



碧 瑤
BAGUIO

Clean & Green

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



中期報告 2017 Interim Report

CONTENTS

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Unaudited Interim Financial Report	16
Independent Review Report	27
Other Information	28

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

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

Conyers 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
Standard Chartered 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
	2017 HK\$'000	2016 HK\$'000	
Revenue			
Cleaning	423,850	397,828	6.5%
Landscaping	72,452	58,054	24.8%
Pest management	20,692	25,459	-18.8%
Waste management and recycling	54,128	56,781	-4.6%
	571,122	538,122	6.1%
Cost of services	519,368	488,201	6.4%
Gross profit	51,754	49,921	3.7%
Profit from operations	20,244	23,210	-12.8%
Profit attributable to equity shareholders of the Company	15,132	17,329	-12.7%
Basic earnings per share (HK\$)	0.04	0.04	

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, together with its subsidiaries the “Group” or “Baguio”) is pleased to present the interim report of the Company for the six-months ended 30 June 2017 (the “Period”).

MARKET REVIEW

2017 is an important year for Baguio to expand its waste management and recycling services. Waste management has long been a critical challenge in Hong Kong. According to the Monitoring of Solid Waste in Hong Kong – Waste Statistic for 2010 and 2015 issued by Environmental Protection Department (“EPD”), the recovery rate of municipal solid waste generated dropped sharply from 52% in 2010 to 35% in 2015. While the international leading countries are giving strong impetus in waste reduction and recycling, Hong Kong, as an international financial hub, must take a more proactive approach in motivating the public to achieve waste recycling and waste reduction, in order to divert recyclables away from landfills. To catch up with the global trend, the Hong Kong Government stepped up its efforts to promote green policies, such as advocating the Municipal Solid Waste Charging Scheme and Food Waste Hong Kong Scheme, the construction of the organic waste treatment facilities, as well as the legislation of Producer Responsibility Scheme on Glass Beverage Bottles. Together with public education and supporting measures, the government has significantly aroused the public’s awareness to the importance of proper waste management. In the first half of 2017, Baguio received a rising number of enquiries from public entities and private enterprises looking for a total waste management solution. It is believed that a wider scope of waste management services is required to answer the increasing demand in both the public and private sectors, which opened the gate for the Group to further delve into the waste management services market in various aspects.

In parallel, the People’s Republic of China (“PRC”) is also putting “Green Development” as one of the top five priorities under the 13th Five-year Plan framework. Aiming to tackle the severe conditions of environmental issues, the Environmental Protection Tax Law (環境保護稅法) was enacted on 25 December 2016 and will come into effect on 1 January 2018. Various significant environmental policies or plans, such as the “13th Five-Year” Eco-Environmental Protection Plan (「十三五」生態環境保護規劃) and the “13th Five-Year Plan” for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (「十三五」全國城鎮生活垃圾無害化處理設施建設規劃), also came into force, clearly demonstrating that the Central Government’s determination to pursue a greener and more sustainable development. These top-down policies also provided new opportunities for the development of environmental protection industry. Coupled with the raising public awareness on creating a clean environment, the Central Government’s effort has unleashed the market potential for the Group to explore opportunities in the environmental services in the PRC.

BUSINESS REVIEW

Being a leading integrated environmental services provider, Baguio strives to create a “Green & Clean” environment to the society by providing a wide scope of comprehensive environmental services, ranging from cleaning, landscaping and pest management to waste management and recycling. Following the yard waste collection contract gained in November 2016, the Group further delved into the waste management and recycling segment and broadened its services scope for the Period. In February 2017, the Group secured a contract with the Hong Kong Jockey Club to provide stable waste collection service, which commenced in April 2017. In this contract, Baguio collects the stable waste at the Shatin Racecourse and delivers to Animal Waste Composting Plant (“AWCP”) at Ngau Tam Mei for composting. In July 2017, Baguio again stretched the boundary of its services offerings and partnered with The Jardine Engineering Corporation Limited to win the contract from the Electrical and Mechanical Services Department to operate AWCP in composting the collected animal waste and turning it into organic compost. Synergizing with the landscaping segment of the Group, Baguio managed to provide a one-stop waste management solution to animal waste, covering the entire supply chain from waste collection to downstream waste reprocessing and reusing.

When it comes to waste recycling, animal waste recycling is not Baguio’s only new venture. In May 2017, Baguio procured the first food waste truck to accelerate the efficiency of its food waste collection services. Specially designed for food waste collection, the truck is equipped with advanced functions to facilitate the collection process, and thus, reliance on manual labour is reduced. This significantly improved the cost effectiveness and overall margin. During the Period, the Group also participated in the tender on glass bottles recycling, which covers the whole supply chain from glass bottles collection, processing to downstream remanufacturing, as well as community education. With the Group’s extensive industry experiences, advanced technological capabilities and strong track records in large scale tendering, it is believed that Baguio would be able to enjoy the first-mover advantage for future tenders.

MANAGEMENT DISCUSSION AND ANALYSIS

Riding on the solid business foundation in Hong Kong, Baguio also saw huge potential in the environmental services market in the PRC. Cities in the PRC, particularly the second to third-tier cities, began to outsource their municipal cleaning services, waste management and recycling services to private service providers. During the Period, the Group has examined the feasibility of expanding its operation in the PRC and proactively looked into the possibility of cooperation with local operators. Supported by its technical know-how, management expertise, financing capability and well-established reputation, Baguio is ready to capture the diverse opportunities in this vast market.

Results

For the Period, revenue of the Group was approximately HK\$571.1 million, registering a stable growth of approximately 6.1% from approximately HK\$538.1 million for the same period in 2016. This was mainly attributable to the Group's genuine efforts in gaining new and renewal contracts. Gross profit increased by approximately 3.7% to approximately HK\$51.8 million (1H2016: approximately HK\$49.9 million), but gross profit margin decreased by approximately 0.2% to approximately 9.1% (1H2016: approximately 9.3%) mainly due to increased labor cost. Profit attributable to equity shareholders of the Company amounted to approximately HK\$15.1 million, representing a decline of approximately 12.7% year-on-year for the Period (1H2016: approximately HK\$17.3 million) while the net profit margin decreased by approximately 0.6% to approximately 2.6% (1H2016: approximately 3.2%). Earnings per share was 4 HK cents (1H2016: 4 HK cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period (1H2016: nil).

Revenue Breakdown of Major Business Segments

	For the six months ended 30 June 2017		2016		Change
	Revenue (HK\$ Million)	% of total revenue	Revenue (HK\$ Million)	% of total revenue	
Cleaning	423.8	74.2%	397.8	73.9%	6.5%
Landscaping	72.5	12.7%	58.1	10.8%	24.8%
Pest management	20.7	3.6%	25.5	4.7%	-18.8%
Waste management and recycling	54.1	9.5%	56.7	10.6%	-4.6%
Total	571.1	100.0%	538.1	100.0%	6.1%

Gross Profit Margin of Major Business Segments

	For the six months ended 30 June		Change
	2017	2016	
Cleaning	7.2%	7.3%	-0.1 p.p.
Landscaping	16.9%	17.3%	-0.4 p.p.
Pest management	12.0%	11.9%	0.1 p.p.
Waste management and recycling	12.4%	14.0%	-1.6 p.p.
Overall	9.1%	9.3%	-0.2 p.p.

During the Period, the Group was able to secure tender contracts with its existing and new customers to drive overall revenue upwards. The Group has delivered satisfactory growth in its cleaning and landscaping segments by achieving approximately 6.5% and 24.8% revenue growth respectively, which offset the effect of revenue decrease from our pest management and waste management and recycling segments. With the aforementioned new businesses in the pipeline for our waste management and recycling segment, it is expected that the revenue for the waste management and recycling segment will exhibit major growth in the near future. Despite our revenue growth, the gross profit margins for most of our business segments decreased slightly during the Period, as a result of the continuously rising labor costs in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracts on hand

As of 30 June 2017, the Group had a total amount of approximately HK\$2,247.3 million worth of unexpired contracts on hand, among which, approximately HK\$566.1 million would be recognised by the end of 2017; approximately HK\$995.8 million would be recognised in 2018 and the rest of approximately HK\$685.4 million would be recognised in 2019 and beyond.

	Unexpired contract value (HK\$ Million)	Contract value to be recognised by 31 December 2017 (HK\$ Million)	Contract value to be recognised by 31 December 2018 (HK\$ Million)	Contract value to be recognised in 2019 and beyond (HK\$ Million)
Cleaning services	1,698.5	461.5	796.3	440.7
Landscaping services	212.4	40.7	111.1	60.6
Pest management services	29.9	13.8	12.3	3.8
Waste management and recycling services	306.5	50.1	76.1	180.3
Total	2,247.3	566.1	995.8	685.4

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 2017	7-Eleven — Combined Distribution Centre	Certificate of Occupational Safety & Health
Jan 2017	World Green Organisation	WGO 4th Anniversary cum Symposium Dinner — Certificate of Appreciation
Jan 2017	LEO Club of Kowloon Tong & Trend Catering Limited	Certificate of Appreciation — Volunteer Service
Jan 2017	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2016 — Certificate to Zero Accident Achievement (Oct 2015–Mar 2016)
Jan 2017	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2016 — Certificate to Zero Accident Achievement (Apr–Sept 2016)
Feb 2017	Island District Office/H.K.S.K.H. Tung Chung Integrated Services	Certificate of Appreciation — Tung Chung Job Fair 2017
Feb 2017	People Service Centre	Certificate of Appreciation
Mar 2017	Hong Kong Waste Management Association	Certificate of Appreciation
Mar 2017	Hong Kong Council of Social Service	5 years+ Caring Company 2016/17 — Baguio Cleaning Services Company Limited
Mar 2017	Hong Kong Council of Social Service	5 years+ Caring Company 2016/17 — Baguio Landscaping Services Limited
Mar 2017	Hong Kong Council of Social Service	Caring Company 2016/17 — Baguio Pest Management Limited
Mar 2017	Hong Kong Council of Social Service	Caring Company 2016/17 — Baguio Waste Management & Recycling Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Date	Issuer of Award	Award
Mar 2017	Hong Kong Council of Social Service	Caring Company 2016/17 — Baguio Green Group Limited
Mar 2017	Hong Kong Council of Social Service	Caring Company 2016/17 — Tak Tai Enviroscape Limited
Mar 2017	Employee Retraining Board	ERB Merit Award for Employers
May 2017	The CLP Group	Appreciation of Team Participation — CLP Power Safety, Health and Environment Quiz 2017 — Contractor Stream Competition
May 2017	Environmental Campaign Committee	Certificate of Appreciation — Award Application Participation
Jun 2017	Bank of China & The Federation of Hong Kong Industries	Corporate Environmental Leadership Awards 2016 — ECO Challenger

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In addition to focusing on its professional services to improve the living standard of Hong Kong citizens, the Group strived to contribute to the society together with our employees. The following sets out some of the activities participated or organised by the Group during the first half of 2017.

Month	Organizer of Activity	Activity
Jan 2017	Green Council	The Fourteenth Green Carnival 2017
Jan 2017	Leo Club of Kowloon Tong	CNY Dinner for the frontline cleaners
Feb 2017	Greener Action	Red Pocket Reuse & Recycle Program
Mar 2017	Hong Kong Employment Development Service Limited	Career Counseling Seminar and Site Visit
Apr 2017	Friends of the Earth (HK)	Tree Planting Challenge 2017
Jun 2017	Green Council	Hong Kong Green Day Opening Ceremony 2017
Jan 2017– Jun 2017	World Green Organization & A.S. Watson	Plastic Bottle Recycling Scheme

PROSPECTS

Looking forward to the future, Baguio will continue to base its core businesses in Hong Kong, while keep venturing into potential business opportunities in the PRC market. On the Hong Kong front, the waste management and recycling segment remains the strategic focus of the Group. The Hong Kong Environmental Protection Department has scheduled to commence the Municipal Solid Waste Charging Scheme as early as in the second half of 2019, with an aim to effectively bring about public's behavioral change to achieve waste recycling, and ultimately, waste reduction. Supported by other green measures and facilities, such as the collection of food waste, glass beverage bottles and electronic waste and the implementation of Environmental, Social and Governance ("ESG") reporting, the Group foresees that more and more public entities and private enterprises, especially listed companies, are willing or have already begun to look for a total waste management solution. This opens an enormous market for the Group to seize. With the successful tender of yard waste and animal waste collection in the first half of 2017, Baguio is going to deepen its market penetration and tap into the collection service markets of food waste, glass beverage bottles and electronic wastes. Leveraging on the Group's strong brand equity, seasoned industrial experience and strong track records in large-scale tendering, Baguio is well-equipped to capture future market opportunities, and in return, continue its outstanding results in waste management and recycling to benefit the society.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to waste collection services, Baguio targets to expand its waste management capability by tapping into the recycled waste processing industry, in which recycled waste will be transformed into useful raw materials. The demand of raw material is foreseen to be getting higher in the PRC due to the strict policies of restricting import of unprocessed solid waste into PRC. Furthermore, the coming Municipal Solid Waste Charging Scheme of Hong Kong requires more than 2 million plastic bags per day. There would be a huge and stable market for recycled plastic bags. With a forward-looking vision, Baguio has been collaborating with a number of institutions such as the Hong Kong Productivity Council in examining the feasibility of adopting advanced technologies to recycle plastic waste into raw material or useful end products such as plastic bags for the coming Municipal Solid Waste Charging Scheme.

On the PRC front, the Group has never held back from exploring potential opportunities in the PRC's environmental services market. During the G20 summit in Hamburg, Germany, President Xi Jinping reiterated the Central Government's dedication and commitment in leading the globe in environmental protection, including energy saving, carbon emission reduction and waste recycling on both international platform and domestic legalization levels. This is a golden timing for the Group to expand its business and presence in PRC through mergers and acquisitions and strategic collaborations with local operators. Lastly, the Group will also continue to maintain its capital commitment and to better allocate its resources in order to support the Group's development plan.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the six-month periods ended 30 June 2017 and 2016 were approximately HK\$571.1 million and approximately HK\$538.1 million, respectively, representing an increase of approximately 6.1%. The increase was mainly due to increase in contracts secured in our services segments of cleaning and landscaping during the Period. Revenue from our pest management and waste management and recycling service segments decreased during the Period as some contracts for these segments had expired since 30 June 2016.

Cost of Services

For each of the six-month periods ended 30 June 2017 and 2016, the cost of services amounted to approximately HK\$519.3 million and approximately HK\$488.2 million, respectively, representing approximately 90.9% and approximately 90.7% 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 increased due to increase in labor costs in the market.

Gross Profit

The Group's gross profit for the Period was approximately HK\$51.8 million, representing an increase of approximately 3.7% from approximately HK\$49.9 million for the corresponding period in 2016. The increase was mainly due to increase in the Group's overall revenue.

Gross Profit Margin

The gross profit margins of the Group for the six-month period ended 30 June 2017 was similar to last year with a slight difference of approximately 0.2%.

Other Income

Other income of the Group for each of the six-month periods ended 30 June 2017 and 2016 were approximately HK\$0.4 million and HK\$3.1 million respectively, representing a decrease of approximately 85.4%. The other income in the prior period mainly comprised of one-off government grants for phasing out certain diesel vehicles of the Group. Such government grants reduced significantly during the Period.

Change in Fair Value Less Costs to Sell of Biological Assets

The Group's biological assets consist of trees, plants and flowers located at the Group's nurseries in the PRC and Hong Kong. The gain in fair value of biological assets for each of the six-month periods ended 30 June 2017 and 2016 were approximately HK\$1.3 million and HK\$0.2 million respectively, representing an increase of approximately 456.8%. The group has expanded its nurseries in the PRC during the Period and continued to store and grow these biological assets for future landscaping projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The administrative expenses of the Group for each of the six-month periods ended 30 June 2017 and 2016 were approximately HK\$32.7 million and approximately HK\$29.0 million respectively, representing approximately 5.7% and approximately 5.4% of the respective period's revenue. The Group continued to control its administrative expenses during the Period. As disclosed in note 12 to the unaudited interim financial report on page 22, a provision of approximately HK\$2.3 million was made.

Finance Costs

The finance costs amounted to approximately HK\$2.1 million and approximately HK\$2.5 million for each of the six-month periods ended 30 June 2017 and 2016, respectively, representing approximately 0.4% and approximately 0.5% of the Group's revenue respectively. The decrease was primarily due to the decrease in the average level of bank borrowings 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 periods ended 30 June 2017 and 2016 were approximately HK\$15.1 million and approximately HK\$17.3 million respectively, representing a decrease of approximately 12.7%. The decrease was mainly due to the above mentioned reasons.

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.

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\$42.9 million (1H2016: approximately HK\$44.7 million). As at 30 June 2017, the Group had available cash and bank balances amounting to approximately HK\$56.6 million (31 December 2016: approximately HK\$55.7 million), representing an increase of approximately 1.6% from 31 December 2016.

As at 30 June 2017, the Group's total current assets and current liabilities were approximately HK\$331.7 million (31 December 2016: approximately HK\$348.9 million) and approximately HK\$222.8 million (31 December 2016: approximately HK\$247.0 million) respectively, while the current ratio was approximately 1.5 times (31 December 2016: approximately 1.4 times).

As at 30 June 2017, the Group's finance lease payables were approximately HK\$48.2 million (31 December 2016: approximately HK\$56.9 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 0.5 times as at 30 June 2017 (31 December 2016: approximately 0.6 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 2017, the Group had unutilised banking facilities of approximately HK\$127.0 million (31 December 2016: approximately HK\$121.9 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.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 May 2014 and the Company raised net proceeds of approximately HK\$90.0 million. During the period between the date of the listing of the shares of the Company to 30 June 2017, 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	11.7	–
Working capital and other general purposes	35.0	35.0	–
Investment in potential projects	15.0	–	15.0
	90.0	75.0	15.0

As at 30 June 2017, the unutilised proceeds were deposited in licensed banks in Hong Kong.

CAPITAL COMMITMENT

As at 30 June 2017, the Group had capital commitment of approximately HK\$3.5 million in respect of the acquisition of motor vehicles, equipment and machinery contracted but not provided in the interim financial report (31 December 2016: approximately HK\$0.7 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, the amounts payable under finance leases within one year was approximately HK\$19.9 million (31 December 2016: approximately HK\$21.6 million), and in the second to fifth year inclusive was approximately HK\$28.3 million (31 December 2016: approximately HK\$35.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, 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 2017 (31 December 2016: approximately HK\$5.1 million); (ii) mortgage of the Group's leasehold land and buildings with carrying amounts of approximately HK\$16.9 million as at 30 June 2017 (31 December 2016: approximately HK\$17.2 million); (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$13.4 million as at 30 June 2017 (31 December 2016: approximately HK\$13.3 million); and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK\$29.5 million as at 30 June 2017 (31 December 2016: approximately HK\$72.1 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 Period, the Group did not make any material acquisition, disposal nor significant investment.

HUMAN RESOURCES

As at 30 June 2017, the Group employed 8,253 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 2017 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	For the six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	4	571,122	538,122
Cost of services		(519,368)	(488,201)
Gross profit		51,754	49,921
Other income		447	3,066
Change in fair value less costs to sell of biological assets		1,314	236
Selling and marketing expenses		(583)	(985)
Administrative expenses		(32,688)	(29,028)
Profit from operations		20,244	23,210
Finance costs	5	(2,129)	(2,528)
Profit before taxation	6	18,115	20,682
Income tax	7	(2,983)	(3,353)
Profit for the period attributable to equity shareholders of the Company		15,132	17,329
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		35	(10)
Change in fair value of available-for-sale financial assets		112	133
Other comprehensive income		147	123
Total comprehensive income for the period attributable to equity shareholders of the Company		15,279	17,452
Earnings per share			
Basic and diluted (HK\$)	9	0.04	0.04

The notes on pages 16 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Non-current assets			
Property, plant and equipment	10	151,538	156,628
Interest in associate		150	150
Available-for-sale financial assets		13,398	13,286
		165,086	170,064
Current assets			
Inventories		5,172	4,942
Trade receivables	11	234,368	251,905
Prepayments, deposits and other receivables	12	19,627	21,521
Biological assets		10,811	9,700
Pledged bank deposits		5,140	5,140
Cash and bank balances		56,624	55,735
		331,742	348,943
Current liabilities			
Trade payables	13	22,776	26,979
Accruals, deposits received and other payables	14	112,091	114,473
Bank borrowings	15	65,170	82,499
Obligations under finance leases	16	19,855	21,601
Tax payable		2,923	1,471
		222,815	247,023
Net current assets		108,927	101,920
Total assets less current liabilities		274,013	271,984
Non-current liabilities			
Obligations under finance leases	16	28,335	35,306
Deferred tax liabilities		10,826	10,507
		39,161	45,813
Net assets		234,852	226,171
Capital and reserves			
Share capital	17	4,150	4,150
Reserves		230,702	222,021
Total equity		234,852	226,171

The notes on pages 16 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 — 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 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
At 1 January 2017	4,150	100,850	18,330	(393)	1,196	(120)	102,158	226,171
Profit for the period	–	–	–	–	–	–	15,132	15,132
Other comprehensive income for the period	–	–	–	112	–	35	–	147
Total comprehensive income for the period	–	–	–	112	–	35	15,132	15,279
Dividends approved in respect of the previous year (<i>note 8</i>)	–	–	–	–	–	–	(7,055)	(7,055)
Equity-settled share-based payments	–	–	–	–	457	–	–	457
At 30 June 2017	4,150	100,850	18,330	(281)	1,653	(85)	110,235	234,852

The notes on pages 16 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Net cash generated from operating activities	42,896	44,677
Investing activities		
Payment for the purchase of property, plant and equipment	(6,207)	(14,849)
Payment for deposits	—	(6,000)
Other cash flows arising from investing activities	2,377	4,238
Net cash used in investing activities	(3,830)	(16,611)
Financing activities		
Proceeds from new bank borrowings	302,009	135,847
Repayment of bank borrowings	(319,338)	(187,849)
Dividend paid to equity shareholders of the Company	(7,055)	(7,055)
Other cash flows used in financing activities	(13,828)	(6,051)
Net cash used in financing activities	(38,212)	(65,108)
Net increase/(decrease) in cash and cash equivalents	854	(37,042)
Cash and cash equivalents at the beginning of the period	55,735	90,346
Effect of foreign exchange rates changes	35	(11)
Cash and cash equivalents at the end of the period	56,624	53,293
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	56,624	53,293

The notes on pages 16 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

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 2017.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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 2017					
Segment revenue	423,850	72,452	20,692	54,128	571,122
Segment results	29,855	12,209	2,474	6,633	51,171
Other income					447
Change in fair value less costs to sell of biological assets					1,314
Administrative expenses					(32,688)
Finance costs					(2,129)
Profit before taxation					18,115

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 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

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 2017					
Segment assets	284,338	73,246	30,343	102,532	490,459
Unallocated					6,369
Total assets					496,828
Segment liabilities	175,003	28,815	16,166	41,063	261,047
Unallocated					929
Total liabilities					261,976

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 2016					
Segment assets	305,119	64,346	33,923	105,213	508,601
Unallocated					10,406
Total assets					519,007
Segment liabilities	187,954	29,634	21,993	50,792	290,373
Unallocated					2,463
Total liabilities					292,836

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	
	2017 HK\$'000	2016 HK\$'000
Interest on:		
Bank overdrafts	5	2
Bank loans	1,221	1,385
Obligations under finance leases	903	1,141
	2,129	2,528

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	
	2017 HK\$'000	2016 HK\$'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation	11,796	11,748
Loss on disposal of property, plant and equipment	174	507
Cost of consumables goods	19,372	19,946
Government grants*	(276)	(2,852)
Staff costs (including directors' remuneration)		
Wages, salaries and other benefits	444,572	411,170
(Reversal of)/provision for long service payments	(745)	140
Provision for untaken paid leave	3,056	4,620
Contributions to defined contribution retirement scheme	14,705	14,287
Equity-settled share-based payments	457	502
	462,045	430,719
Operating lease rentals: minimum lease payments		
Machinery and motor vehicles	11,065	9,810
Land and buildings	2,748	2,398
	13,813	12,208

* Government grants of HK\$276,000 (six months ended 30 June 2016: HK\$2,852,000) were granted during the six months ended 30 June 2017 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	
	2017 HK\$'000	2016 HK\$'000
Current tax:		
Hong Kong Profits Tax	2,664	3,389
Deferred tax	319	(36)
	2,983	3,353

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 2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	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 2016: HK1.7 cents per share)	7,055	7,055

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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\$15,132,000 (six months ended 30 June 2016: HK\$17,329,000) and the weighted average number of 415,000,000 (six months ended 30 June 2016: 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 2017, the Group acquired items of property, plant and equipment with aggregate cost of HK\$9,183,000 (six months ended 30 June 2016: HK\$14,849,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$2,476,000 (six months ended 30 June 2016: HK\$4,830,000).

11. 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 2017	At 31 December 2016
	HK\$'000	HK\$'000
Within 60 days	185,825	189,624
Over 60 days but within 120 days	42,018	53,575
Over 120 days but within 365 days	5,039	7,651
Over 365 days	1,486	1,055
	234,368	251,905

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

11. TRADE RECEIVABLES *(Continued)*

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 2017 (31 December 2016: Nil).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 30 June 2017 is a gross amount of HK\$4,500,000 (31 December 2016: HK\$5,000,000) due from Shanghai Genyuan Environmental Co., Limited ("Shanghai Genyuan", a company principally engaged in harmless treatment of organic wastes and resources utilisation in the PRC) in respect of a refundable deposit in relation to the proposed acquisition of certain equity interest in Shanghai Genyuan. The proposed acquisition was terminated during year ended 31 December 2016 as the Group could not reach an agreement with the seller on certain crucial terms. During the six months ended 30 June 2017, the Group agreed with Shanghai Genyuan on the repayment schedule of the outstanding balance but certain scheduled payments were subsequently defaulted. The Group has taken legal action against Shanghai Genyuan and the guarantors, and a provision of HK\$2,250,000 was made in the current period.

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 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 30 days	16,527	15,906
Over 30 days but within 60 days	3,209	6,635
Over 60 days but within 90 days	467	535
Over 90 days	2,573	3,903
	22,776	26,979

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

14. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

All of the accruals, deposits received and other payables are expected to be settled or recognised as income within one year or repayable on demand.

In prior years, there was a legal action taken against the Group in relation to a personal injury in servicing area of the Group and a provision of HK\$900,000 was included in "Accruals, deposits received and other payables" as at 31 December 2016. The case was settled in June 2017 and all related liabilities were fully provided for in prior year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

15. BANK BORROWINGS

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Current liabilities		
Current portion of term loans from banks	60,311	76,522
Non-current portion of term loans from banks repayable on demand	4,859	5,977
	65,170	82,499

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Secured	65,170	72,499
Unsecured	–	10,000
	65,170	82,499

The secured bank loans of the Group as at 30 June 2017 and 31 December 2016 were secured by:

- (i) pledged bank deposits of HK\$5,140,000 as at 30 June 2017 (31 December 2016: HK\$5,140,000);
- (ii) mortgage of the Group's leasehold land and buildings of HK\$16,903,000 as at 30 June 2017 (31 December 2016: HK\$17,179,000);
- (iii) pledge of the Group's available-for-sale financial assets of HK\$13,398,000 as at 30 June 2017 (31 December 2016: HK\$13,286,000); and
- (iv) pledge of the Group's trade receivables of HK\$29,461,000 as at 30 June 2017 (31 December 2016: HK\$72,057,000).

The bank loans of the Group of HK\$65,170,000 as at 30 June 2017 (31 December 2016: HK\$82,499,000) bear interest ranging from 1.36% to 3.50% (31 December 2016: 1.21% to 5.75%) per annum.

16. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. As at 30 June 2017, the amounts payable under finance leases within one year and in the second to fifth year were HK\$19,855,000 (31 December 2016: HK\$21,601,000) and HK\$28,335,000 (31 December 2016: HK\$35,306,000) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2016, 1 January 2017 and 30 June 2017	1,000,000,000	10,000,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2016, 1 January 2017 and 30 June 2017	415,000,000	4,150,000

18. 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 2017			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investments in life insurance	–	–	13,398	13,398

	At 31 December 2016			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Investments in life insurance	–	–	13,286	13,286

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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)

18. 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	
	2017	2016
	HK\$'000	HK\$'000
Investments in life insurance:		
Opening balance	13,286	12,941
Gains recognised in other comprehensive income	112	133
Closing balance	13,398	13,074

(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 2017 and 31 December 2016.

19. 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
	2017	2016
	HK\$'000	HK\$'000
Within one year	5,223	4,594
After one year but within five years	4,868	3,255
After five years	5,487	1,463
	15,578	9,312

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)

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Capital expenditure in respect of the acquisition of motor vehicles contracted for —Within one year	3,195	—
Capital expenditure in respect of the acquisition of equipment and machinery contracted for —Within one year	335	702
	3,530	702

21. 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	
	2017 HK\$'000	2016 HK\$'000
Short term employee benefits	4,286	4,140
Post-employment benefits	222	210
Equity settled share-based payments	156	156
	4,664	4,506

- (b)

Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2017 HK\$'000	2016 HK\$'000
The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	518	508
Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	863	563
Director and shareholder	Rental expenses	Mr. Ng Wing Hong	288	288

22. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Purchase of Property

In July 2017, the Group entered in to an agreement for the purchase of additional office premises in Hong Kong with a consideration of HK\$12,400,000.

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 12 to 26 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows 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 2017 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 2017

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2017, 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)	276,072,000	66.52
Chan Shuk Kuen	Family interest ^(Note 2)	276,072,000	66.52
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
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 ("Share(s)") 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. In addition, Mr. Ng Wing Hong also directly held 1,072,000 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.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 25,000,000 shares of the Company. Ms. Ng Yuk Kwan Phyllis is an executive Director.
- (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) Ruan David Ching-chi had a 50% equity interest in RAYS Capital Partners Limited. Therefore, he is 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 2017, 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 2017, 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 are presented on page 29 in the section "Share Option Scheme". In addition, as at 30 June 2017, 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 of the shares of the Company, 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>

OTHER INFORMATION

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.

OTHER INFORMATION

No share option was granted during the Period, while 100,000 share option were lapsed during the Period due to the resignation of an employee who had been granted share options.

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

Name or category of participants	Date of grant (Note 1)	Number of underlying shares comprised in share options				Exercise price per share (HK\$)	
		As at 1 January 2017	Granted during the Period	Lapsed during the Period	As at 30 June 2017		
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	3,492,000	-	(100,000)	3,392,000	16/10/2017- 23/04/2024	1.00
Subtotal		3,492,000	-	(100,000)	3,392,000		
Total		5,116,000	-	(100,000)	5,016,000		

Note:

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

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's 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.

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 had 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 2017. 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 was 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, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2017.

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.

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 22 to the unaudited interim financial report on page 26, there was no other material event undertaken by the Company or the Group after 30 June 2017 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