



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

Clean & Green



Interim Report
中期報告 2016

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Ms. Cheung Siu Chun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Siu Chun (HKICPA)

LEGAL ADVISERS

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

AUDITORS

KPMG

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

PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 6J, ShangBu Building
No.68 Nanyuan Road, Futian District
Shenzhen, Guangdong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

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

COMPANY WEBSITE ADDRESS

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

STOCK CODE

1397

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
	2016 HK\$'000	2015 HK\$'000	
Revenue			
Cleaning	397,828	443,471	-10.3%
Landscaping	58,054	70,305	-17.4%
Pest management	25,459	43,558	-41.6%
Waste management and recycling	56,781	40,725	39.4%
	538,122	598,059	-10.0%
Cost of services	488,201	544,200	-10.3%
Gross profit	49,921	53,859	-7.3%
Profit from operations	23,210	25,517	-9.0%
Profit attributable to equity shareholders of the Company	17,329	18,466	-6.2%
Basic earnings per share (HK\$)	0.04	0.04	

BUSINESS REVIEW

During the six months ended 30 June 2016 (the “Period”), Baguio Green Group Limited (the “Company”) and its subsidiaries (the “Group”) continued to implement its dual-growth strategy approach, namely diversify its businesses in Hong Kong and explore geographic expansion opportunities in the People’s Republic of China (“PRC”). Being one of the leading cleaning and environmental services providers in Hong Kong, the Group has continued to explore new opportunities in the Hong Kong core business segments. During the Period, the Group successfully opened a new front amidst the competitive cleaning servicing market and delved into the specialised cleaning service segment to excel in the market competition. Leveraging on Baguio’s extensive experience and credible reputation in the industry, the Group obtained a new cleaning contract in February 2016 to provide aircrafts internal cleaning services to certain reputable airlines and the service has commenced in August 2016. This kind of specialised cleaning service demands a higher standard of requirements on capital, operational and management skills, creating threshold against market participants. Hence, our directors believe that this new contract demonstrated the client’s utmost trust in the Group’s management capacity and ability in providing high quality services and efficient human resource allocation.

On top of the existing businesses, the Group looked for business opportunities in environmental services related segments to widen its services scope. The Group participated in tendering a government contract for waste transfer station management and operation, which was a breakthrough towards a new aspect for the Group. It was also the first time the Group had partnered with an overseas environmental services expertise to further enrich the Group’s technical experiences in different areas.

The Group also saw huge potential in the environmental services market in the PRC. Certain cities in the PRC started to progressively outsource the municipal cleaning, waste management and recycling services to private service providers. During the Period, the Group had examined the feasibility of the plan. Our directors believe that the Group can capture this blue ocean opportunity with its know-how, expertise and well-established reputation. As for the projects of biowaste-to-energy and the proposed acquisition of the harmless treatment of organic waste, the Group and the PRC partners mutually agreed to terminate the process after a prudent assessment and an in-depth discussions. The main reason for the biowaste-to-energy projects termination was due to different views on management, financial and operational measures. Considering the risk associated with the projects and the interests of shareholders, the board of directors of the Company (the “Directors” or the “Board”) considered that it was appropriate to discontinue these projects and re-allocate the resources on other business alternatives in the PRC.

Market Review

In the first half of 2016, the Group noticed that the Hong Kong SAR Government has stepped up the publicity and education on waste management, particularly on clean recycling, food waste minimisation and waste reduction. Together with the initiation of the “Food Waste Hong Kong” scheme, the construction of the organic waste treatment facilities, the implementation of the “Producer Responsibility Scheme” for glass beverage bottles and the opening of “T • PARK” (the first waste-to-energy facility in Hong Kong), the public awareness on waste management and recycling has since raised significantly. More and more people are willing to take a step further in reducing or recycling waste. This leads to an increasing demand of waste management services in both public and private sectors, creating a favourable business environment for the Group to further delve into the waste management services market.

The 13th Five Year Plan was officially implemented in May 2016. In the plan, the PRC Government has again positioned “Green Development” as one of the top five priorities in the agenda, demonstrating the government’s determination to pursue a green and sustainable development. Coupled with the raising public awareness on creating a clean environment, the Directors believe that the gate for the Group to explore opportunities in the environmental services market in the PRC has been opened.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 June 2016, the Group successfully maintained a high tender success rate at approximately 33% against the intensifying market competition. Yet, due to the time disparity between expired contracts and the new contracts, the overall revenue of the Group decreased by approximately 10.0% from approximately HK\$598.1 million in the first half ("1H") of 2015 to approximately HK\$538.1 million for the Period. As a result of the Group's commitment in enhancing operational efficiency, the cost of services for the Period reduced by approximately 10.3% to approximately HK\$488.2 million (1H2015: approximately HK\$544.2 million). Gross profit for the Period registered a decrease of approximately 7.3% to approximately HK\$49.9 million. However, the gross profit margin for the Period slightly increased by approximately 0.3% points to approximately 9.3%, mainly attributable to the Group's strategic move of selectively choosing more favourable tenders, as well as the improved operation efficiency. The profit attributable to equity shareholders of the Company for the Period amounted to approximately HK\$17.3 million (1H2015: approximately HK\$18.5 million), decreased by approximately 6.2% while the net profit margin for the Period slightly increased by approximately 0.1% points to approximately 3.2% (1H2015: approximately 3.1%). Earnings per share for the Period was 4 HK cents (1H2015: 4 HK cents).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (1H2015: Nil).

Revenue Breakdown of Major Business Segments

	For the six months ended 30 June 2016		2015		Change
	Revenue (HK\$ Million)	% of total revenue	Revenue (HK\$ Million)	% of total revenue	
Cleaning	397.8	73.9%	443.5	74.2%	-10.3%
Landscaping	58.1	10.8%	70.3	11.7%	-17.4%
Pest management	25.5	4.7%	43.6	7.3%	-41.6%
Waste management and recycling	56.7	10.6%	40.7	6.8%	+39.4%
Total	538.1	100.0%	598.1	100%	-10.0%

Gross Profit Margin of Major Business Segments

	For the six months ended 30 June		Change
	2016	2015	
Cleaning	7.3%	7.4%	-0.1 p.p.
Landscaping	17.3%	17.8%	-0.5 p.p.
Pest management	11.9%	8.6%	+3.3 p.p.
Waste management and recycling	14.0%	11.5%	+2.5 p.p.
Overall	9.3%	9.0%	+0.3 p.p.

The Group has delivered impressive results in its waste management and recycling business segment by achieving nearly 40% revenue growth for the first half of 2016. This encouraging result was attributable to the Group's enormous effort in gaining and new contracts. In the first half of 2016, the Group has successfully been awarded a contract with the Food and Environmental Hygiene Department to continue to provide recyclable waste collection services from three-coloured recycling bins in all 18 districts of Hong Kong. The contract is effective from August 2016 for a 2-year period, and the total contract value equalled to approximately HK\$22.4 million. Together with the continuous improvement in the operation efficiency of the recycling centre in Fanling, the segment gross profit margin raised approximately 2.5% points to 14.0% during the Period.

Despite the decrease in revenue from our cleaning, landscaping and pest management segments, the gross profit margin of each segment was satisfactory with the selective tendering strategy and the continuous implement of the internal measures on streamlining the operation. Among which, the gross profit of pest management segment raised by approximately 3.3 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracts on hand

As of 30 June 2016, the Group has a total amount of approximately HK\$1,725.0 million worth of unexpired contracts on hand. Among which, approximately HK\$515.2 million will be recognised by the end of 2016; approximately HK\$660.4 million will be recognised in 2017 and the rest of approximately HK\$549.4 million will be recognised in 2018 and beyond.

	Unexpired 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	1,216.6	375.3	482.7	358.6
Landscaping services	150.4	62.4	68.7	19.3
Pest management services	48.2	22.7	22.3	3.2
Waste management and recycling services	309.8	54.8	86.7	168.3
Total	1,725.0	515.2	660.4	549.4

AWARDS

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

Date	Issuer of Award	Award
Jan 2016	Environmental Campaign Committee	Wastewi\$e Certificate — Excellence Level
Jan 2016	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2015 — Certificate to Zero Accident Achievement
Feb 2016	People Service Centre	Certificate of Appreciation
Mar 2016	Hong Kong Council of Social Service	Caring Company — Baguio Green Group Limited
Mar 2016	Hong Kong Council of Social Service	5 years+ Caring Company — Baguio Cleaning Services Company Limited
Mar 2016	Hong Kong Council of Social Service	5 years+ Caring Company — Baguio Landscaping Services Limited
Mar 2016	Hong Kong Council of Social Service	Caring Company — Tak Tai Enviroscape Limited
Mar 2016	Hong Kong Council of Social Service	Caring Company — Baguio Pest Management Limited
Mar 2016	Hong Kong Council of Social Service	Caring Company — Baguio Waste Management & Recycling Limited
Mar 2016	Friends of the Earth	Certificate of Appreciation — Save Resources Mission
Mar 2016	Friends of the Earth	Certificate of Appreciation — Save Energy Mission
Mar 2016	Richmond Fellowship of Hong Kong	Certificate of Appreciation
Apr 2016	Hong Kong Single Parents Association	Certificate of Appreciation — Funding Scheme For Women's Development
Apr 2016	Mediazone Group	Greater China's Most Reputed Integrated Environmental Services Provider

MANAGEMENT DISCUSSION AND ANALYSIS

Date	Issuer of Award	Award
Apr 2016	The CLP Group	Appreciation of Team Participation — CLP Power Safety, Health and Environment Quiz 2016 — Contractor Stream Competition
May 2016	Employee Retraining Board	Manpower Developer Award Scheme
Jun 2016	The Society of Rehabilitation & Crime Prevention, HK	Benevolent Employers of Rehabilitated Offenders
Jun 2016	Junior Chamber International Hong Kong	Better World Company Logo
Jun 2016	World Green Organisation	Green Office Award — Label Scheme (Group)
Jun 2016	Bank of China & The Federation of Hong Kong Industries	Corporate Environmental Leadership Awards 2015 — ECO Challenger

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In addition to focusing on its professional services to improve living standard of Hong Kong citizens, the Group strived to contribute to the society together with our employees. The following are some of the activities participated or organised by the Group during the first half of 2016.

Month	Organizer of Activity	Activity
Feb 2016	Greeners Action	Red Pocket Reuse & Recycle Program
Mar 2016	Baguio Green Group Limited	Beach Cleanup 2016
Jun 2016	Green Council Limited	Hong Kong Green Day — Green Run
Jun 2016	New Home Association	Tree Top Cottage Activity

PROSPECTS

Along with the growing economy in the PRC, improving living standard leads to the raising environmental awareness of the community. This comes with the rising demand on the environmental services, including cleaning, landscaping, pest control and waste management and recycling services, in both public and private sectors. With the PRC municipal governments' intention to gradually privatise the public environmental services market, the Group believes the market place is going to be unleashed with plenty of potentials. Being a leading cleaning and environmental services provider in Hong Kong with an experienced management team and deep industry knowledge, the Group is ready to venture into the PRC market by partnering with local expertise in the upcoming years. The Group's subsidiary in Qianhai will also act as a pioneer for the Group to source merger and acquisition projects in the environmental services and other related industries in the PRC.

In terms of the businesses in Hong Kong, the Group has started its foray in the specialised cleaning service market, as well as participated in the tender of waste transfer station in the first half of 2016, which diversified the Group's business portfolio. Looking forward, open up new revenue streams remains the Group's focus. The Group will look into the development potential in various projects, such as waste treatment plant, waste transfer station and downstream recycling product business, through collaboration with overseas experts. Riding on Baguio's strong track record, quality services and management system, the Group believes that the synergy between its various businesses will further cement the foundation of Baguio for a sustainable development. In addition, the Group will continue to maintain its capital commitment and better allocate its resources to support the Group's development plan.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the six-month period ended 30 June 2016 and 2015 were approximately HK\$538.1 million and approximately HK\$598.1 million, respectively, representing a decrease of approximately 10.0%. The decrease was mainly because of the overall decrease in revenue in our services segments of cleaning, landscaping and pest management with drop in number of contracts and orders during the Period. Revenue from our waste management and recycling service segment continued to grow during the Period.

Cost of Services

For each of the six-month period ended 30 June 2016 and 2015, the cost of services amounted to approximately HK\$488.2 million and approximately HK\$544.2 million, respectively, representing approximately 90.7% and approximately 91.0% of the Group's revenue for the corresponding periods, respectively. The cost of services primarily comprised of direct wages, direct overhead expenses, material consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue decreased due to effective cost control measures on efficient usage of the Group's resources.

Gross Profit

The Group's gross profit for the Period was approximately HK\$49.9 million, representing a decrease of approximately 7.3% from approximately HK\$53.9 million for the corresponding period in 2015. The decrease was mainly due to decrease in the Group's overall revenue.

Gross Profit Margin

The gross profit margins of the Group for each of the six-month period ended 30 June 2016 and 2015 were approximately 9.3% and approximately 9.0% respectively. The increase in gross profit margin was mainly due to better control of labour cost, material cost and vehicle expenses.

Administrative Expenses

The administrative expenses of the Group for each of the six-month period ended 30 June 2016 and 2015 were approximately HK\$29.0 million and approximately HK\$28.7 million respectively, representing approximately 5.4% and approximately 4.8% of the respective period's revenue. Notwithstanding surging staff cost and other expenses, administrative expenses were able to be maintained at a constant level during the Period.

Finance Costs

The finance costs amounted to approximately HK\$2.5 million and approximately HK\$3.6 million for each of the six-month period ended 30 June 2016 and 2015, respectively, representing approximately 0.5% and approximately 0.6% of the Group's revenue respectively. The decrease was primarily due to the decrease in the average level of bank borrowings and factoring loans during the Period.

Profit for the Period Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for each of the six-month period ended 30 June 2016 and 2015 were approximately HK\$17.3 million and approximately HK\$18.5 million respectively, representing a decrease of approximately 6.2%. The decrease was mainly due to the decrease in revenue.

CAPITAL STRUCTURE

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

The Directors review the capital structure regularly, taking into consideration of the cost of capital and the risks associated with the capital. The Group considers the cost of capital and the risks associated with each class of capital to monitor its capital structure on the basis of gearing ratio.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flows from operating activities principally from rendering comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$44.7 million (1H2015: approximately HK\$35.1 million). As at 30 June 2016, the Group had available cash and bank balances amounting to approximately HK\$53.3 million (31 December 2015: approximately HK\$90.3 million), representing a decrease of approximately 41.0% from 31 December 2015.

As at 30 June 2016, the Group's total current assets and current liabilities were approximately HK\$324.6 million (31 December 2015: approximately HK\$384.9 million) and approximately HK\$238.6 million (31 December 2015: approximately HK\$296.4 million) respectively, while the current ratio was approximately 1.4 times (31 December 2015: approximately 1.3 times).

As at 30 June 2016, the Group's finance lease payables were approximately HK\$62.6 million (31 December 2015: approximately HK\$66.2 million) for financing the acquisition of motor vehicles for operational usage. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 0.7 times as at 30 June 2016 (31 December 2015: approximately 1.0 times), which was calculated based on the total interest-bearing bank borrowings and obligations under finance leases over total equity of the Group.

As at 30 June 2016, the Group had unutilised banking facilities of approximately HK\$348.4 million (31 December 2015: approximately HK\$276.5 million).

FOREIGN CURRENCY RISK

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

USE OF PROCEEDS

The Company was listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 May 2014 and raised net proceeds of approximately HK\$90.0 million. During the period between the date of the listing of the Company to 30 June 2016, 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	9.1	2.6
Working capital and other general purposes	35.0	35.0	–
Investment in potential projects	15.0	–	15.0
	90.0	72.4	17.6

As at 30 June 2016, the unutilised proceeds were deposited in licensed banks in Hong Kong.

CAPITAL COMMITMENT

As at 30 June 2016, the Group had capital commitment of approximately HK\$2.2 million in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements (31 December 2015: approximately HK\$1.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016, the amounts payable under finance leases within one year was approximately HK\$22.6 million (31 December 2015: approximately HK\$23.7 million), and in the second to fifth year inclusive was approximately HK\$40.1 million (31 December 2015: approximately HK\$42.4 million).

As at 30 June 2016, the obligations under finance leases of the Group were guaranteed by the Company and a subsidiary of the Company.

In addition, we have (i) pledged bank deposits with carrying amounts of approximately HK\$5.1 million as at 30 June 2016 (31 December 2015: approximately HK\$5.1 million); (ii) mortgage of the Group's leasehold land and buildings with carrying amounts of approximately HK\$17.5 million as at 30 June 2016 (31 December 2015: approximately HK\$17.7 million); (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$13.1 million as at 30 June 2016 (31 December 2015: approximately HK\$12.9 million); and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK\$72.7 million as at 30 June 2016 (31 December 2015: approximately HK\$113.2 million).

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

CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group did not have any material contingent liabilities.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

HUMAN RESOURCES

As at 30 June 2016, the Group employed 8,966 employees. Remuneration packages were generally structured by reference to market terms and individual qualifications and experience.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	4	538,122	598,059
Cost of services		(488,201)	(544,200)
Gross profit		49,921	53,859
Other income		3,066	1,605
Change in fair value less costs to sell of biological assets		236	151
Selling and marketing expenses		(985)	(1,385)
Administrative expenses		(29,028)	(28,713)
Profit from operations		23,210	25,517
Finance costs	5	(2,528)	(3,609)
Profit before taxation	6	20,682	21,908
Income tax	7	(3,353)	(3,442)
Profit for the period attributable to equity shareholders of the Company		17,329	18,466
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of subsidiaries		(10)	–
Change in fair value of available-for-sale financial assets		133	139
Other comprehensive income		123	139
Total comprehensive income for the period attributable to equity shareholders of the Company		17,452	18,605
Earnings per share			
Basic and diluted (HK\$)	9	0.04	0.04

The notes on pages 15 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

		At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment	10	160,005	161,734
Interest in associate		150	–
Available-for-sale financial assets		13,074	12,941
Deposits	11	6,000	–
Pledged bank deposits		5,137	5,137
		184,366	179,812
Current assets			
Inventories		4,860	4,955
Trade receivables	12	240,583	269,620
Prepayments, deposits and other receivables		17,981	13,147
Biological assets		7,929	6,820
Tax recoverable		–	20
Cash and bank balances		53,293	90,346
		324,646	384,908
Current liabilities			
Trade payables	13	24,510	23,654
Accruals, deposits received and other payables		106,634	120,810
Bank borrowings	14	80,622	126,177
Obligations under finance leases	15	22,583	23,726
Tax payable		4,291	2,017
		238,640	296,384
Net current assets		86,006	88,524
Total assets less current liabilities		270,372	268,336
Non-current liabilities			
Bank borrowings	14	2,757	9,204
Obligations under finance leases	15	40,060	42,440
Deferred tax liabilities		9,652	9,688
		52,469	61,332
Net assets		217,903	207,004
Capital and reserves			
Share capital	16	4,150	4,150
Reserves		213,753	202,854
Total equity		217,903	207,004

The notes on pages 15 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	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	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	4,150	100,850	18,330	(1,140)	–	–	65,511	187,701
Profit for the period	–	–	–	–	–	–	18,466	18,466
Other comprehensive income for the period	–	–	–	139	–	–	–	139
Total comprehensive income for the period	–	–	–	139	–	–	18,466	18,605
Dividends approved in respect of the previous year (<i>note 8</i>)	–	–	–	–	–	–	(5,395)	(5,395)
At 30 June 2015	4,150	100,850	18,330	(1,001)	–	–	78,582	200,911
At 1 January 2016	4,150	100,850	18,330	(738)	210	–	84,202	207,004
Profit for the period	–	–	–	–	–	–	17,329	17,329
Other comprehensive income for the period	–	–	–	133	–	(10)	–	123
Total comprehensive income for the period	–	–	–	133	–	(10)	17,329	17,452
Dividends approved in respect of the previous year (<i>note 8</i>)	–	–	–	–	–	–	(7,055)	(7,055)
Equity-settled share-based payments	–	–	–	–	502	–	–	502
At 30 June 2016	4,150	100,850	18,330	(605)	712	(10)	94,476	217,903

The notes on pages 15 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net cash generated from operating activities	44,677	35,090
Investing activities		
Payment for the purchase of property, plant and equipment	(14,849)	(7,525)
Payment for deposits	(6,000)	–
Other cash flows arising from investing activities	4,238	713
Net cash used in investing activities	(16,611)	(6,812)
Financing activities		
Proceeds from new bank borrowings	135,847	473,910
Repayment of bank borrowings	(187,849)	(468,606)
Dividend paid to equity shareholders of the Company	(7,055)	(5,395)
Other cash flows used in financing activities	(6,051)	(16,667)
Net cash used in financing activities	(65,108)	(16,758)
Net (decrease)/increase in cash and cash equivalents	(37,042)	11,520
Cash and cash equivalents at the beginning of the period	90,346	61,365
Effect of foreign exchange rates changes	(11)	(56)
Cash and cash equivalents at the end of the period	53,293	72,829
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	53,293	72,829

The notes on pages 15 to 26 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

1. GENERAL INFORMATION

The Company was incorporated as exempted company with limited liability in the Cayman Islands on 8 November 2013. The ultimate holding company of the Company is Baguio Green (Holdings) Limited, which was incorporated in the British Virgin Islands (“BVI”). The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit A, 4/F., Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

The interim financial results set out in this report do not constitute the Group’s interim financial report for the six months ended 30 June 2016 but are extracted from that interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 30 August 2016.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012–2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- 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

Segment results represent the earnings from each segment before interest, taxation and administrative expenses including directors' emoluments and exclude other income and change in fair value less costs to sell of biological assets. The following is an analysis of the Group's revenue and results by reportable segments.

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
Six months ended 30 June 2016					
Segment revenue	397,828	58,054	25,459	56,781	538,122
Segment results	27,957	10,027	3,039	7,913	48,936
Other income					3,066
Change in fair value less costs to sell of biological assets					236
Administrative expenses					(29,028)
Finance costs					(2,528)
Profit before taxation					20,682

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
Six months ended 30 June 2015					
Segment revenue	443,471	70,305	43,558	40,725	598,059
Segment results	32,125	12,491	3,321	4,537	52,474
Other income					1,605
Change in fair value less costs to sell of biological assets					151
Administrative expenses					(28,713)
Finance costs					(3,609)
Profit before taxation					21,908

Segment assets and liabilities

Segment assets include all assets attributable to the activities of the individual segments, with the exception of intercompany receivables and other corporate assets. Segment liabilities include all liabilities attributable to the activities of the individual segments, with the exception of intercompany payables and corporate liabilities. The segment assets and liabilities at the end of the reporting period by reportable segments are as follows:

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 30 June 2016					
Segment assets	281,887	56,583	49,527	110,176	498,173
Unallocated					10,839
Total assets					509,012
Segment liabilities	174,887	28,363	30,635	54,025	287,910
Unallocated					3,199
Total liabilities					291,109

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 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

No geographical information is presented as all of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the interim period.

5. FINANCE COSTS

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank overdrafts	2	5
Bank loans	1,385	2,196
Obligations under finance leases	1,141	1,408
	2,528	3,609

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation	11,748	11,994
Loss on disposal of property, plant and equipment	507	340
Cost of consumables goods	19,946	25,218
Government grants*	(2,852)	(1,440)
Staff costs (including directors' remuneration)		
Wages, salaries and other benefits	411,170	461,086
Provision for long service payments	140	2,833
Provision for untaken paid leave	4,620	4,098
Contributions to defined contribution retirement scheme	14,287	15,992
Equity-settled share-based payments	502	–
	430,719	484,009
Operating lease rentals: minimum lease payments		
Machinery and motor vehicles	9,810	8,224
Land and buildings	2,398	1,482
	12,208	9,706

* Government grants of HK\$2,852,000 (six months ended 30 June 2015: HK\$1,440,000) were granted during the six months ended 30 June 2016 in respect of phasing out certain diesel commercial vehicles by the Group. There were no unfulfilled conditions and other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grant in the future.

7. INCOME TAX

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong Profits Tax	3,389	3,086
Deferred tax	(36)	356
Income tax expenses	3,353	3,442

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit for the six months ended 30 June 2016.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

8. DIVIDENDS

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.7 cents per share (six months ended 30 June 2015: HK1.3 cents per share)	7,055	5,395

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of HK\$17,329,000 (six months ended 30 June 2015: HK\$18,466,000) and the weighted average number of 415,000,000 (six months ended 30 June 2015: 415,000,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with aggregate cost of HK\$14,849,000 (six months ended 30 June 2015: HK\$13,815,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$4,830,000 (six months ended 30 June 2015: HK\$1,403,000).

11. DEPOSITS

On 8 June 2016, the Group entered into a Memorandum of Understanding ("MOU") with independent third parties, pursuant to which, the Group proposed to acquire 51% or more equity interest in Shanghai Genyuan Environmental Co., Limited ("Shanghai Genyuan"), a company principally engaged in harmless treatment of organic waste and resource utilization in the People's Republic of China ("PRC"). A refundable deposit of HK\$6,000,000 was paid to Shanghai Genyuan in June 2016 in accordance with the MOU to further proceed the due diligence on Shanghai Genyuan and negotiation of the proposed acquisition.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

12. TRADE RECEIVABLES

The ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) at the end of the reporting period is as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 60 days	173,139	231,343
61 days to 120 days	58,011	24,381
121 days to 365 days	8,687	13,702
Over 365 days	746	194
	240,583	269,620

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 credit terms in accordance with the tender terms. For other contracts, the Group normally allows a credit period ranging from 30 to 60 days depending on the customer's creditworthiness and the length of business relationship.

Receivables that were past due but not impaired included in the trade receivables relate to a number of independent customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are considered fully recoverable. The Group does not hold any collateral over those balances. No impairment loss was recognised by the Group at 30 June 2016 (31 December 2015: Nil).

13. TRADE PAYABLES

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 30 days	15,857	15,744
31 days to 60 days	4,259	2,894
61 days to 90 days	1,775	672
Over 90 days	2,619	4,344
	24,510	23,654

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

14. BANK BORROWINGS

The analysis of the carrying amount of the bank borrowings is as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Current liabilities		
Current portion of term loans from banks	76,271	125,774
Non-current portion of term loans from banks repayable on demand	4,351	403
	80,622	126,177
Non-current liabilities		
Non-current portion of term loans from banks	2,757	9,204
	83,379	135,381

At the end of the reporting period, the bank borrowings were secured as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Secured	63,379	135,381
Unsecured	20,000	–
	83,379	135,381

The secured bank loans of the Group as at 30 June 2016 and 31 December 2015 were secured by:

- (i) pledged bank deposits of HK\$5,137,000 as at 30 June 2016 (31 December 2015: HK\$5,137,000);
- (ii) mortgage of the Group's leasehold land and buildings of HK\$17,454,000 as at 30 June 2016 (31 December 2015: HK\$17,730,000);
- (iii) pledge of the Group's available-for-sale financial assets of HK\$13,074,000 as at 30 June 2016 (31 December 2015: HK\$12,941,000); and
- (iv) pledge of the Group's trade receivables of HK\$72,713,000 as at 30 June 2016 (31 December 2015: HK\$113,167,000).

The bank loans of the Group of HK\$83,379,000 as at 30 June 2016 (31 December 2015: HK\$135,381,000) bear interest ranging from 1.21% to 5.75% (31 December 2015: 1.19% to 5.75%) per annum.

15. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. As at 30 June 2016, the amounts payable under finance leases within one year and in the second to fifth year were HK\$22,583,000 (31 December 2015: HK\$23,726,000) and HK\$40,060,000 (31 December 2015: HK\$42,440,000) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

16. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2015, 1 January 2016 and 30 June 2016	1,000,000,000	10,000,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2015, 1 January 2016 and 30 June 2016	415,000,000	4,150,000

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

The Group's finance team assesses the valuations for the investment in life insurance which is categorised into Level 3 of the fair value hierarchy. Consultation with the insurance company is carried out when appropriate in respect of the valuation assessment. The Group prepares analysis of changes in fair value measurement at each interim and annual reporting date, which is reviewed and approved by the Board of Directors. Discussion of the valuation process and results with the Board of Directors is held twice a year, to coincide with the reporting dates.

	At 30 June 2016			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investment in life insurance	–	–	13,074	13,074

	At 31 December 2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investment in life insurance	–	–	12,941	12,941

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(ii) Information about Level 3 fair value measurements

Reconciliation of Level 3 fair value measurements

	For the six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
Investment in life insurance:		
Opening balance	12,941	12,539
Gains recognised in other comprehensive income	133	139
Closing balance	13,074	12,678

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2016 and 31 December 2015.

18. OPERATING LEASE COMMITMENT

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

	At	At
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Within one year	4,565	2,650
After one year but within five years	5,103	3,339
After five years	1,809	2,164
	11,477	8,153

The Group entered into commercial leases on certain land and office buildings. These leases run for an initial period of one to ten years. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

19. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Capital expenditure in respect of the acquisition of motor vehicles contracted for	2,161	1,367
Capital expenditure in respect of the acquisition of equipment and machinery contracted for	–	7
	2,161	1,374

20. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the interim period:

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

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Short term employee benefits	4,140	4,061
Post-employment benefits	210	222
Equity settled share-based payments	156	–
	4,506	4,283

(b)

Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2016 HK\$'000	2015 HK\$'000
The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	494	116
The company owned by close member of director and shareholder	Purchase of consumable goods	Mr. Ng Wing Hong	14	644
Common director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	178	2,651
Common director and shareholder	Repair and maintenance expenses	Mr. Ng Wing Hong	385	242
Director and shareholder	Rent paid	Mr. Ng Wing Hong	288	288

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

21. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Termination of joint venture agreements

On 3 August 2016, the Group entered into a deed of termination with Dezhou Lanse Qihou Environmental Investment Co., Ltd. (“Dezhou Lanse”), Yangjiang Lanse Qihou Environmental Investment Co., Ltd. (Yangjiang Lanse”) and their owners and legal representatives, pursuant to which, the Group’s joint venture agreements in relation to certain biowaste-to-energy projects in the PRC with Dezhou Lanse and Yangjiang Lanse were terminated. There was no significant impact to the interim financial report as the Group had not yet made any capital contribution to the joint ventures as at 30 June 2016.

(b) Termination of proposed acquisition of Shanghai Genyuan

In August 2016, the Group terminated the proposed acquisition and demand Shanghai Genyuan for repayment of the deposit of HK\$6,000,000 (Note 11) as the Group could not reach an agreement with the seller on certain crucial terms for the proposed acquisition.

INDEPENDENT REVIEW REPORT



REVIEW REPORT TO THE BOARD OF DIRECTORS OF BAGUIO GREEN GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 26 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2016

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2016, as far as is known to the directors or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") or as otherwise notified to the Company:

Name	Capacity/ Nature of Interest	Number of Issued Shares Held	Approximate Percentage Holding (%)
Ng Wing Hong	Interest of controlled corporation / Beneficial owner ^(Note 1)	275,412,000	66.36
Chan Shuk Kuen	Family interest ^(Note 2)	275,412,000	66.36
Ng Yuk Kwan Phyllis	Beneficial owner ^(Note 3)	25,000,000	6.02
Mak Che Fai Lawrence	Family interest ^(Note 4)	25,000,000	6.02
Baguio Green (Holding) Limited	Beneficial owner ^(Note 1)	275,000,000	66.27
RAYS Capital Partners Limited	Investment manager/Beneficial owner/ Interest of controlled corporation ^(Note 6)	28,912,000	6.97
Ruan David Ching-chi	Interest of controlled corporation ^(Note 5)	28,912,000	6.97
Yip Yok Tak Amy	Interest of controlled corporation ^(Note 5)	28,912,000	6.97
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner ^(Note 6)	28,464,000	6.86

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 275,000,000 shares of the Company ("Shares") held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and an executive director of the Company. In addition, Mr. Ng Wing Hong also directly held 412,000 shares of the Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive director of the Company.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 25,000,000 shares of the Company. Ms. Ng Yuk Kwan Phyllis is an executive director of the Company.
- (4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kwan Phyllis and is therefore deemed to be interested in all the shares held by Ms. Ng Yuk Kwan Phyllis.
- (5) The shares in RAYS Capital Partners Limited are equally held by Ruan David Ching-chi and Yip Yok Tak Amy. Therefore, they are deemed interested in all the Shares held by RAYS Capital Partners Limited.
- (6) Asian Equity Special Opportunities Portfolio Master Fund Limited ("Asian Equity") is wholly-owned by RAYS Capital Partners Limited. Therefore, RAYS Capital Partners Limited is deemed to be interested in all the Shares held by Asian Equity.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, the shareholding interests of Mr. Ng Wing Hong, Ms. Chan Shuk Kuen and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interest" above and the share option interests of all directors of the Company are presented on page 29 in the section "Share Option Scheme". In addition, as at 30 June 2016, Ms. Cheung Siu Chun, an executive director and the company secretary of the Company, held 800,000 shares of the Company. Apart from the foregoing, 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.

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:	<ul style="list-style-type: none">(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:	<p>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").</p> <p>Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.</p> <p>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.</p>

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:	<p>The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:</p> <ul style="list-style-type: none">(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.
Amount payable on acceptance of the option and the period within which such payment must be made:	<p>An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00.</p>
Maximum entitlement of each eligible participant:	<p>The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "Participant Limit"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.</p>
Exercise price:	<p>The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.</p>
Minimum holding period:	<p>The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised.</p>
Period within which the securities must be taken up under an option:	<p>In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.</p>
The remaining life of the Share Option Scheme:	<p>The Share Option Scheme remains in force for a period of 10 years commencing on 24 April 2014 unless terminated earlier by Shareholders in general meeting.</p>

OTHER INFORMATION

No share options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Options Scheme during the Period. The breakdown of outstanding share options is as follows:

Name or category of participants	Date of grant (Note 1)	Number of underlying shares comprised in share options			Exercise period	Exercise price per share (HK\$)
		As at 1 January 2016	Granted during the Period	As at 30 June 2016		
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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Director's Interests Discloseable Under The SFO" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

CHANGE IN INFORMATION OF DIRECTORS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all directors of the Company, each of the directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company ("Audit Committee") is to review the effectiveness of the Group's financial reporting process and risk management and internal control systems, and to oversee the audit and review process of the external auditor. The Audit Committee currently consists of three independent non-executive directors of the Company.

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

EVENTS AFTER THE REPORTING PERIOD

Apart from those events disclosed in note 21 to the unaudited interim financial report on page 26, there is no other material event undertaken by the Company or the Group after 30 June 2016 and up to the date of this interim report.

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

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

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

碧瑤綠色集團有限公司
Baguio Green Group Limited