The terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the audit committee had held two meetings for considering the annual results of the Company for the year ended 31 December 2014 and the interim results of the Company for the six months ended 30 June 2015 respectively. All members of the Audit Committee have attended the above meetings.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the Company's forthcoming annual general meeting, HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditors for 2016.

6. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings held during the year Attended/Eligible to attend			
	Board	Remuneration Committee	Nomination Committee	Audit Committee
Executive Directors				
Mr. Ng Wing Hong	4/4	1/1	0/0	0/0
Ms. Ng Yuk Kwan Phyllis	4/4	0/0	1/1	0/0
Mr. Ng Wing Chuen	3/4	0/0	0/0	0/0
Ms. Leung Shuk Ping	4/4	0/0	0/0	0/0
Ms. Chan Shuk Kuen	4/4	0/0	0/0	0/0
Ms. Cheung Siu Chun	4/4	1/1	1/1	2/2
Independent non-executive directors				
Mr. Sin Ho Chiu	4/4	1/1	1/1	2/2
Dr. Law Ka Hung	4/4	1/1	1/1	2/2
Mr. Lau Chi Yin Thomas	4/4	1/1	1/1	2/2

Prior notices of the board meetings were despatched to the Directors setting out the matters to be discussed at the meetings. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary was responsible for keeping minutes of the meetings of the Board and Board Committees.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the Listing Rules.

7. CORPORATE GOVERNANCE FUNCTIONS

The board has the following responsibilities:

(a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;

(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(c) to review and monitor the training and continuous professional development of the directors and senior management; and

(d) to develop, review and monitor the code of conduct applicable to the directors and employees.

8. FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements for the Company. The directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions.

The Board aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. Management provides such explanation and information to the directors to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

The Board considers that, through a review made by the audit committee, the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function are adequate.

The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 48 of this annual report.

9. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems (the "Systems") of the Group and reviewing their effectiveness. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee oversees the Systems of the Group and communicates any material issues to the Board. During the Year, the Board has, through the Audit Committee, conducted a review of the effectiveness of the Systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Board has also appointed Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") to independently perform internal audit and assess the Group's Systems during the Year. Improvements suggested by Baker Tilly to enhance the Group's System and minimise risks were adopted by the Board.

10. AUDITORS' REMUNERATION

For the Year, HLB Hodgson Impey Cheng Limited charged the Group approximately HK$0.8 million for the provision of audit services, and approximately HK$0.2 million for other non-audit services respectively.

11. COMPANY SECRETARY

The company secretary of the Company, Ms. Cheung Siu Chun, is the executive Director and Chief Finance Officer of the Company. The biographical details of Ms. Cheung are set our under the section headed "Biographical Details of Directors" of this annual report.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Cheung has taken not less than 15 hours of relevant professional training during the Year. The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. She reports to the Chairman and is responsible for advising the Board on governance matters.

12. SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Company's Articles of Association, an extraordinary general meeting shall be called by the Board on the written resolution of any one or more shareholders of the Company, provided that such shareholder(s) held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be called for the transaction of any business specified in the written requisition to the Board or the company secretary of the Company; and shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings

There are no statutory provisions granting the right to shareholders to put forward or move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board to the following:

Address:	Unit A, 4/F., Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.
Fax:	2544-8668
Email:	info@baguio.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

13. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analyst's briefing, road shows, participating in investors' conferences and making corporate presentations during these events.

To enhance transparency, the Company endeavors to maintain open dialogue with shareholders through a wide array of channels such as the annual general meetings and other general meetings. Shareholders are encouraged to participate in these meetings. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at http://www.baguio.com.hk where up-to-date information and updates on the Company's business operations and developments, financial information and other information are available for public access.

14. COMPLIANCE OF NON-COMPETITION UNDERTAKING

The Company has entered into a deed of non-competition dated 24 April 2014 (the "Non-competition Deed") with Baguio Green (Holding) Limited and Mr. Ng Wing Hong, both being the controlling shareholders of the Company (the "Controlling Shareholders"), pursuant to which the Controlling Shareholders procure that its/his/her associates (other than the members of our Company) not to, engage in any competing business involving the environmental industry. Details of the deed of non-competition are set out in the paragraph "Deed of Non-competition" under the section headed "Relationship with Our Controlling Shareholders" of the Prospectus of the Company.

The Company has received the annual confirmation from the Controlling Shareholders in compliance with the terms of the deed of non-competition. The Independent Non-executive Directors has reviewed the annual confirmation from the controlling Shareholders relating to the compliance with the non-competition undertaking by the Controlling Shareholder under the deed of non-competition and are satisfied that the same has been complied with by the Controlling Shareholders under the deed of non-competition.

INTRODUCTION

Baguio Green Group Limited reaffirms its commitment towards sustainability with the publication of this ESG Report 2015. This report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities by the Hong Kong Stock Exchanges and Clearing Limited.

SCOPE OF THE REPORT

This is the first ESG report of the Group which focuses on aspects that have been identified as material to Baguio's business and its key stakeholders. This report discloses our performance and progress on environmental, social and governance issues in Hong Kong from 1 January 2015 to 31 December 2015.

Board approval

The Board acknowledges its responsibility for ensuring the integrity of the ESG Report and to the best of its knowledge, this report addresses all material issues and fairly presents the ESG performance of the organisation and its impacts. The Board confirms that it has reviewed and approved the report.

MESSAGE FROM CEO

Dear stakeholders,

I am pleased to present Baguio's first ESG Report for 2015.

The Group believes everyone living on the planet has the responsibility to keep our living place pleasant and healthy. For over three decades, we have been serving the Hong Kong community by providing quality cleaning, landscaping, pest management and waste management and recycling services to both public and private sectors. We are committed to being a socially responsible company through protecting our environment, caring for our employees, reaching out to the community as well as promoting safety and health.

Hong Kong has been increasingly facing the dilemma of a shortage of landfill space and mounting wasteloads. Committed to becoming part of the solution to this predicament, the Group established the waste management and recycling centre incorporating waste collection, sorting and processing functions in 2014. This 35,000 sq ft centre in Fanling processes recycling bins provided by Food and Environmental Hygiene Department from 18 Hong Kong districts, enabling us to realise our ambition of "local economy, local recycling" and contributing towards achieving a zero waste recycling target for Hong Kong.

"Contributing towards a "Clean and Green" environment is what we do each and every day in Hong Kong through the skills and service of our motivated employees."

Over the past decade, the Group has grown to become an integrated environmental service provider in Hong Kong. Our employees play an indispensable role and are the driving force behind the Group's outstanding performance. At the end of 2015, we had over 8,000 employees, and each and every one of them add the human touch to every service that we provide. One of our top priorities is to continue to offer a healthy and safe workplace for them and invest abundant resources in their training and development. We build company values that encourage staff motivation, participation and cooperation.

While not a carbon intensive company, the Group has progressively embedded potential sustainability risks and opportunities in its business operation. Since our first ISO certificate obtained as early as 1998, we have been continuously striving for improvement. We have implemented an Integrated Management System (IMS) in which all five major operating companies under the Group have been certified to meet with ISO 9001, ISO 14001 and OHSAS 18001 standards. The Group now holds 15 certificates from International Organization for Standardization in total.

In 2015, we strengthened our commitment to do more as a company to minimize our impact on the environment. Holding our company to higher standards, we will continue to improve operational efficiency and make significant strides toward our sustainability performance.

Looking into 2016, we will continue to deliver value for our stakeholders and to operate responsibly both for and within the community in which we serve. Contributing towards a "Clean and Green" environment is what we do each and every day in Hong Kong through the skills and service of our motivated employees. I'd like to thank them for their commitment in 2015 to serving our customers.

Phyllis Ng
Chief Executive Officer

ABOUT BAGUIO GREEN GROUP

Established in 1980, Baguio Green Group (stock code: 1397) is committed to creating and maintaining a "Clean & Green" environment for Hong Kong. Over more than three decades, the Group has developed into a group of well-established and socially responsible companies providing integrated environmental services, ranging from professional cleaning, integrated pest management, landscaping to waste management and recycling.

We have built up our own professional teams in different environmental services to manage and cater to diverse customer needs. Retaining more than 8,000 people and operating a fleet of over 300 vehicles in Hong Kong, the Group understands the ESG impacts it creates and has aligned its business with sustainable development and environmental conservation as a top priority. To reduce our environmental impact and create value in our community, we seek every opportunity to incorporate sustainability standards and practices into all aspects of our business.

CORE VALUES AND CULTURE

The Group's mission is to provide a cleaner, greener and more sustainable environment.

Customer First — Customers are the ultimate source of our success. We exist and grow only when they are satisfied with our services. Customer satisfaction is the central value of our group around which all other values develop.

Integrity — This is the only way to maintain long term relationships with our loyal customers. We deal with our customers, workers, and business partners with the utmost integrity.

Striving for Excellence — To be the most comprehensive and reliable environmental services group in the region, we pledge to strive for excellence by delivering the best possible services to our customers. We care about our customers' special needs and tailor our services to serve them best, down to the minute details entailed. Excellence is the goal to which our operation strives.

Self-Improvement — Our internal drive for continuous improvement is the key to our proven ability in meeting the varied demands of our customers. We keep learning the newest services technologies and improving our services in anticipation of new customer requirements.

Social Responsibility — It is the fundamental duty of a person to strive, to contribute and to serve the society in which they are brought up. We believe that this is much more so for a company and participate actively in activities that help the underprivileged.

AWARDS AND RECOGNITION

Awards received by the Group in 2015:

Organiser	Award
Environmental Responsibility	
China Green Foundation & Hong Kong Environmental Protection Association	綠色中國環境文化成就獎
Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence 2015
Friends of the Earth (HK)	Earth Partner — Mars 2014/15
Food Grace Food Recycling Scheme	Food Grace Outstanding Partnership 2014–2015
Green Council	Hong Kong Green Award 2015 — Sustained Performance 6+
RoadShow	Best Loved Brands Awards (Environmental Service)
The Hong Kong Council of Social Service	Caring Company 2015 — Baguio Cleaning Services Company Limited
	Caring Company 2015 — Baguio Landscaping Services Limited
	Caring Company 2015 — Baguio Pest Management Limited
	Caring Company 2015 — Baguio Waste Management and Recycling Limited
	Caring Company 2015 — Tak Tai Enviroscape Limited
	Caring Employer 2015
World Green Organization	Goals — Green Office Awards Labelling Scheme
Health and Safety	
Green Council	Hong Kong Green Award 2015 — Environmental, Health and Safety Award (Corporate) Silver
The CLP Group	In Appreciation of Team Participation — CLP Power Safety, Health and Environment Quiz 2015 Contractor Stream Competition
The CLP Group	North Region Contractor One Year Disabling Injury Incident Free Record The Safety Performance Award
The Hongkong Electric Company Limited	Transmission & Distribution Division — Good Environmental, Health and Safety Performance Award — Other Contractor
Socio-Economic Contribution	
Junior Chamber International Hong Kong	Better World Company Logo
Employer of Choice	
Employee Retraining Board	ERB Merit Award for Employers
Hong Kong Chamber of Small and Medium Business	Partner Employer Award
Hong Kong Sheng Kung Hui Welfare Council & ERB	Certificate of Appreciation — Employment & Program Promotion for Job Fair 2015
The Hong Kong Society for the Aged	Certificate of Appreciation — 傲齡動力就業博覽會
Hong Kong Rehabilitation Power & Redford Charitable Foundation	Certificate of Appreciation — Rehab Power Day 2015
Selective Placement Division, Labour Department	Certificate of Appreciation — Work Orientation and Placement Scheme

MEMBERSHIPS AND CHARTERS

The Group is actively involved in a number of external initiatives and charters promoting sustainable development in economic, environmental and social aspects. We are a corporate member of the industry associations, NGOs, and chambers listed below. Details of the charters and associations are available on their respective websites.

- Business Environment Council
- The Chamber of Hong Kong Listed Companies
- Environmental Contractors Management Association
- Federation of Hong Kong Industries
- Hong Kong Environmental Industry Association
- Hong Kong Green Purchasing Charter
- Hong Kong Greening Contractors Association
- Hong Kong Pest Management Association
- Hong Kong Recycle Materials & Reproduction Business General Association Limited
- Hong Kong Waste Disposal Industry Association
- Hong Kong Waste Management Association
- National Pest Management Association
- Occupational Safety & Health Council — Green Cross Group
- Pest Control Personnel Association of Hong Kong

CORPORATE GOVERNANCE

Baguio is committed to sound corporate governance practices. The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Group's shareholders and to enhance corporate value and accountability. For the period ended 31 December 2015, the Group has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Board currently comprises a total of nine members, with six executive directors, and three independent non-executive directors. For full details of all the Board committees, including various responsibilities, please refer to our Corporate Governance Report from page 25.

OUR SUSTAINABILITY APPROACH

The Group's vision is to be Hong Kong's most successful integrated environmental services company. We believe maintaining a "Clean & Green" environment is a prerequisite for quality living and is an essential part of community engagement. At Baguio, our ESG functions are managed by various departments and committees, including the Safety, Health, Environment and Quality (SHEQ) Department and the Corporate Social Responsibility (CSR) working group. All of which report to our CEO, who oversees ESG matters.

The Group's key stakeholders include customers, employees, shareholders, the government and the communities in which we serve. Baguio's services are generally provided at our clients' locations, and are often an integral part of our clients' sustainability integration, for example, cleaning, waste management, recycling, and landscaping. Therefore, our approach to sustainability begins with the Group's service offerings and solutions.

In 2015, we identified the material aspects which are highlighted throughout this report. The parameters of our report have been established based on an assessment of the issues that are of greatest relevance to our business strategy, aligning with our sustainability approach to address some of the most pressing challenges in Hong Kong through our own operations and the solutions we provide to our customers.

ENVIRONMENT

The Group is committed to continually improving its environmental performance and to minimize or eliminate the environmental impact of its operations, activities, products, and services. In 2015, the Group complied with applicable environmental laws and regulations. Since 2004, our environmental management system has been certified to comply with the requirements of ISO 14001. Environment policies are reviewed regularly by the SHEQ department.

Cleaning services constitute over 74.4% of our business, and the use of vehicles is our primary direct impact to the environment. When we clean, the Group also exerts an impact on the environment through the use of chemicals and consumption of energy and water. In 2015, we consumed over 438,000 kWh of electricity. We aim to reduce consumption through more targeted efforts by participating in an energy conservation programme. The Group's resources consumption, direct and indirect GHG emissions from 2015 are listed in the below tables:

Resources Consumption	Unit	
Electricity consumption	kWh	438,039.0
Fuel usage	'000 litres	2,910.2
Water consumption	m^3	3,207.9
Paper consumption	ream (A4)	5,612.0

Carbon Emissions	Unit	
Direct (Scope 1) emissions	tCO_2e	7,594.8
Indirect (Scope 2) emissions	tCO_2e	276.0

While the Group strives to minimize our water usage in the delivery of services, our water usage is primarily under the client's control. Additionally, as our service delivery occurs at our clients' locations we do not have the ability to measure our usage separately from the client's total. In 2015, our own water usage was 3,207.9m^3.

FLEET MANAGEMENT

As of 31 December 2015, our fleet size is over 300 vehicles, all of which are installed with GPS which enables us to monitor mileage and fuel usage, improving operational efficiency and thus lowering carbon emissions.

The target for work sites is to increase the reuse and recycling of worn down parts and materials. Overall, the results are satisfactory. All of the staff are committed and willing to reuse and recycle worn down parts and materials as much as possible.

We are committed to using recycled tyres for rear lorry wheels whenever possible. For safety's sake and as a statutory requirement, the front tyres of lorries are regularly replaced.

EFFICIENT USE OF RESOURCES

During 2015, we implemented the use of environmentally friendly lights for newly installed lighting. The environmental objective and target is to use environmentally friendly lights for at least 50% of the total lighting in our operations.

To improve our environmental management practices and measures to reduce the use of resources, minimize waste and increase recycling, we encourage our employees to adopt environmentally responsible habits, and continue to use bio-degradable plastic bags instead of traditional plastic bags. Internal training and on-site briefings are organized to promote environmental awareness among staff. Overall, the "use less" concept is still being promoted throughout all work sites. The procurement department is encouraged to source environmental friendly cleaning agents for operational use. The target is for bio-degradable plastic bags to make up at least 50% of the total plastic bags purchased.

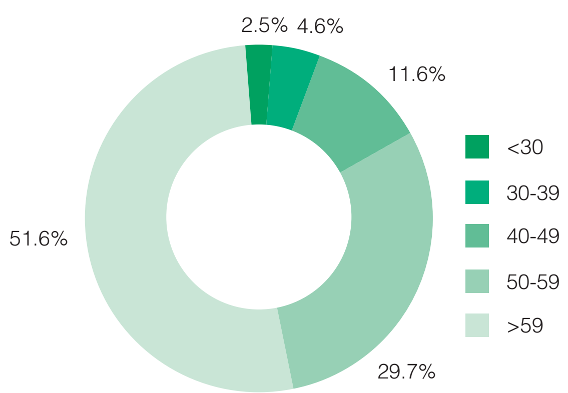
In addition, we continue to reduce total paper consumption by keeping an electronic copy of tender documents rather than a hard copy. Using recycled paper and making use of both sides is being encouraged. In order to ensure the continual awareness of such objectives and targets, relevant environmental awareness messages are continuously promoted to all levels of staff. In 2015, the Group joined Green Office Awards Labelling Scheme (GOALS) organized by the World Green Organisation, implementing straight-forward green best practices in the office to save resources, reduce waste and adopt green procurement practices.

WORKPLACE

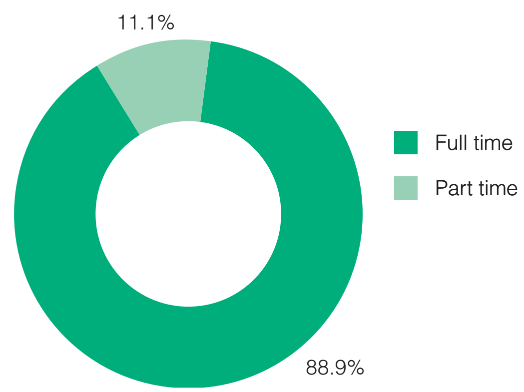
Our people continue to be the driving force behind everything we do at the Group. We are committed to workplace practices that are based on equal opportunities for all colleagues, irrespective of age, gender, race, colour, sexual orientation, disability or marital status. The Group's policy is to recruit, appoint and promote on merit. During the year, we had no reported incidents of non-compliance with regulations concerning employment.

As at the end of 2015, the Group employed over 8,000 colleagues. Robust team spirit and cooperation have become a characteristic of The Group's professional work team. Recognising employees' contributions, we offer a comprehensive benefits package to meet the diverse needs of our employees.

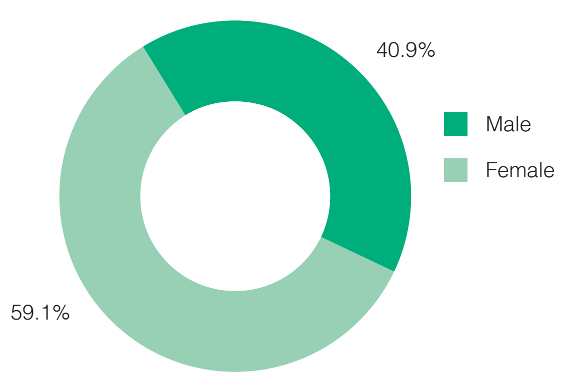
Age Profile



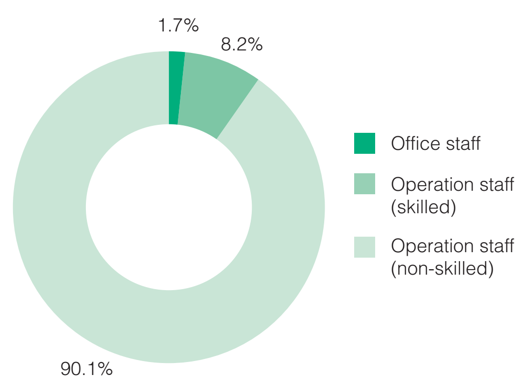
Employee Profile



Gender Profile

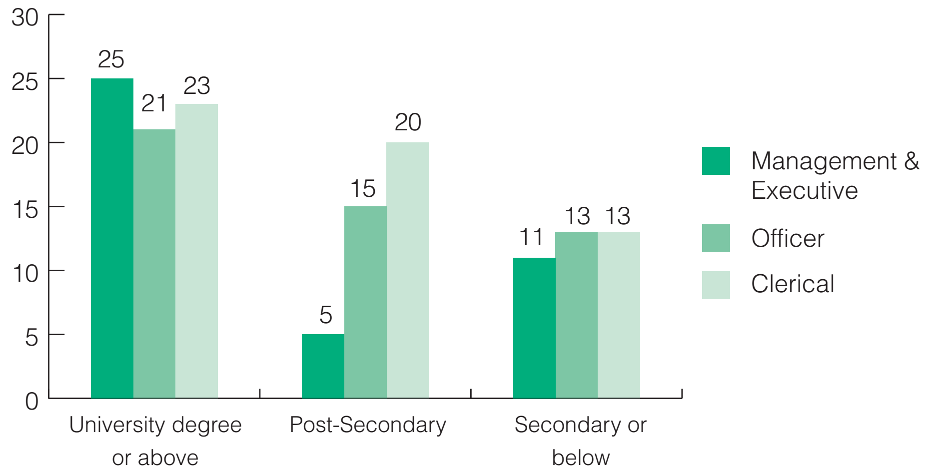


Workforce Profile



On joining the Group, all employees are advised to study thoroughly the Group's expectations regarding their duties and integrity as spelt out in the staff handbook. The handbook sets out non-discrimination and anti-harassment guidelines as well as guiding principles to do what is right, behave with integrity and honesty and treat other colleagues fairly, respect diversity and observe legal regulations, accept accountability, and communicate appropriately. During the year, we established a Speak Up policy which allows employees to raise concerns about suspected misconduct, malpractice or impropriety. General workplace grievances and complaints should be raised to direct supervisors or the human resources department.

Office Staff Education Background



The Group strives to maintain good labour management relations by caring about employees' welfare and satisfaction and strengthening team collaboration. Baguio Fun Club was set up to organize staff recreational activities, aiming to encourage work-life balance and raise team spirit.

Annual Dinner

Christmas Party

Riddle Quizzes on Lantern Festival

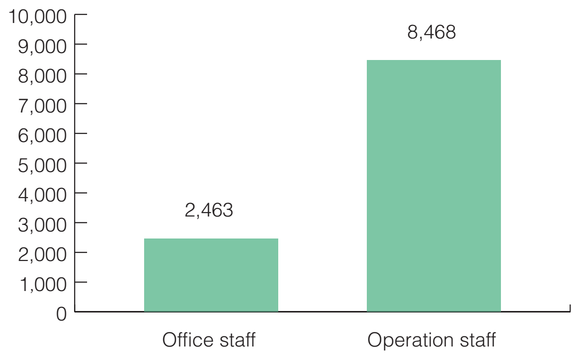
Birthday Party

TRAINING AND DEVELOPMENT

The Group encourages its staff to advance and improve themselves by pursuing further studies and regularly sends them to attend training courses such as safety training, first aids training, management certificate studies, and top-up courses for specialized skills. We require our staff to familiarize themselves with our most updated guidelines and remind them from time to time when they need to renew their relevant qualifications, certifications or licenses.

In 2015, other than on sites training, our employees received nearly 11,000 hours of training. Subjects included health and safety, technical training, management, language training, leadership and supervisory, and information technology. Training sessions on non-discrimination and anti-corruption were also organised to further strengthen corporate governance practices. We solicit feedback and recommendations from participants on training programmes to improve the quality and effectiveness of training.

Total Training Hours



HEALTH AND SAFETY

The Group is committed to keeping its employees safe, and its customers free of the impacts of health and safety risks. The primary focus areas are those where the potential impact is regarded to be greater, including workplace transport, working at height, occupational road risk, and machinery safety.

The Group's SHEQ department is responsible for formulating the Integrated Management System (IMS) policy and ensuring the level of safety performance complies with statutory requirements, OHSAS 18001, contractual obligations and Company commitment.

We have in place a set of Occupational Health & Safety and Environmental Guidelines, aiming to reduce the chance of accidents, help our staff understand the general risks that may be encountered at work and highlight the issues of particular importance. We require our staff to understand and follow our code of practice on workplace safety, for example, a guideline on handling chemicals, preventive measures when handling biological hazards, and use of protective gear. One of the measures the Group use to track safety performance is the lost time injury frequency rate (LTIFR) which shows the total number of lost time injuries per 100,000 hours worked. In 2015, the Group recorded a LTIFR of 1.59.

SAFETY CULTURE AND AWARENESS

Treating our employees as family members, we are committed to enhancing health and safety awareness. Once they join us, they are required to attend SHEQ induction training. Most of the frontline employees receive general safety training as well as specialized safety training as warranted by their assigned duties. Training programmes for all employees pertaining to occupational health and safety awareness are planned and conducted.

Going one step further, we make use of visual aids and diagrams to demonstrate our safety rules in consideration of some of our staff's limited educational background. To address the challenge of the different languages our employees speak, we have catered to them by translating the safety rules into various native languages. Updates on health and safety issues are distributed by SHEQ on a regular basis.

The Group has a designated personal protection guideline to enhance health and safety. All site personnel are issued with appropriate safety gear and workers are trained on the proper use and maintenance of the equipment. The supervisor is responsible for ensuring workers inspect their own personal protective equipment (PPE) before each shift and immediately replacing damaged safety equipment. In the hierarchy of control measures, PPE should always be regarded as the last resort to preventing workplace incidents. However, in some circumstances, PPE is needed adequately to control risk. Also, safety supervisors conduct regular safety inspection to observe staff's working behavior, aiming to identify mistakes and explain the importance of good practices.

Incident Prevention

To enhance the emergency preparedness plan, we conduct emergency drill regularly. Regular worksite safety inspections are designed to identify potential hazards and evaluate compliance requirements. In case of emergencies such as material waste spillage, Baguio's emergency response team will be contacted who has received regular training on emergency response.

SUPPLY CHAIN MANAGEMENT

Our suppliers fall into several categories. These include suppliers for internal operations such as office supplies, information technology, communications, and utilities, suppliers for products used in our services such as cleaning chemicals, cleaning equipment, paper and plastic liner products, fleet vehicles, landscaping materials, and finally, suppliers for external marketing and communications. Employees dealing with suppliers and contractors are required to declare any conflict of interest, and communications channels are in place so that any concerns about suspected misconduct, malpractice or impropriety can be raised confidently.

The Group's supply chain policy requires suppliers and sub-contractors to ensure compliance with all applicable environmental regulations. It states our intent to minimize the environmental impact of our activities whilst maintaining the principle of cost-effectiveness. Sub-contractors and suppliers are appointed from the Approved List which is reviewed annually. Remaining on the Approved List of suppliers is subject to performance, including product quality and environmental commitment.

During the year, we signed the Green Purchasing Charter with Green Council and adopted a green procurement policy, ensuring our activities produce less impact on the environment, enhancing our operational efficiency and at the same time improving the quality of our environment with the goal of a clean and green community. We select products that attain certified ecological labels such as Energy Star, Green Seal, and are made with recycled and recyclable materials, use minimal packaging, and the neutral chemicals.

In our frontline operations, we focus on environmentally friendly products and materials such as products with recycled materials like FSC paper and recycled plastics. Reusable and non-toxic products such as chemicals and water-based solvents are used for our environmental services. When purchasing a large quantity of products, we adhere to the principle of waste reduction, and avoid bulky, decorative, or otherwise wasteful packing. At the head office, the administration department promotes energy-saving, water-saving and carbon emission reduction by using environmentally-friendly products such as T5 light bulbs.

COMMUNITY

The Group believes CSR is the backbone of the core corporate values that we strive for. To this end our CSR working group not only to encourages employees to take part in programmes supporting environmental protection and volunteer work, but also arouses public awareness towards waste management issues.

The Group has devoted time and effort to give back to the Hong Kong community. Going beyond corporate philanthropy, we support community investment by encouraging our employees to participate in volunteer work and establishing partnerships with NGOs. For five consecutive years we have been named as a Caring Company by The Hong Kong Council of Social Service in recognition of our contributions to support community building, environmental conservation activities, and people development.

HOW WE GIVE BACK

We believe that in order to be a good business leader, we must also be a good community leader. We support many different programs and initiatives that help fuel the social and economic vitality of various community sectors. Below are a table summarizing the CSR activities and some examples of how the Group employees have given back to their various communities over the course of 2015.

Activity	Volunteering hours
Red Pocket Reuse & Recycle Program — Greener Action	8
WEEE Go Green Home Visit — St. James Settlement	60
Support Hong Kong Green Building Council (HKGBC) "Forum on Green Initiatives for Catering Industry 2015" Symposium	4
Farm Visit Fun Day — Hong Kong Children and Youth Services	120
Support and Join "Hong Kong Green Day 2015" organized by "Hong Kong Green Council"	8
Join the soap recycling voluntary activity organized by Clean the World	56
Total	**256 hours**

Living the country life

We brought a group of under-privileged kids to have a taste of living a country life, including farming, ecological tour, making bread, etc.

Electrical Appliances for the Elderly

Caring for the elderly is one of the biggest social issues in the Hong Kong community. In March, 16 Baguio volunteers participated in a program called “Electrical Appliances for the Elderly”, an event organized by St James’ Settlement to care for elderly living in poverty. Baguio delivered gift packs and household electrical appliances.

Soap Recycling organized by Clean the World

Bringing our recycling concept to life, our volunteers joined the soap recycling activity organized by Clean the World. Clean the World is a social enterprise which recycles used soap from hotel groups and distributes sanitized soap to the third world. Baguio volunteers participated in the entire process of classifying, cleaning, labelling and packaging.

ESG CONTENT INDEX

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**Environment**
KPI A1.1	The types of emissions and respective emissions data.	**Environment**
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Environment**
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group will start measure the volume produced in 2016.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The volume is considered to be immaterial due to our office-based operation.
KPI A1.5	Description of measures to mitigate emissions and results achieved	Efficient Use of Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Used motor oil has been handled by authorized service provider.
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials .	The Group is optimizing the related policy and will report in 2016.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility)	**Environment**
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**Environment**
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	**Efficient Use of Resources**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our water usage is primarily under the client’s control.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers’ significant impact on the environment and natural resources.	**Environment**
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Environment**

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B1	**Working conditions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**Workplace**
KPI B1.1	Total workforce by employment type, age group and geographical region.	**Workplace**
KPI B1.2	Employee turnover rate by age group and geographical region.	The Group will report the figure in 2016.
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**Health and Safety**
KPI B2.1	Fatality number and rate.	**Health and Safety**
KPI B2.2	Lost days due to work injury.	LTIFR was recorded at 1.59
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	**Health and Safety**
Aspect B3	**Development and training**	
General disclosure	Policies on improving employee's knowledge and skills for discharging duties at work. Description of training activities.	**Training and development**
KPI B3.1	Description of training activities provided and if relevant, the percentage of employees trained by employee category (e.g. senior management, middle management etc.).	**Training and development**
KPI B3.2	The average training hours completed per employee by employee category.	**Training and development**
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	The Group complies with all applicable laws and regulations in 2015
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	N/A
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain	**Supply chain management**
KPI B5.1	Number of suppliers by geographical region.	A majority of suppliers is from Hong Kong.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	**Supply chain management**
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The Group complies with all applicable laws and regulations in 2015.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	None during the reporting period.
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No significant complaints relating to health and safety during the year.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures	The Group values customer satisfactory. More disclosure will be provided in future reports.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	The Group adopts stringent security control on data protection.
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	The policy is stated clearly in the staff handbook. In 2015, the Group organized a series of seminars together with ICAC to promote the awareness of anti-corruption.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	None during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	The Group maintains a Speak Up Policy.
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Community**
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	**Community**
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	**Community**

HLB 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAGUIO GREEN GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Baguio Green Group Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 49 to 105, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Revenue	*9*	**1,224,887**	1,028,711
Cost of services		**(1,129,974)**	(930,491)
Gross profit		**94,913**	98,220
Other income	*10*	**4,646**	3,507
Change in fair value less costs to sell of biological assets	*24*	**948**	50
Listing expenses		**–**	(13,202)
Selling and marketing expenses		**(2,458)**	(1,701)
Administrative expenses		**(61,766)**	(53,490)
Profit from operations		**36,283**	33,384
Finance costs	*11*	**(7,552)**	(8,372)
Profit before taxation	*12*	**28,731**	25,012
Income tax expenses	*13*	**(4,645)**	(7,331)
Profit for the year attributable to owners of the Company		**24,086**	17,681
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets	*19*	**402**	337
Total other comprehensive income for the year		**402**	337
Total comprehensive income for the year attributable to owners of the Company		**24,488**	18,018
Earnings per share			
Basic and diluted (HK$)	*15*	**0.06**	0.05

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**161,734**	171,777
Available-for-sale financial assets	19	**12,941**	12,539
Pledged bank deposit	20	**5,137**	7,237
		179,812	191,553
Current assets			
Inventories	21	**4,955**	3,669
Trade receivables	22	**269,620**	244,795
Prepayments, deposits and other receivables	23	**13,147**	14,518
Biological assets	24	**6,820**	463
Tax recoverable		**20**	1,184
Cash and cash equivalents	25	**90,346**	61,365
		384,908	325,994
Current liabilities			
Trade payables	26	**23,654**	16,964
Accruals, deposits received and other payables	27	**120,810**	105,479
Bank borrowings	28	**126,177**	109,741
Obligations under finance leases	29	**23,726**	24,183
Tax payable		**2,017**	939
		296,384	257,306
Net current assets		**88,524**	68,688
Total assets less current liabilities		**268,336**	260,241
Non-current liabilities			
Bank borrowings	28	**9,204**	6,609
Obligations under finance leases	29	**42,440**	55,820
Deferred tax liabilities	30	**9,688**	10,111
		61,332	72,540
Net assets		**207,004**	187,701
Capital and reserves			
Share capital	31	**4,150**	4,150
Reserves	32	**202,854**	183,551
Total equity		**207,004**	187,701

Approved by the Board of Directors on 30 March 2016 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2014	18,330	–	–	(1,477)	–	79,830	96,683
Profit for the year	–	–	–	–	–	17,681	17,681
Other comprehensive income for the year	–	–	–	337	–	–	337
Total comprehensive income for the year	–	–	–	337	–	17,681	18,018
Dividend paid *(Note 14)*	–	–	–	–	–	(32,000)	(32,000)
Effect of reorganisation *(Note (a))*	(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	–	(9,000)	–	–	–	–	(9,000)
At 31 December 2014	4,150	100,850	18,330	(1,140)	–	65,511	187,701
At 1 January 2015	**4,150**	**100,850**	**18,330**	**(1,140)**	**–**	**65,511**	**187,701**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**24,086**	**24,086**
Other comprehensive income for the year	**–**	**–**	**–**	**402**	**–**	**–**	**402**
Total comprehensive income for the year	**–**	**–**	**–**	**402**	**–**	**24,086**	**24,488**
Dividend paid *(Note 14)*	**–**	**–**	**–**	**–**	**–**	**(5,395)**	**(5,395)**
Equity-settled share-based payments	**–**	**–**	**–**	**–**	**210**	**–**	**210**
At 31 December 2015	**4,150**	**100,850**	**18,330**	**(738)**	**210**	**84,202**	**207,004**

Note:

(a) Effect of reorganisation represented the difference between the nominal amount of shares issued by the Company under the group reorganisation in preparation of the global offering and the aggregate amount of share capital of the Company and its subsidiaries acquired under common control pursuant to the reorganisation.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Profit before taxation		**28,731**	25,012
Adjustments for:			
Depreciation on property, plant and equipment	*17*	**24,561**	18,982
Loss on disposal of property, plant and equipment	*12*	**1,409**	191
Equity-settled share-based payments		**210**	–
Change in fair value less costs to sell of biological assets		**948**	50
Impairment losses recognised on trade receivables		**–**	101
Interest income		**(10)**	(11)
Finance costs		**7,552**	8,372
Operating loss before movements in working capital		**63,401**	52,697
(Increase)/decrease in inventories		**(1,286)**	73
Increase in biological assets		**(7,305)**	(85)
Increase in trade receivables		**(24,825)**	(50,706)
Decrease/(increase) in prepayments, deposits and other receivables		**1,371**	(3,353)
Increase in trade payables		**6,690**	501
Increase in accruals, deposits received and other payables		**15,331**	28,438
Cash generated from operations		**53,377**	27,565
Income tax paid		**(2,826)**	(6,902)
Net cash generated from operating activities		**50,551**	20,663
Investing activities			
Interest received		**10**	11
Decrease/(increase) in pledged bank deposit		**2,100**	(7,100)
Proceeds from disposal of property, plant and equipment		**12,573**	2,828
Purchase of property, plant and equipment		**(10,763)**	(24,757)
Net cash generated from/(used in) investing activities		**3,920**	(29,018)
Financing activities			
Proceeds from new bank borrowings		**802,040**	801,023
Repayments of bank borrowings		**(783,009)**	(806,180)
Interest paid		**(4,776)**	(5,523)
Dividend paid		**(5,395)**	(32,000)
Proceeds from listing		**–**	105,000
Interest element of finance leases payments		**(2,776)**	(2,849)
Repayment of obligations under finance leases		**(31,574)**	(26,242)
Net cash (used in)/generated from financing activities		**(25,490)**	33,229
Net increase in cash and cash equivalents		**28,981**	24,874
Cash and cash equivalents at the beginning of the year		**61,365**	36,491
Cash and cash equivalents at the end of the year	*25*	**90,346**	61,365
Analysis of the balances of the cash and cash equivalents			
Cash and bank balances		**90,346**	61,365

The accompanying notes form an integral part of these 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, No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

The Company had its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

2. REORGANISATION

In the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange on 22 May 2014 ("Listing"), the Group underwent series of corporate reorganisation ("Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(i) Incorporation of our Company

On 8 November 2013, the Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK$100,000 divided into 10,000,000 Shares of HK$0.01 each. On 8 November 2013, one Share was allotted and issued to Sharon Pierson as the initial subscriber, which was transferred to Mr. Ng Wing Hong on the same date. On 9 April 2014, Mr. Ng Wing Hong transferred the initial subscriber Share to Baguio Green Holding (BVI) for nominal consideration.

(ii) Incorporation of Baguio (Holding) Limited ("Baguio Holding (BVI)")

On 22 November 2013, Baguio Holding (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to the Company as the initial subscriber.

(iii) Incorporation of Baguio Cleaning Services Company (Holding) Limited ("Baguio Cleaning (BVI)")

On 22 November 2013, Baguio Cleaning (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued for cash at par to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(iv) Incorporation of Baguio Pest Management (Holding) Limited ("Baguio Pest (BVI)")

On 22 November 2013, Baguio Pest (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(v) Incorporation of Baguio Waste Management & Recycling (Holding) Limited ("Baguio Waste (BVI)")

On 22 November 2013, Baguio Waste (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

2. REORGANISATION *(Continued)*

(vi) Incorporation of Tak Tai Enviroscape (Holding) Limited ("Tak Tai (BVI)")

On 22 November 2013, Tak Tai (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vii) Incorporation of Baguio Landscaping Services (Holding) Limited ("Baguio Landscaping (BVI)")

On 22 November 2013, Baguio Landscaping (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(viii) Incorporation of Baguio Green (Holding) Limited ("Baguio Green Holding (BVI)")

On 22 November 2013, Baguio Green Holding (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 Shares of a single class with a par value of US$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber.

(ix) Transfer of our Company to Baguio Green Holding (BVI)

On 9 April 2014, Mr. Ng Wing Hong transferred his entire issued share capital of our Company to Baguio Green Holding (BVI) for nominal consideration.

(x) Transfer of Baguio Green Technology Limited ("Baguio Green Technology") to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Holding (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Baguio Green Technology to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Baguio Green Technology has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xi) Transfer of Baguio Cleaning Services Company Limited ("Baguio Cleaning") to Baguio Cleaning (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong, Baguio Group Limited and Baguio Cleaning (BVI), Mr. Ng Wing Hong and Baguio Group Limited transferred 7,000,000 shares and 3,000,000 shares in Baguio Cleaning respectively, representing the entire issued share capital of Baguio Cleaning, to Baguio Cleaning (BVI) for nominal consideration. Upon completion of the transfer, Baguio Cleaning has become a wholly-owned subsidiary of Baguio Cleaning (BVI).

(xii) Transfer of Baguio Landscaping Services Limited ("Baguio Landscaping") to Baguio Landscaping (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong, Baguio Cleaning and Baguio Landscaping (BVI), Mr. Ng Wing Hong and Baguio Cleaning transferred 2 shares and 1,999,998 shares in Baguio Landscaping respectively, representing the entire issued share capital of Baguio Landscaping, to Baguio Landscaping (BVI) for nominal consideration. Upon completion of the transfer, Baguio Landscaping has become a wholly-owned subsidiary of Baguio Landscaping (BVI).

(xiii) Transfer of Baguio Pest Management Limited ("Baguio Pest") to Baguio Pest (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Pest (BVI), Mr. Ng transferred his entire issued share capital of Baguio Pest to Baguio Pest (BVI) for nominal consideration. Upon completion of the transfer, Baguio Pest has become a wholly-owned subsidiary of Baguio Pest (BVI).

2. REORGANISATION *(Continued)*

(xiv) Transfer of Baguio Waste Management & Recycling Limited ("Baguio Waste") to Baguio Waste (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Waste (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Baguio Waste to Baguio Waste (BVI) for nominal consideration. Upon completion of the transfer, Baguio Waste has become a wholly-owned subsidiary of Baguio Waste (BVI).

(xv) Transfer of Modern Automobile Company Limited ("Modern Automobile") to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Holding (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Modern Automobile to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Modern Automobile has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xvi) Transfer of Tak Tai Enviroscape Limited ("Tak Tai") to Tak Tai (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between World Creation Enterprises Limited ("World Creation"), Composil (Hong Kong) Limited ("Composil") and Tak Tai (BVI), World Creation and Composil transferred 607,500 shares and 202,500 shares in Tak Tai respectively, representing the entire issued share capital of Tak Tai, to Tak Tai (BVI) for nominal consideration. Upon completion of the transfer, Tak Tai has become a wholly-owned subsidiary of Tak Tai (BVI).

(xvii) Transfer of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai(BVI)and Baguio Landscaping (BVI) to Baguio Holding (BVI)

On 24 April 2014, pursuant to a reorganisation agreement entered into between our Company and Mr. Ng Wing Hong, Mr. Ng Wing Hong transferred the entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares by our Company to Baguio Green Holding (BVI) credited as fully paid. Upon completion of the transfer, Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) have become wholly-owned subsidiaries of Baguio Holding (BVI).

Upon the completion of Reorganisation on 24 April 2014, the Company became the holding company of the companies now comprising the Group.

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the Group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of Hong Kong Accounting Standard ("HKAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices include within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

— the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

— potential voting rights held by the Group, other vote holders or other parties;

— rights arising from other contractual arrangements; and

— any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Merger accounting for common control combination

The consolidated financial statements incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discount.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Services income are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

(i) Retirement benefit costs

The Group's contribution to the defined contribution retirement benefit plans are charged to consolidated statement of profit or loss and other comprehensive income in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(ii) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(i) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

(k) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance and overhaul costs, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives for each class of property, plant and equipment applied during the years are as follows:

Leasehold properties	Over the shorter of term of lease or 50 years
Motor vehicles	1 to 10 years
Machinery and equipment	1 to 10 years
Office furniture and equipment	1 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(l) Impairment of tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of tangible assets other than goodwill *(Continued)*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

(m) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost represents the invoiced cost of inventories. Cost is assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

(n) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When the cost of services fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that are not recognised because they are not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into the following two categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity instruments by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 19. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see above), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in consolidated statements of profit or loss and other comprehensive income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale assets revaluation reserve is reclassified to consolidated statements of profit or loss and other comprehensive income.

Dividends on AFS financial assets are recognised in consolidated statement of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of each reporting period. The foreign exchange gains and losses that are recognised in consolidated statement of profit or loss and other comprehensive income are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses for the years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, deposits, other receivables, pledged bank deposit and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including trade payables, deposits received and other payables, obligations under finance leases, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debit instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

— the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets; and

— the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(p) Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statements of profit or loss and other comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statement, are identified from the financial information provided regularly to the Group's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(r) Related parties

(i) A person, or close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) the entity and the Group are members of the same group (which means that each parent, subsidiary and follow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) both entities are joint ventures of the same third party.

(4) one entity is a joint venture of a third party and the other entity is an associate of the third entity.

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) the entity is controlled or jointly controlled by a person identified in (i).

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence by that person in their dealings with the entity.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

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

The adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position.

The nature and impact of each amendment is described below.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plan.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

The Group has applied the amendments to HKFRSs included in the Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of HKFRS 8 Operation Segments. The Group has several operating segments and made the required disclosures in accordance with the amendments in Note 6. The application of these amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations[3]
HKAS 1 (Amendments)	Disclosure Initiative[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

The directors anticipate that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

— At cost;

— In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or

— Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures

The accounting option must be applied by category of investments.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 27 Equity Method in Separate Financial Statements *(Continued)*

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment losses in respect of trade receivables

The policy for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

(c) Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

(d) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(e) Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The management and independent firms of qualified valuer review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Note 24.

6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

— Cleaning services business

— Landscaping services business

— Pest management business

— Waste management and recycling business

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Total HK$'000
Year ended 31 December 2015					
Segment revenue	**911,062**	**144,080**	**80,896**	**88,849**	**1,224,887**
Segment results	**53,026**	**24,513**	**5,178**	**9,738**	**92,455**
Other income					**4,646**
Change in fair value less costs to sell of biological assets	**–**	**948**	**–**	**–**	**948**
Central administrative costs					**(61,766)**
Finance costs					**(7,552)**
Profit before taxation					**28,731**

	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
Year ended 31 December 2014					
Segment revenue	734,592	143,555	84,210	66,354	1,028,711
Segment results	58,407	24,683	6,720	6,709	96,519
Other income					3,507
Change in fair value less costs to sell of biological assets	–	50	–	–	50
Listing expense					(13,202)
Central administrative costs					(53,490)
Finance costs					(8,372)
Profit before taxation					25,012

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administrative costs including directors' emoluments, other income, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The segment assets and liabilities at the end of the reporting period by reportable segments are as follows:

	Cleaning services business 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 2015					
Segment assets	**324,921**	**60,013**	**58,183**	**97,147**	**540,264**
Unallocated					**24,456**
Total assets					**564,720**
Segment liabilities	**239,516**	**30,305**	**36,991**	**48,125**	**354,937**
Unallocated					**2,779**
Total liabilities					**357,716**

	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					
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

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than available-for-sale financial assets, leasehold properties and other assets for corporate use.

— all liabilities are allocated to reportable segments other than bank borrowings, deferred tax liabilities and other liabilities for corporate use.

Other segment information

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2015						
Additions to non-current assets	**13,111**	**933**	**202**	**14,040**	**214**	**28,500**
Depreciation of property, plant and equipment	**11,016**	**1,016**	**3,104**	**9,326**	**99**	**24,561**
Loss on disposal of property, plant and equipment	**747**	**362**	**16**	**282**	**2**	**1,409**

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2014						
Additions to non-current assets	28,700	1,955	4,269	23,732	68	58,724
Depreciation of property, plant and equipment	8,688	879	2,724	6,609	82	18,982
Gain/(loss) on disposal of property, plant and equipment	254	(307)	(171)	33	–	(191)
Impairment loss recognised on trade receivables	75	26	–	–	–	101

Geographical information

No geographical information is presented as all of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the years ended 31 December 2015 and 2014.

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

For the year ended 31 December 2015, approximately HK$837,765,000 (2014: HK$753,083,000) of the Group's revenue was arising from various segments by two customers (2014: two). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2015 (2014: Nil).

Revenue from major customers amounted to 10% or more of the Group's revenue, are set out below:

	2015 HK$'000	2014 HK$'000
Customer A	**452,516**	400,145
Customer B	**385,249**	352,938
	837,765	753,083

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Available-for-sale financial assets	**12,941**	12,539
Loans and receivables		
— Pledged bank deposit	**5,137**	7,237
— Trade receivables	**269,620**	244,795
— Deposits	**4,344**	3,392
— Other receivables	**3,317**	3,290
— Cash and bank balances	**90,346**	61,365

	2015 HK$'000	2014 HK$'000
Financial liabilities		
Amortised cost		
— Trade payables	**23,654**	16,694
— Deposits received and other payables	**941**	1,306
— Bank borrowings	**135,381**	116,350
— Obligations under finance leases	**66,166**	80,003

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

(i) Foreign currency risk

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section below. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Standard Bills Rate and Hong Kong Dollar Prime Lending Rate/Best Lending Rate arising from the Group's Hong Kong Dollar denominated borrowings. The exposures to the interest rate risk are monitored on an ongoing basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings and bank overdrafts. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by approximately HK$677,000 (2014: HK$582,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank overdrafts.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables. In order to minimise the credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is adequately managed and mitigated.

The Group had certain concentration of credit risk as 76% (2014: 79%) of the total trade receivables of the Group were due from 5 largest customers as at 31 December 2015. The Group's credit risk exposure is limited as the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis. In addition, the credit risks on liquid funds including bank deposit and bank balances is limited because the counterparties are banks with good reputation.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 December 2015, the Group had unutilised banking facilities of approximately HK$276,532,000 (2014: HK$281,315,000).

Specifically, for secured term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities are as follows:

	Effective interest rate %	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2015						
Trade payables	–	23,654	–	–	23,654	23,654
Deposits received and other payables	–	941	–	–	941	941
Obligations under finance leases	3.52	25,824	44,555	–	70,379	66,166
Bank borrowings	3.30	133,305	9,569	–	142,874	135,381
		183,724	54,124	–	237,848	226,142

	Effective interest rate %	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2014						
Trade payables	–	16,964	–	–	16,964	16,964
Deposits received and other payables	–	1,306	–	–	1,306	1,306
Obligations under finance leases	3.63	26,652	58,657	–	85,309	80,003
Bank borrowings	3.98	101,535	13,385	1,430	116,350	116,350
		146,457	72,042	1,430	219,929	214,623

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and trade in active markets are determined with reference to quoted market bid and ask prices respectively.

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statement approximate to their fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	As at 31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale financial assets				
Unlisted equity investment	**–**	**–**	**12,941**	**12,941**

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Unlisted equity investment	–	–	12,539	12,539

There were no transfers between Levels 1, 2 and 3 during the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements

	2015 Unlisted equity investment HK$'000
Opening balance	**12,539**
Gains recognised in other comprehensive income	**402**
Closing balance	**12,941**

	2014 Unlisted equity investment HK$'000
Opening balance	12,202
Gains recognised in other comprehensive income	337
Closing balance	12,539

8. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders of the Group and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manage its capital structure to maximise the returns to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain new bank borrowings and new bank overdrafts. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group mainly consists of debts, which include bank borrowings, bank overdrafts and obligations under finance leases, and equity attributable to owners of the Company, comprising issued share capital and reserves respectively. The Group considers the cost of capital and the risks associated with each class of capital to monitor its capital structure on the basis of a gearing ratio. This ratio is expressed by as a percentage of total borrowings over the total equity. The Group's overall strategy remains unchanged during the year.

8. CAPITAL RISK MANAGEMENT *(Continued)*

The gearing ratio at 31 December 2015 and 2014 were as follows:

	2015 HK$'000	2014 HK$'000
Total borrowings *(note (i))*	**201,547**	196,353
Total equity *(note (ii))*	**207,004**	187,701
Gearing ratio	**97%**	105%

Notes:

(i) Total borrowings included bank borrowings and obligations under finance leases are as detailed in Notes 28 and 29;

(ii) Total equity includes all share capital and reserves as at 31 December 2015 and 2014.

9. REVENUE

The principal activity of the Group is environmental and related service. The amount of each significant category of revenue recognised during the year is as follows:

	2015 HK$'000	2014 HK$'000
Cleaning services	**911,062**	734,592
Landscaping services	**144,080**	143,555
Pest management services	**80,896**	84,210
Waste management and recycling services	**88,849**	66,354
	1,224,887	1,028,711

10. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Government subsidies	**4,002**	2,265
Interest income	**10**	11
Sundry income	**634**	1,231
	4,646	3,507

11. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank overdrafts	**286**	246
Bank loans	**4,490**	5,277
Obligations under finance leases	**2,776**	2,849
	7,552	8,372

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2015 HK$'000	2014 HK$'000
Auditors' remuneration:		
audit service	**780**	800
other service	**160**	160
Depreciation of property, plant and equipment:		
Owned by the Group	**13,000**	7,844
Held under finance lease obligations	**11,561**	11,138
Loss on disposal of property, plant and equipment	**1,409**	191
Impairment losses recognised on trade receivables	**–**	101
Cost of consumable goods	**51,195**	46,909
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	**958,537**	780,253
Provision for long services payment	**1,878**	3,916
Provision for untaken paid leave	**10,509**	8,567
Retirement scheme contributions	**32,955**	28,216
Equity-settled share-based payments	**210**	–
	1,004,089	820,952
Operating lease rentals: minimum lease payments		
Hire of machinery and motor vehicles	**18,086**	13,649
Land and buildings	**4,264**	2,965
	22,350	16,614

13. INCOME TAX EXPENSES

The income tax expenses for the year represent Hong Kong Profits Tax which is calculated at 16.5% on the estimated assessable profit of the Group.

The income tax expenses comprise:

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong Profits Tax	**5,068**	4,174
Deferred tax:		
Current year (credit)/charge *(Note 30)*	**(423)**	3,157
	4,645	7,331

13. INCOME TAX EXPENSES *(Continued)*

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Profit before taxation	**28,731**	25,012
Notional tax on profit before taxation, calculated at Hong Kong Profits Tax rate at 16.5%	**4,741**	4,127
Tax effect of non-taxable income	**(882)**	(9)
Tax effect of non-deductible expenses	**616**	2,280
Tax effect of temporary difference not recognised	**250**	790
Tax loss not recognised	**–**	223
Tax reduction	**(80)**	(80)
	4,645	7,331

14. DIVIDENDS

A dividend in respect of the year ended 31 December 2015 of HK1.7 cents per share, amounting to a total dividend of HK$7,055,000, was recommended by the Board on 30 March 2016 and to be approved by the shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payables.

	2015 HK$'000	2014 HK$'000
Proposed final dividend of HK1.7 cents (2014: HK1.3 cents) per ordinary share	**7,055**	5,395
Dividend paid to shareholders	**5,395**	32,000
	12,450	37,395

On 30 March 2015, the Company proposed to declare final dividend of HK$5,395,000 to its shareholders for the year ended 31 December 2014. Such dividend has been fully paid in June 2015.

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.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2015 is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$24,086,000 (2014: HK$17,681,000) and the weighted average number of ordinary shares in issue of 415,000,000 (2014: 378,561,644).

During the year ended 31 December 2015, the Company's outstanding share options were not included in the calculation of diluted earnings per share because the effects of the Company's outstanding share options were anti-dilutive. And the diluted earnings per share were the same as the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2014 were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the year.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The emoluments paid or payable to each of the directors during the years ended 31 December 2015 and 2014 were as follows:

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Directors' quarter HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2015								
Executive directors:								
Mr. Ng Wing Hong (note (i) and (ii))	–	2,015	–	–	18	2,033	–	2,033
Ms. Ng Yuk Kwan Phyllis (note (i) and (iii))	–	1,393	576	400	209	2,578	12	2,590
Mr. Ng Wing Chuen (note (iv))	–	995	–	83	9	1,087	10	1,097
Ms. Leung Shuk Ping (note (iv))	–	907	–	200	18	1,125	9	1,134
Ms. Chan Shuk Kuen (note (iv))	–	871	–	150	18	1,039	9	1,048
Ms. Cheung Siu Chun (note (iv))	–	1,031	–	200	95	1,326	10	1,336
Independent non-executive directors:								
Mr. Sin Ho Chiu (note (v))	120	–	–	10	–	130	6	136
Dr. Law Ka Hung (note (v))	120	–	–	10	–	130	6	136
Mr. Lau Chi Yin Thomas (note (v))	120	–	–	10	–	130	6	136
	360	7,212	576	1,063	367	9,578	68	9,646

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Directors' emoluments *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Directors' quarter HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2014								
Executive directors:								
Mr. Ng Wing Hong *(notes (i) and (ii))*	–	1,850	–	–	17	1,867	–	1,867
Ms. Ng Yuk Kwan Phyllis *(notes (i) and (iii))*	–	1,318	576	1,700	232	3,826	–	3,826
Mr. Ng Wing Chuen *(note (iv))*	–	920	–	80	17	1,017	–	1,017
Ms. Leung Shuk Ping *(note (iv))*	–	859	–	250	17	1,126	–	1,126
Ms. Chan Shuk Kuen *(note (iv))*	–	824	–	230	17	1,071	–	1,071
Ms. Cheung Siu Chun *(note (iv))*	–	975	–	230	80	1,285	–	1,285
Independent non-executive directors:								
Mr. Sin Ho Chiu *(note (v))*	82	–	–	–	–	82	–	82
Dr. Law Ka Hung *(note (v))*	82	–	–	–	–	82	–	82
Mr. Lau Chi Yin Thomas *(note (v))*	82	–	–	–	–	82	–	82
	246	6,746	576	2,490	380	10,438	–	10,438

Notes:

(i) Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis have been appointed as executive directors of the Company on 23 January 2014.

(ii) Mr. Ng Wing Hong is also the Chairman of the Company since 23 January 2014.

(iii) Ms. Ng Yuk Kwan Phyllis is also the Chief Executive Officer of the Company since 23 January 2014.

(iv) Mr. Ng Wing Chuen, Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen and Ms. Cheung Siu Chun have been appointed as executive directors of the Company on 23 January 2014.

(v) Mr. Sin Ho Chiu, Dr. Law Ka Hung and Mr. Law Chi Yin Thomas have been appointed as independent non-executive directors of the Company on 24 April 2014.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Five highest paid employees

The five highest paid employees of the Group included 5 (2014: 5) directors for the year ended 31 December 2015. The emoluments of the five highest paid employees are analysed as follows:

	2015 HK$'000	2014 HK$'000
Directors	**8,190**	9,175
Non-director	**–**	–
	8,190	9,175

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	**Furniture and fixtures** HK$'000	**Equipment and machinery** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost					
As at 1 January 2014	21,403	12,262	14,484	146,937	195,086
Additions	–	4,099	11,149	43,476	58,724
Disposals	–	–	(98)	(8,281)	(8,379)
As at 31 December 2014 and 1 January 2015	**21,403**	**16,361**	**25,535**	**182,132**	**245,431**
Additions	**–**	**3,932**	**6,610**	**17,958**	**28,500**
Disposals	**–**	**(96)**	**(4,585)**	**(26,012)**	**(30,693)**
As at 31 December 2015	**21,403**	**20,197**	**27,560**	**174,078**	**243,238**
Accumulated depreciation					
As at 1 January 2014	2,571	8,831	8,944	39,686	60,032
Charge for the year	551	2,277	4,423	11,731	18,982
Disposals	–	–	(98)	(5,262)	(5,360)
As at 31 December 2014 and 1 January 2015	**3,122**	**11,108**	**13,269**	**46,155**	**73,654**
Charge for the year	**551**	**2,968**	**7,268**	**13,774**	**24,561**
Disposals	**–**	**(93)**	**(4,268)**	**(12,350)**	**(16,711)**
As at 31 December 2015	**3,673**	**13,983**	**16,269**	**47,579**	**81,504**
Carrying amounts					
As at 31 December 2015	**17,730**	**6,214**	**11,291**	**126,499**	**161,734**
As at 31 December 2014	18,281	5,253	12,266	135,977	171,777

The leasehold properties are situated on land in Hong Kong held under medium term leases.

As at 31 December 2015, the leasehold properties with carrying amount of approximately HK$17,730,000 (2014: approximately HK$18,281,000) were pledged for banking facilities granted to the Group.

As at 31 December 2015, the carrying amount of motor vehicles of the Group includes amounts of approximately HK$110,053,000 (2014: approximately HK$112,863,000) in respect of assets held under finance lease.

18. PARTICULARS OF SUBSIDIARIES

As at the date of this report, details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Paid up capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Directly held:					
Baguio Holding (BVI)	The British Virgin Islands ("BVI"), 22 November 2013	US$1	100%	–	Investment holding
Indirectly held:					
Baguio Cleaning (BVI)	BVI, 22 November 2013	US$1	–	100%	Investment holding
Baguio Pest (BVI)	BVI, 22 November 2013	US$1	–	100%	Investment holding
Baguio Waste (BVI)	BVI, 22 November 2013	US$1	–	100%	Investment holding
Tak Tai (BVI)	BVI, 22 November 2013	US$1	–	100%	Investment holding
Baguio Landscaping (BVI)	BVI, 22 November 2013	US$1	–	100%	Investment holding
Baguio CN Environment (Holding) Limited	BVI, 26 November 2015	US$1	–	100%	Investment holding
Baguio Cleaning	Hong Kong, 7 May 1982	HK$10,000,000	–	100%	Provision of cleaning services
Baguio Landscaping	Hong Kong, 10 January 1995	HK$2,000,000	–	100%	Provision of landscaping services
Baguio Pest	Hong Kong, 28 January 2005	HK$200,000	–	100%	Provision of pest management services
Baguio Waste	Hong Kong, 28 January 2008	HK$10,000	–	100%	Provision of waste management and recycling services
Tak Tai	Hong Kong, 21 August 1984	HK$8,100,000	–	100%	Provision of plant nursing, landscaping and related services
Modern Automobile	Hong Kong, 26 August 2004	HK$10,000	–	100%	Provision of automobile repair services
Baguio Green Technology	Hong Kong, 7 October 2011	HK$10,000	–	100%	Development and exploration of green technology products
Baguio CN Environment Limited	Hong Kong, 18 December 2015	HK$10,000	–	100%	Inactive
碧瑤綠色科技（深圳）有限公司	People's Republic of China ("PRC"), 10 November 2015	RMB1,000,000	–	100%	Development and exploration of environmental services

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Investments in life insurance, at fair value	**12,941**	12,539

Investments in life insurance represents investments in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no market price for such investments. The return of the investments will be based on the guarantee minimum return rate. As at 31 December 2015, the investments in life insurance with carrying values of approximately HK$12,941,000 (2014: HK$12,539,000) was pledged for banking facilities granted to the Group.

The fair values are determined based on the surrender value of the life insurance policies at the end of each reporting period.

The management of the Group has determined that no impairment was recognised in the consolidated statements of profit or loss and other comprehensive income for the year as the life insurance contracts are expected to generate positive income in the future.

During the year ended 31 December 2015, a fair value gain of approximately HK$402,000 (2014: HK$337,000) was recognised and credited to the other comprehensive income.

20. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to banks to secure long-term borrowings and are therefore classified as non-current asset.

The deposit carries interest rate at prevailing market rate. The pledged deposit will be released upon repayment of the relevant borrowings.

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Consumable goods	**4,955**	3,669

22. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**269,620**	244,795

The ageing analysis of trade receivables based on the invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Within 60 days	**231,343**	221,253
61 days to 120 days	**24,381**	15,467
121 days to 365 days	**13,702**	7,893
Over 365 days	**194**	182
	269,620	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 customers' creditworthiness and the length of business relationship.

Movement in the impairment loss of trade receivables is as follow:

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised on trade receivables	**–**	101
Amount written off as uncollectable	**–**	(101)
Balance at end of the year	**–**	–

22. TRADE RECEIVABLES *(Continued)*

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK$23,666,000 (2014: HK$19,573,000) as at 31 December 2015 which was past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
Within 365 days	**23,472**	19,459
Over 365 days	**194**	114
Total	**23,666**	19,573

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

The Group's bank borrowings consists of factoring loan and term loan amounted to approximately HK$98,092,000 (2014: HK$88,764,000) as at 31 December 2015 is secured by the trade receivables of the Group with carrying amount of approximately HK$113,167,000 (2014: HK$103,392,000) as at 31 December 2015.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**5,486**	7,836
Deposits *(note)*	**4,344**	3,392
Other receivables	**3,317**	3,290
Total	**13,147**	14,518

Note: The Group has entered into certain services contracts and deposited a sum of approximately HK$1,273,000 (2014: HK$1,151,000) as at 31 December 2015 as performance deposits. The performance deposits are interest-free and recoverable at the end of the service contract.

24. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Plant and flowers HK$'000
As at 1 January 2014	428
Increases due to purchases	51
Decreases due to usage in services	(66)
Change in fair value less costs to sell	50
As at 31 December 2014 and 1 January 2015	**463**
Increases due to purchases	**5,427**
Decreases due to usage in services	**(18)**
Change in fair value less costs to sell	**948**
As at 31 December 2015	**6,820**

The plants and flowers are primarily held for further growth for the usage in services and are classified as current assets.

The fair value of biological assets of the Group as at 31 December 2015 and 2014 has been arrived at the basis of a valuation carried out at that date by the independent valuer and the independent valuer has appropriate qualifications and experiences in providing biological assets valuation services.

The fair value less costs to sell of plants and flowers are determined using the market based approach which assumes sales of biological assets in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market. The biological assets were classified as Level 2 under the fair value hierarchy.

24. BIOLOGICAL ASSETS *(Continued)*

In addition, the following principal assumptions have been adopted by the independent valuer:

- The expected cost to sales of the biological assets provided by the management are best estimates of the management and are reasonable, reflecting market conditions and economic fundamentals and will be materialised;
- The biological assets are properly planted and managed with necessary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the conditions of the biological assets;
- The biological assets are free from any diseases such that will lead to death or materially impair the expected economic benefit from the disposal of the biological assets;
- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;
- The availability of finance will not be a constraint on the forecast growth of the biological assets;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Group;
- There will be no material changes in the Group's business strategy and its operating structure;
- The list of the biological assets and the growing status of the biological assets and as supplied to us have been prepared in a manner which truly and accurately reflect the position of the Group as at the respective balance sheet dates;
- The Group shall have uninterrupted rights to operate its existing business during the unexpired term of its authorised enterprise operating period;
- Interest rates and exchange rates in the localities for the operation of the Group will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group upon the disposal of the biological assets.

25. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2015 HK$'000	2014 HK$'000
Cash and bank balances *(note)*	**90,346**	61,365

Note:

Cash and bank balances of the Group of approximately HK$8,456,000 (2014: Nil) are denominated in RMB as at 31 December 2015. RMB is not a freely convertible currency and the remittance of funds out of PRC is subject to the exchange restriction imposed by the PRC government.

26. TRADE PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**23,654**	16,964

The ageing analysis of trade payables is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**15,744**	11,898
31 days to 60 days	**2,894**	3,195
61 days to 90 days	**672**	485
Over 90 days	**4,344**	1,386
Total	**23,654**	16,964

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

27. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Accruals *(note)*	**119,869**	104,173
Deposits received	**530**	494
Other payables	**411**	812
	120,810	105,479

Note:

Included in accruals of approximately HK$72,236,000 (2014: HK$69,324,000) was accrued salaries as at 31 December 2015.

28. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans:		
Secured *(notes (a) & (b))*	**135,381**	116,350
Secured term loan	**135,381**	116,350
Less: Amount classified as current liabilities		
Secured term loan due within one year or contain a repayment on demand clause	**(126,177)**	(109,741)
Amount classified as non-current liabilities	**9,204**	6,609

Notes:

(a) The bank borrowings of the Group as at 31 December 2015 and 2014 were secured by:

(i) Corporate guarantee provided by the Company and certain subsidiaries of the Company;

(ii) As at 31 December 2015, the pledged bank deposit with carrying amounts of approximately HK$5,137,000 (2014: HK$7,237,000);

(iii) As at 31 December 2015, the pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK$17,730,000 (2014: HK$18,281,000);

(iv) As at 31 December 2015, the pledge of the Group's available-for-sale financial assets with carrying values of approximately HK$12,941,000 (2014: HK$12,539,000); and

(v) As at 31 December 2015, the pledge of the Group's trade receivables with aggregate values of approximately HK$113,167,000 (2014: HK$103,392,000).

(b) As at 31 December 2015, the loans of the Group with financial institutions amounted to approximately HK$135,381,000 (2014: HK$116,350,000), carried interest ranging from 1.19% to 5.75% (2014: 1.23% to 5.75%) per annum for the year ended 31 December 2015.

29. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases.

	2015 HK$'000	2014 HK$'000
Minimum lease payments under finance leases		
— within one year	**25,824**	26,652
— is the second to fifth, inclusive	**44,555**	58,657
	70,379	85,309
Less: Future finance charges	**(4,213)**	(5,306)
Present value of finance leases	**66,166**	80,003

	2015 HK$'000	2014 HK$'000
Present value of minimum lease payment under finance leases		
— within one year	**23,726**	24,183
— is the second to fifth, inclusive	**42,440**	55,820
	66,166	80,003
Less: Amount due for settlement within one year	**(23,726)**	(24,183)
Amount due for settlement over one year	**42,440**	55,820

As at 31 December 2015, the obligations under finance leases of the Group with carrying amounts of approximately HK$66,166,000 (2014: HK$80,003,000) was secured by corporate guarantee provided by the Company and a subsidiary of the Company.

30. DEFERRED TAXATION

The components of deferred tax balances recognised in the consolidated statements of financial position and the movements thereon during the reporting period are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2014	11,463	(4,509)	6,954
Charged/(credited) to profit or loss *(Note 13)*	5,166	(2,009)	3,157
As at 31 December 2014 and 1 January 2015	**16,629**	**(6,518)**	**10,111**
Charged/(credited) to profit or loss *(Note 13)*	**505**	**(928)**	**(423)**
As at 31 December 2015	**17,134**	**(7,446)**	**9,688**

The following is the analysis of the deferred tax balances for the financial reporting purposes.

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	**9,688**	10,111
Deferred tax assets *(notes (i) and (ii))*	**–**	–
	9,688	10,111

Notes:

(i) Deferred tax asset represents the amount available indefinitely for offsetting future taxable profit of a subsidiary in which the losses arose.

(ii) As at 31 December 2015, no deferred tax asset has been recognised in respect of the estimated unused tax loss of the Group amounted to approximately HK$4,617,000 (2014: HK$2,486,000) due to the unpredictability of future profit stream of subsidiaries which incurred this remaining tax loss.

31. SHARE CAPITAL

	Number of shares	Nominal value HK$
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2014	10,000,000	100,000
Increase under the reorganisation	990,000,000	9,900,000
As at 31 December 2014, 1 January 2015 and 31 December 2015	1,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 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
As at 31 December 2014, 1 January 2015 and 31 December 2015	415,000,000	4,150,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual.

32. RESERVE

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statements of changes in equity.

Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company Law of Cayman Islands.

(ii) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the accounting policy in Note 3(h).

(iii) Other reserve

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiary arising from the reorganisation.

(iv) AFS financial assets revaluation reserve

The fair value reserve comprises the cumulative net change in the fair value of AFS financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 3(o) and Note 19 to the consolidated financial statement.

33. SHARE OPTION SCHEME

A summary of the share option scheme of the Company are set out in the section headed "Share Option Scheme" in the Report of the Directors of the annual report.

The following table discloses details of the Company's share option in issue under the Scheme during the year.

				Number of share options		
Name of category of participant	Date of grant	Exercise period	Exercise price per share HK$	At 1 January 2015	Granted during the year	At 31 December 2015
Directors	16–10–2015	16–10–2017 to 23–4–2024	1.00	–	1,624,000	1,624,000
Employees	16–10–2015	16–10–2017 to 23–4–2024	1.00	–	3,592,000	3,592,000
			Total:	–	5,216,000	5,216,000
Weighted average exercise price (HK$)				–	1.00	1.00

The vesting period of the share option is from 16 October 2015 to 15 October 2017.

No share option was exercised during the year ended 31 December 2015.

The following significant assumptions were used to derived the fair value using he Binomial Option Pricing Model:

	2015	2014
Date of grant	**16 October 2015**	
Total number of share option	**5,216,000**	–
Fair value at measurement date	**HK$0.39**	–
Share price	**HK$0.94**	–
Exercise price	**HK$1.00**	–
Expected volatility	**44.58%**	–
Option life	**10 years**	–
Expected dividends	**1.383%**	–
Risk-free interest rate	**1.473%**	–

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

The total fair value of the share options granted during the year was approximately HK$2,018,000. The Group recognised equity-settled share-based payments of approximately HK$210,000 arising from options vested during the year.

34. RETIREMENT BENEFIT COSTS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling of HK$1,500.

The total expense recognised in the consolidated statements of profit or loss and other comprehensive income included approximately HK$32,955,000 (2014: HK$28,306,000) for the year ended 31 December 2015 contributions payable to these plans by the Group at rates specified in the rules of the plans.

35. OPERATING LEASE COMMITMENT

The Group as lessee

The Group entered into commercial leases on certain land and office buildings. These leases have an average life of one to four years (2014: one to two years). None of the leases includes contingent rentals.

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

	2015 **HK$'000**	2014 HK$'000
Within one year	**2,650**	3,133
In the second to fifth years, inclusive	**3,339**	1,837
Over fifth years	**2,164**	–
	8,153	4,970

36. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment of approximately HK$17,737,000 (2014: HK$33,967,000) for the year ended 31 December 2015 was made under the finance leases.

37. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 14, 18, 28, 29 and 36 to the consolidated financial statements, the Group had also entered the following material transactions with related parties during the year.

(a) Compensation paid to key management personnel of the Group, including director's remuneration as detailed in Note 16 above.

	2015 HK$'000	2014 HK$'000
Fees	**360**	246
Other emoluments:		
Salaries, allowances and other benefits	**7,212**	6,746
Directors' quarter	**576**	576
Discretionary bonus	**1,063**	2,490
Retirement scheme contributions	**367**	380
Equity-settled share-based payments	**68**	–
	9,646	10,438

(b) The Group had the following transactions with related parties:

Nature of related party relationship	Nature of transaction	Interested director	2015 HK$'000	2014 HK$'000
The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	**161**	941
The company owned by close member of director and shareholder	Purchase of consumables goods	Mr. Ng Wing Hong	**1,258**	2,098
Common director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	**2,758**	420
Common director and shareholder	Repair and maintenance expenses	Mr. Ng Wing Hong	**395**	564
Director and shareholder	Rent paid	Mr. Ng Wing Hong	**576**	576

38. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of the acquisition of motor vehicles contracted for but not provided in the consolidated financial statements — Within one year	**1,367**	3,291
Capital expenditure in respect of the addition of equipment and machinery contracted for but not provided in the consolidated financial statements — Within one year	**7**	399

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current asset		
Investments in subsidiaries	**144**	–
Current assets		
Prepayments	**102**	96
Amounts due from subsidiaries	**108,387**	92,119
Cash and cash equivalents	**530**	682
	109,019	92,897
Current liabilities		
Accruals and other payables	**2,645**	1,707
Amount due to a subsidiary	**106**	303
	2,751	2,010
Net current assets	**106,268**	90,887
Net assets	**106,412**	90,887
Capital and reserves		
Share capital	**4,150**	4,150
Reserves	**102,262**	86,737
Total equity	**106,412**	90,887

Approved by the Board of Directors on 30 March 2016 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

40. RESERVE OF THE COMPANY

	Share Premium HK$'000	Share options reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
As at 1 January 2014	–	–	(50)	(50)
Total comprehensive loss for the year	–	–	(14,063)	(14,063)
Issue of shares under the capitalisation issue	(3,200)	–	–	(3,200)
Issue of shares under the global offering	113,050	–	–	113,050
Transaction costs attributable to issue of shares	(9,000)	–	–	(9,000)
As at 31 December 2014 and 1 January 2015	**100,850**	**–**	**(14,113)**	**86,737**
Total comprehensive income for the year	**–**	**–**	**20,710**	**20,710**
Dividend paid	**–**	**–**	**(5,395)**	**(5,395)**
Equity-settled share-based payments	**–**	**210**	**–**	**210**
As at 31 December 2015	**100,850**	**210**	**1,202**	**102,262**

(a) At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$102,262,000 (2014: HK$86,737,000).

41. LITIGATION

During the year, 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 consolidated financial statements and covered by insurance protection.

42. EVENTS AFTER THE REPORTING PERIOD

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

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**1,224,887**	1,028,711	821,259	644,714	618,148
Profit before taxation	**28,731**	25,012	70,366	34,656	16,326
Income tax expense	**(4,645)**	(7,331)	(7,865)	(5,776)	(2,734)
Profit for the year	**24,086**	17,681	62,501	28,880	13,592
Attributable to:					
Owners of the Company	**24,086**	17,681	62,501	28,880	13,592

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**564,720**	517,547	393,702	286,399	248,163
Total liabilities	**(357,716)**	(329,846)	(297,019)	(248,607)	(224,091)
	207,004	187,701	96,683	37,792	24,072
Attributable to:					
Owners of the Company	**207,004**	187,701	96,683	37,792	24,072

碧瑤綠色集團有限公司
Baguio Green Group Limited