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

ANNUAL REPORT
年報 2019

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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

LEGAL AND COMPLIANCE ADVISERS

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

AUDITORS

KPMG
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

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

Room 201, Building A, Qianwan 1st Road
Qianhai Shenzhen-Hong Kong Cooperation Zone
Nanshan 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 BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

COMPANY WEBSITE ADDRESS

http://www.baguio.com.hk

STOCK CODE

1397

Dear Shareholders,

On behalf of the board of directors (the "Board") of Baguio Green Group Limited (the "Company", and together with its subsidiaries, the "Group" or "Baguio"), it is my pleasure to present the consolidated results of the Group for the year ended 31 December 2019 (the "Year").

Great opportunity in difficult time

The year in review was definitely a difficult time for Baguio as with most other players across almost all business sectors. Since mid-year, Hong Kong has suffered from months of social unrest. Continuous protests and general mayhem left the streets with mountains of debris and rubbish, which brought tremendous pressure on those of us trying to keep the streets clean. The recycling business, including waste glass container collection and treatment services, were suspended in the midst of the chaos.

While the prolonged turmoil continued, the deadly coronavirus disease ("COVID-19") started to spread towards year end, bringing with it considerable human suffering and further upheaval and uncertainty for domestic and global economies. The adverse impact on confidence, financial markets, the travel sector, and disruption to production lines contributed to force downward revisions on the global economic outlook.

Under the heightened and forceful actions to thwart COVID-19 and its negative economic impact, governments around the world are ramping up health measures to raise public awareness on personal and environmental hygiene. Baguio believes the demand for environmental services, including cleaning services, waste management and recycling services, will continue to become increasingly important parts of daily life in the foreseeable future.

China's waste import ban, introduced at the end of 2017, was still rocking the recycling industry in Hong Kong in 2019, while Government, private enterprises and the community continue to push for a long-term sustainable solution to waste management.

As the leading provider of integrated environmental services, Baguio takes a pragmatic and positive approach to these challenges. Advocating for increased supply of recycling measures and recognising the role we could play in making a positive impact during the year under review, Baguio Waste Management & Recycling Limited, ALBA Group Asia Limited ("ALBA") and Swire Beverages Holdings Limited ("Swire") formed a joint venture ("JV") to build the first food-grade-ready plastics recycling facility in Hong Kong. This marked a new milestone in the development of local modern processing of plastic containers. In the meantime, the Group stepped up its efforts in strengthening its internal controls, improving efficiency and reducing costs through deployment of company-wide ERP systems, introduction of biometric technologies on staff management and regular internal trainings for various levels of employees.

Outlook

Eyeing the benefits of long-term sustainable development in creating a harmonious living environment, the Group continued its efforts towards optimising its waste recycling and processing business, developing our people and investing in technology to better serve our customers and the community. Among these, we have placed high confidence in our new joint venture project on food-grade ready plastics recycling in EcoPark. Following the construction of the facility, expected to be completed in second half this year, about 35,000 metric tonnes of post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high density polyethylene or personal care bottles) plastic materials will be processed and recycled annually. Our food-grade recycling products will focus on the international market, which can help create a strong local recycling industry chain for sustainable development. We tackled 2019 with hard work, and we believe 2020 will present a good opportunity for us to realise organic growth. We will continue to focus on the long-term development of our business through investments in internal improvement, technology and securing more cooperation agreements. We are confident that we are well positioned for success in 2020 and beyond.

Appreciation

I would like to take this opportunity to extend my heartiest thanks to the Board, all our dedicated employees for their continued loyalty and professionalism in these difficult times, and our customers and business partners for their support and contributions to the Group. Looking forward, we will work together to drive growth and bring satisfactory returns to our shareholders.

Ng Wing Hong
Chairman of the Board

Hong Kong
30 March 2020

ABOUT BAGUIO

Baguio is mainly engaged in providing professional cleaning, landscaping, pest management together with waste management and recycling services. 40 years of experiences, an established reputation, a seasoned management team and comprehensive resources, Baguio is one of the largest integrated environmental services providers in Hong Kong in terms of revenue. As a dominant player, the Group has competitive advantages in gaining contracts and projects across different sectors including government departments, semi-government entities, public utility companies as well as non-governmental organizations ("NGOs") and private companies.

MARKET REVIEW

Hong Kong's waste output rate has reached its highest point since 1991 when record-keeping on waste disposal first began. Each day of 2018 Hongkongers sent 1.53kg of municipal solid waste per person to the landfill, culminating in a total of 5.87 million tonnes in 2018 compared to a total of 5.66 million tonnes in 2017.

Meanwhile, Hong Kong has been exposed to a waste crisis ever since the implementation of China's waste import ban. Together with the prolonged social unrest and the spread of the COVID-19, there are a myriad of environmental issues Hong Kong must address, including waste reduction, recycling and social sustainability, among others. All of these can be managed by taking multi-pronged actions, ranging from waste reduction at the source to enhancing waste recovery, rebooting a recycling regime, waste charging scheme and building a comprehensive and modern waste treatment infrastructure that can handle different types of waste. While the government is taking the initiative to implement policies and prioritise efforts on sustainability promotion, as a front line combatant in protecting Hong Kong's cleanliness, Baguio is continuously seeking ways to reform the city's recycling programme and enhance its internal waste management capabilities.

Furthermore, topics on climate change and environmental damage are attracting high attention. Greta Thunberg, a Swedish environmental activist, was awarded Time's Person of the Year, helping to spark a new round of focus on fighting climate change. Private enterprises have taken initiatives to launch campaigns to respond to this global issue and large consumer brands have launched programmes to tackle environmental issues. Coca Cola, for example, announced an industry-first goal to collect and recycle the equivalent of every bottle or can it sells globally by 2030. As the wider public shows its concern about our planet, Baguio believes that the green industry is on an irreversible upward track.

BUSINESS REVIEW

The past Year has been challenging, with almost all business sectors affected by unexpected local and global social volatility. As such, The Hong Kong economy contracted by 1.2% in 2019, marking the first year of decline since 2009. Subject to high uncertainties, including the threat of a novel coronavirus epidemic, US-China trade relations and the local social situation, the near-term outlook for the Hong Kong economy has turned even more austere.

This, however, has not and will not deter Baguio from its commitment to exploring opportunities in the recycling business and moving forward from a recyclable waste collector to one of the key players in processing recyclable wastes in Hong Kong. The waste recycling industry has always been our primary and core development focus.

As the Government boosts its support for waste reduction in Hong Kong, various new support measures and subsidies have been announced to address the immediate needs of the industry, resulting in the opening of more tenders for pilot schemes aimed at plastics waste collection and recycling.

Baguio achieved a big milestone in 2019 when it joined with ALBA and Swire to form a JV to operate the first food-grade ready plastics recycling facility in Hong Kong. Located at EcoPark, the facility is expected to commence operations in the second half of 2020. Once completed, the facility will be able to process and recycle 35,000 tonnes of post-consumer PET and HDPE annually at a rate of 100 tonnes of plastics per day. Aiming to prolong the life of reusable plastics, the three-stage processing will turn plastic waste into flakes and pellets, which can be reused as raw materials for new, high-quality consumable or industrial products.

While competition remains intense in the cleaning business, the HKSAR Government launched the new marking scheme on tenders in April 2019 to encourage the raising of standard wages for frontline workers. This has changed the competitive landscape of the cleaning business. Though increased labour costs have a significant effect on costs per contract, the new marking scheme benefits large-scale companies with adequate financial resources. Baguio will leverage the new scheme to be more aggressive on tenders and expand our customer base. Furthermore, to mitigate its exposure to heightened competition, Baguio will be more selective in the bidding process and focus only on high margin projects, including those which require advanced skill sets or good governance such as airports, aircraft and public utilities.

In terms of our landscaping business, Baguio has increased investment and manpower on seedling production with a strategic goal of expanding into large-scale landscaping projects. For the past years there have been significant changes in requirements for better living environments, along with improving living standards, in Hong Kong and the PRC. Following the introduction of tougher greening policies by the HKSAR Government, the Group is expecting strong demand for quality landscaping in the coming years. The landscaping business will become an important growth driver for the Group.

Since 2005 the Group has also been one of the largest pest control service providers in Hong Kong, boasting a full spectrum of services, including pest investigation and inspection, species identification, pest control and monitoring. The pest control business aligns closely with the Group's Go-Green policy, and Baguio is dedicated to bettering the lives of people and creating a green and healthy environment for the community.

Results

For the Year, the Group's revenue was approximately HK$1,397.5 million, indicating a slight decrease of approximately 2.2% from approximately HK$1,429.5 million for 2018. Gross profit decreased by approximately 24.2% to approximately HK$70.5 million (2018: HK$92.9 million) and gross profit margin decreased by 1.5 percentage points ("p.p") to approximately 5.0% (2018: 6.5%). Decline in gross profit margin was mainly due to the increase in labor costs and progress delays of the landscaping projects. The Group's profit attributable to shareholders of the Company of approximately HK$17.9 million for the preceding year turned into a loss of approximately HK$11.0 million for the Year, changing from net profit margin of approximately 1.2% for the preceding year to net loss margin of approximately 0.8%. Loss per share was HK2.7 cents (2018: Earning per share HK4.3 cents).

Final Dividends

The Board does not recommend the payment of a final dividend for the Year. A final dividend for the year ended 31 December 2018 of HK0.7 cents per ordinary share, totalling HK$2,905,000, was paid in July 2019.

Revenue breakdown of major business segments

	For the year ended				
	31 December 2019		31 December 2018		
	Revenue (HK$ million)	**% of total revenue**	Revenue (HK$ million)	% of total revenue	**Change**
Cleaning	**977.3**	**69.9%**	1,065.1	74.5%	-8.3%
Landscaping	**184.2**	**13.2%**	186.1	13.0%	-1.0%
Pest management	**71.2**	**5.1%**	44.3	3.1%	+60.7%
Waste management and recycling	**164.8**	**11.8%**	134.0	9.4%	+23.0%
Total	**1,397.5**	**100.0%**	1,429.5	100.0%	-2.2%

Gross profit margin of major business segments

	For the year ended 31 December 2019	31 December 2018	Change
Cleaning	**2.6%**	4.3%	-1.7 p.p
Landscaping	**11.8%**	16.2%	-4.4 p.p
Pest management	**7.7%**	10.9%	-3.2 p.p
Waste management and recycling	**10.7%**	8.9%	+1.8 p.p
Overall	**5.0%**	6.5%	-1.5 p.p

Riding on our professional management, quality services and stringent control in safety precaution, the Group continued to maintain a high tender success rate at approximately 38% in 2019 (2018: 38%). We continuously strived to expand our services scope in order to enhance our competitiveness. In term of business segments, the Group has delivered satisfactory growth in its pest management together with its waste management and recycling segments by achieving approximately 60.7% and 23.0% revenue growth respectively, which nearly offset the effect of revenue decrease from the cleaning segment having some contracts expiring during the Year. During the Year, the Group successfully obtained four contracts from the Food and Environmental Hygiene Department of Hong Kong for provision of pest management services. The demand for professional landscaping and arboriculture services is still keen. However, due to the progress delays of the landscaping projects and increase in cost, the profit margin for the landscaping segment dropped from approximately 16.2% for 2018 to approximately 11.8% for 2019. Besides, the decrease in the projected volume in collection of waste glass containers due to temporary suspension of collection services and reduced outdoor consumer activities as a result of the social unrest and mass street protests in Hong Kong in the second half of the Year also affected the profit performance of the Group. In addition, with the increase in labor costs due to the competitive labor market, the overall gross profit margin dropped from approximately 6.5% for 2018 to approximately 5.0% for 2019.

Contracts on hand

As of 31 December 2019, the Group had a total amount of approximately HK$1,379.7 million worth of unexpired contracts on hand, of which, approximately HK$790.2 million will be recognised by the end of 2020, approximately HK$345.4 million will be recognised in 2021 and the rest of approximately HK$244.1 million will be recognised in 2022 and beyond.

	Backlog contract value (HK$ million)	Contract value to be recognised by 31 December 2020 (HK$ million)	Contract value to be recognised by 31 December 2021 (HK$ million)	Contract value to be recognised in 2022 and beyond (HK$ million)
Cleaning services	720.3	452.4	182.0	85.9
Landscaping services	139.5	117.1	20.5	1.9
Pest management services	186.1	88.7	57.1	40.3
Waste management and recycling services	333.8	132.0	85.8	116.0
Total	1,379.7	790.2	345.4	244.1

HUMAN RESOURCES

As at 31 December 2019, the Group employed 7,457 employees (2018: 8,715 employees), including both full time and part time. Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

During the Year, various training activities, such as training on operational safety, team building administrative and management skills, were conducted to improve the quality of front-end services, office support and management. In addition, employees are also encouraged, subsidised and sponsored to attend job-related seminars and courses organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

PROSPECTS

The HKSAR Government's determination to create a greener community was highlighted in its 2020-21 Budget, which introduced a plan to set up a HK$200 million Green Tech Fund to support research and development, speed up the deployment of green technologies, finance the implementation of a HK$300 million scheme to recycle waste paper and issue green bonds totalling HK$66 billion over the next five years.

As the Government and the community increasingly factor in environmental concerns in overall governance, business models and lifestyle, green industry is presented a huge opportunity to deliver social goals on sustainable development. Recognising Baguio's vital role in delivering in this space, the Group is putting in place strategic action plans and catalyzing industry innovations to align with a green future. In this regard, the Group is reviewing different channels for internal adjustment and to boost efficiency, including resource optimization and implementing plans to devote more resources on technology upgrades and deploying ERP systems.

To further complement our recycling business in Hong Kong, the Group is designing a one-stop smartphone application (the "APP") aimed at better connecting the public with nearby recycling collection sites. The Group will promote community recycling by making collector information more accessible. A loyalty programme will be put in place to reward users for every item recycled in order to not only promote recycling among the community, but to broaden our source of recyclables. The APP is currently in the final stages of development and will be officially launched soon. In addition to the opening of our first JV food grade plastic recycling facility later this year, more resources will be invested in the collection of glass containers and plastic containers in order to further promote the local recycling business chain in Hong Kong.

Baguio has a longstanding commitment to delivering quality environmental services and is proud of the progress we have achieved in keeping our community clean and sustainable. The Group will continue to adopt a visionary, proactive, pragmatic and action-oriented approach in order to explore different waste-recycling and processing business opportunities and assist Hong Kong in solving its waste problem. As a leader in the green industry in Hong Kong, we also strive for satisfactory returns for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2019 and 2018 amounted to approximately HK$1,397.5 million and HK$1,429.5 million, respectively, representing a slight decrease of approximately 2.2%. The decrease was mainly due to the decrease in revenue in the cleaning services segment with some contracts expiring during the Year.

Cost of Services

For the years ended 31 December 2019 and 2018, the cost of services of the Group amounted to approximately HK$1,327.0 million and HK$1,336.6 million respectively, representing approximately 95.0% and 93.5% of the Group's revenue for the corresponding years respectively. The cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue has increased due to the increase in labor costs in the market and the operating expenses incurred for the glass treatment facility and collection network, that commenced operation in May 2018.

Gross Profit

The Group's gross profit for the Year was approximately HK$70.5 million, representing a decrease of approximately 24.2% from approximately HK$92.9 million for the year ended 31 December 2018. The decrease was mainly due to the keen competition in the market, coupled with an increase in labor costs and progress delays of the landscaping projects. The increment in cost of services was higher than that in revenue.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2019 and 2018 were approximately 5.0% and 6.5% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the increase in direct labor costs in light of the labor intensive nature of our business and progress delays of the landscaping projects during the Year.

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 gains in fair value of the Group's biological assets for the years ended 31 December 2019 and 2018 were approximately HK$5.0 million and HK$7.8 million respectively, representing a decrease of approximately 35.7%. This is due to the continuing accumulation and growth of the biological assets in the nurseries for future landscaping projects.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the years ended 31 December 2019 and 2018 were approximately HK$2.0 million and HK$2.9 million respectively, representing a decrease of approximately 31.2%. These expenses are mainly for the promotional activities and channels to promote our recycling business and to enhance the public awareness of environmental protection and waste recycling.

Administrative Expenses

The administrative expenses of the Group for the years ended 31 December 2019 and 2018 were approximately HK$80.2 million and HK$73.7 million respectively, representing an increase of approximately 8.8%, and approximately 5.7% and 5.2% of the respective year's total revenue. The increase was mainly due to the increase in the overhead and depreciation charge on expansion of office premises, and the increase of the number of administrative staff for the development of glass management and building the recycling network. The Group continued to implement its budget cost control measures for administrative expenses during the Year. As disclosed in note 6(b) to the consolidated financial statements, a provision of approximately HK$2.3 million was made at 31 December 2019.

Finance Costs

The finance costs of the Group amounted to approximately HK$10.5 million and HK$5.8 million for the years ended 31 December 2019 and 2018 respectively, representing approximately 0.8% of and 0.4% of the Group's total revenue respectively. The increase was mainly due to increase in interest rate and the increase in the average level of bank borrowings during the Year.

Loss for the Year Attributable to Equity Shareholders of The Company

The Group's profit attributable to shareholders of the Company of approximately HK$17.9 million for the preceding year turned into a loss of approximately HK$11.0 million for the Year. The change was primarily due to the factors described above.

FOREIGN CURRENCY EXPOSURE

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars. During the Year, the main foreign currency exposure arose from the fluctuation in Renminbi ("RMB"). Due to the Group's PRC operation, the Group possessed RMB bank balances and a small portion of transactions were denominated in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering a comprehensive range of environmental services. For the Year, we had net cash generated from operating activities of approximately HK$34.4 million (2018: net cash used in operating activities of HK$5.5 million). The Group had available cash and bank balances amounting to approximately HK$22.9 million as at 31 December 2019 (2018: HK$36.1 million), representing a decrease of approximately 36.6%.

As at 31 December 2019, the Group's total current assets and current liabilities were approximately HK$423.2 million (2018: HK$454.5 million) and HK$419.9 million (2018: HK$422.8 million) respectively, while the current ratio was approximately 1.0 times (2018: approximately 1.1 times). The liquidity position of the Group is maintained at a healthy level.

As at 31 December 2019, the Group's bank borrowings amounted to approximately HK$235.1 million (2018: HK$218.3 million), representing an increase of approximately 7.7%; the Group's lease liabilities were approximately HK$46.7 million (2018: HK$23.8 million) representing an increase of approximately 96.0%, for financing the acquisition of motor vehicles for operation usage and recognised lease liabilities related to the lease contracts in respect of certain land and office buildings as required by the newly effective HKFRS 16 since 1 January 2019. During the Year, no financial instruments were used for hedging purposes (2018: Nil).

The gearing ratio of the Group was approximately 1.2 times as at 31 December 2019 (2018: 1.0 times), which was calculated based on the total interest-bearing bank borrowings and lease liabilities over total equity of the Company.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

For the Year, capital expenditures, which mainly included additions in motor vehicles and equipment, amounted to approximately HK$25.3 million (2018: HK$89.6 million). No proceeds of the initial public offering of the shares of the Company were brought forward from year 2018. Capital expenditures were funded by banks, finance companies and funds generated from our operating activities.

As at 31 December 2019, the Group had capital commitment contracted for of approximately HK$1.2 million (2018: HK$5.4 million) and capital commitment authorised but not contracted for of nil (2018: HK$90.0 million).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, the amounts payable under lease liabilities within one year amounted to approximately HK$11.7 million (2018: HK$12.4 million), that after one year but within five years amounted to approximately HK$13.2 million (2018: HK$11.4 million), and that over five years was approximately HK$21.7 million (2018: Nil). Meanwhile, the Group adopted HKFRS 16 since 1 January 2019 and recognised the lease liabilities accordingly.

As at 31 December 2019, the lease liabilities of the Group of approximately HK$11.2 million (2018: HK$23.8 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 31 December 2019, we had (i) pledged bank deposits of approximately HK$6.2 million (2018: HK$6.1 million); (ii) pledge of cash and cash equivalents of approximately HK$0.5 million (2018: Nil); (iii) mortgage of the land and buildings of approximately HK$73.0 million (2018: HK$75.7 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK$14.2 million (2018: HK$13.9 million); (v) pledge of the trade receivables of approximately HK$83.7 million (2018: HK$78.1 million); and (vi) pledge of the contract assets arising from performance under glass management contracts of approximately HK$2.7 million (2018: HK$7.0 million).

Save as mentioned above, 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

On 25 September 2019, the Group entered into a shareholders' agreement with, amongst independent third parties, Swire Recycling Limited and Alba Asia Plastics Recycling Limited in relation to the investment into and management of the JV, New Life Plastics Limited.

On 26 September 2019, the Group subscribed 10.0 million shares of HK$1 each, approximately 33.33% of total issued shares in the JV, totalling HK$10.0 million. The Group also provided a shareholder's loan of HK$3.3 million for the year ended 31 December 2019.

The JV Company will be engaged in the business of constructing and operating a plant (the "Plant") at Lot T6 of EcoPark for the recovery, recycling and reprocessing (including, without limitation, by way of washing, crushing, grinding and flake production) of (a) polyethylene terephthalate ("PET") and high density polyethlene ("HDPE") waste bottles; and (b) other PET and HDPE waste plastic which is from time to time capable of being recovered, recycled or reprocessed by the Plant (the "Specified Waste Plastics") in Hong Kong.

For details of the transaction, please refer to the Company's announcement dated 25 September 2019.

Save for aforesaid, the Group had no other material acquisition, disposal nor investment.

EXECUTIVE DIRECTORS

Ng Wing Hong (吳永康), aged 65, is the Chairman and an Executive Director of the Company. Mr. Ng was appointed as our Executive Director and the Chairman on 23 January 2014. Mr. Ng is also one of the founders and controlling shareholders of our Group. Mr. Ng has over 40 years of experience in the environmental service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In 1980, Mr. Ng together with his brother, Mr. Ng Wing Sun formed a partnership under the name of Baguio Cleaning Services Company Limited which started off as a cleaning service provider in Hong Kong.

Mr. Ng graduated from the University of Hong Kong in October 1977 with a Bachelor of Science degree. He also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983, a Bachelor of Laws degree from the University of London (external degree) in August 1990 and a Postgraduate Certificate in Laws from the University of Hong Kong in September 1991. Mr. Ng was admitted as an associated member of the Association of Chartered Certified Accountants in September 1988 and became a fellow of the Association of Chartered Certified Accountants in September 1993. He was also a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2000. He was admitted as an associate member of the Institute of Chartered Secretaries and Administrators in March 1988 and an associate member of the Hong Kong Institute of Company Secretaries in August 1994. He became a fellow member of the Hong Kong Institute of Chartered Secretaries in March 2014 and he was also admitted as a fellow of the Hong Kong Institute of Directors in May 2014. Mr. Ng is the husband of Ms. Chan Shuk Kuen and the brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan Phyllis.

Ng Yuk Kwan Phyllis (吳玉群), aged 51, is an Executive Director, the Chief Executive Officer and Compliance Officer of the Company. She was appointed as our Executive Director and Chief Executive Officer on 23 January 2014. She joined our Group as an Assistant General Manager in November 1995 and was promoted as a General Manager in February 2000. Ms. Ng has over 20 years of experience in the environmental service industry and is primarily responsible for the overall management of our Group and for overseeing the corporate development department and project development department.

Ms. Ng graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1991 and a Master of Business Administration degree from University of South Australia in April 1999 and a Master of Corporate Finance degree from The Hong Kong Polytechnic University in September 2016. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by the Hong Kong Polytechnic University in June 2009, the ISO 9000:2000 Series Internal Quality Auditor Training Course co-organised by the Hong Kong Productivity Council and SGS International Certification Services in November 2002 and the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She was admitted as a fellow of the Hong Kong Institute of Directors in May 2014 and she obtained Professional Diploma in Corporate Governance & Directorship jointly awarded by Hong Kong Institute of Directors and Hong Kong Productivity Council in June 2014. Ms. Ng is the sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen as well as the sister-in-law of Ms. Chan Shuk Kuen.

Ng Wing Chuen (吳永全), aged 69, is an Executive Director of the Company. He was appointed as our Executive Director on 23 January 2014. He joined our Group since 1982 as one of Baguio Cleaning Services Company Limited's directors. He is currently in charge of the overall management and strategic planning of our Group. Prior to joining our Group, Mr. Ng had served at various banks and other financial institutions, including Hong Kong Chinese Bank Limited.

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

Leung Shuk Ping (梁淑萍), aged 47, is an Executive Director of the Company. She was appointed as our Executive Director on 23 January 2014. She joined our Group in August 1997 as a secretary and resigned in October 2010 with her last position as a Senior Administration Manager. She rejoined our group as the Operation Director in June 2012. Ms. Leung has over 16 years' of experience in administration and business management. She currently oversees the operation department, administration department, IT department, SHEQ department and fleet management department of our Group.

Ms. Leung was awarded a Certificate in Business Management in January 2001 and a Diploma in Business Management in April 2008 from the School of Continuing Education Hong Kong Baptist University. She completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by Hong Kong Polytechnic University in 2009. She completed the Certificate Programme on Inventory Management organised by the Hong Kong Management Association on July 1991. She was admitted as an associate of The Hong Kong Institute of Directors (the "Institute") in May 2014 and awarded a Diploma in Company Direction in October 2018 by the Institute.

Chan Shuk Kuen (陳淑娟), aged 51, is an Executive Director of the Company. She was appointed as our Executive Director on 23 January 2014. Ms. Chan joined our Group in May 2006 as Human Resources Manager and was promoted as Senior Human Resources Manager in December 2008 and as Human Resource Director in July 2012. Ms. Chan oversees the full spectrum of human resources functions including reward management, resourcing and staffing, talent management, employees' compensation, performance management and employee relations.

Prior to joining our Group, Ms. Chan worked in HK Art's Group, whose business is retails of optical products, as General Manager between May 1992 and August 1997, where she was responsible for setting the group's development strategy as well as managing the daily operations of the 14 optical retail shops of the group.

Ms. Chan was awarded Master of Science in Strategic Human Resources Management degree from Hong Kong Baptist University in 2016 and a Bachelor of Business Administration from the Open University of Hong Kong in December 2000. She was admitted as an associate of The Hong Kong Institute of Directors in May 2014. Ms. Chan is the wife of Mr. Ng Wing Hong and the sister-in-law of Ms. Ng Yuk Kwan Phyllis and Mr. Ng Wing Chuen.

Cheung Siu Chun (張笑珍), aged 55, is an Executive Director, Chief Financial Officer and Company Secretary of the Company. She was appointed as an Executive Director, Chief Financial Officer and Company Secretary on 23 January 2014. She joined our Group in November 1999 as our Financial Controller and resigned in November 2004. She rejoined our Group in August 2005 and in July 2012, she became our Finance Director. Ms. Cheung currently oversees the Group's finance department, procurement and logistics department and is responsible for the Group's accounting, cost control, corporate finance and cash management affairs.

She was awarded a post-experience certificate in accountancy from the Hong Kong Polytechnic University in September 2001, a Master of Business Administration degree from University of South Australia in April 2004. Ms. Cheung was admitted as a fellow member of the Association of Chartered Certified Accountants in June 1999 and a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2013. She was admitted as a fellow member of the Taxation Institute of Hong Kong in January 2014. She was admitted as a life full member of Association of Women Accountants (Hong Kong) Limited in December 2007. She was also admitted as an associate member of the Institute of Chartered Accountants in England and Wales in February 2008 and became a fellow member of the Institute of Chartered Accountants in England and Wales in August 2019. Ms. Cheung was granted a Certificate of Completion of the Best Practices for ERP Implementation and Enterprise Collaboration Applications Workshop by the Hong Kong Productivity Council in June 2004. She was admitted as a member of the Hong Kong Institute of Directors in May 2014. Ms. Cheung was also admitted as an associate member of the Institute of Chartered Secretaries and Administrators, and an associate member of the Hong Kong Institute of Chartered Secretaries in December 2016 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sin Ho Chiu (冼浩釗), aged 64, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and he is also the chairman of our Remuneration Committee. He has been the legal representative of Shanghai GrafTech Trading Company Limited since February 2011, the sales director and general manager of GrafTech Hong Kong Limited since May 2011 and the legal representative of the Beijing representative office of GrafTech Hong Kong Ltd since May 2017. From October 2001 to April 2011, Mr. Sin served and was promoted as the business director of Asia Pacific in GrafTech International Trading Inc. Between September 1999 and September 2001, Mr. Sin served as the treasurer and controller of Union Carbide Asia Pacific Inc. Between September 1987 and August 1999, Mr. Sin served as the finance manager of Union Carbide Asia Limited.

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

Dr. Law Ka Hung (羅家熊), aged 64, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and is also the chairman of our Nomination Committee. He has been appointed as independent non-executive director of HKC International Holdings Limited (stock code: 248) since December 2012.

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

Lau Chi Yin Thomas (劉志賢), aged 61, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and is also the chairman of our Audit Committee. Mr. Lau has been the executive director and responsible officer of Jolmo Capital Limited, a licenced corporation of the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities, corporate finance and asset management, since January 2008 and March 2005 respectively. He has been serving as a member of the Disciplinary Committee Panel of the Social Workers Registration Board since January 2008. Between April 2008 and September 2011, Mr. Lau was appointed as a director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司) (Shenzhen stock code: 300094). Between April 2008 and December 2011, Mr. Lau was appointed as the supervisor of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. (珠海恒基達鑫國際化工倉儲股份有限公司) (Shenzhen stock code: 002492).

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

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its major subsidiaries are set out in note 19 to the consolidated financial statements. During the Year, there were no significant changes in the nature of the Group's principal activities.

2. BUSINESS REVIEW

A review of the Group's business during the Year is provided in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control system is provided in the section headed "Corporate Governance Report" on pages 25 to 35 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on pages 36 to 71 of this annual report.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's assets and liabilities by reportable segments of operations for the year ended 31 December 2019 is set out in note 5 to the consolidated financial statements. All of the Group's businesses were carried out in Hong Kong during the Year and all of the Group's revenue from external customers was generated in Hong Kong during the Year.

4. RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this annual report. The Directors do not recommended the payment of a final dividend to the shareholders of the Company (the "Shareholders").

The Board considers sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Under the policy on payment of dividends adopted by the Company, dividends may be recommended, declared and paid to shareholders from time to time. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors:

- Group's financial results and general financial condition;
- the level of the Group's debts to equity ratio and return on equity;
- liquidity position and capital requirement of the Group;
- the Group's current and future operations;
- the Group's business development strategies and future expansion plans;
- the general market conditions;
- any relevant requirements of the Listing Rules and applicable laws, rules and regulations and the memorandum and articles of association of the company; and
- any other factors that the Board considers relevant.

5. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 43 to the consolidated financial statements and in the consolidated statement of changes in equity on page 80, respectively.

6. SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 43 to the consolidated financial statements.

7. DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK$100.1 million, of which none of dividend has been proposed be paid to the Shareholders for the Year. Under the laws of Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to the distributed, the Company will be in a position to pay off its debts as and when fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

8. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in the note 31 to the consolidated financial statements.

10. PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

12. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2019 and of the assets and liabilities of the Group as at 31 December 2019 and for the previous four financial years are set out on page 144 of this annual report.

13. DIRECTORS

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

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

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

Pursuant to Article 84(1) of the Articles of Association of the Company, Mr. Sin Ho Chiu, Dr. Law Ka Hung and Mr. Lau Chi Yin Thomas are subject to retirement by rotation at the forthcoming annual general meeting and, being eligible, to offer themselves for re-election.

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

14. BIOGRAPHICAL DETAILS OF DIRECTORS

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

15. DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company and is subject to termination by either party giving not less than three months' written notice.

Each of the Independent Non-executive Director has entered into a letter of appointment with the Company and is subject to termination by either party giving not less than one month's written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

16. PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group is currently in force and remained in force throughout the financial year.

Throughout the year, the Company has maintained appropriate directors and officers liability insurance cover providing indemnity against liability, including but not limited to liability in respect of legal action against the Directors and officers thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

17. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year except as disclosed under the section headed "Connected Transactions" on pages 19 to 20 in this report of the Directors and note 40 to the consolidated financial statements.

18. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

19. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2019, so 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 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)*	278,256,000	67.05
Chan Shuk Kuen	Family interest *(Note 2)*	278,256,000	67.05
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 ("RAYS")	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 ("Asian Equity")	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 Listing Rules) and an executive Director. In addition, Mr. Ng Wing Hong also directly held 3,256,000 Shares.

(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. Ms. Ng Yuk Kwan Phyllis is an executive Director.

(4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kman Phyllis and is therefore deemed to be interested in all the Shares held by Ms. Ng Yuk Kuan Phyllis.

(5) Ruan David Ching-chi had a 50% equity interest in RAYS. Therefore, he is deemed to be interested in all the Shares held by RAYS.

(6) Asian Equity is wholly-owned by RAYS. Therefore, RAYS is deemed to be interested in all the Shares held by Asian Equity.

Save as disclosed above, as at 31 December 2019, 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.

20. DIRECTORS' INTERESTS DISCLOSEABLE UNDER THE SFO

As at 31 December 2019, 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 pages 21 to 23 in the section "Share Option Scheme" below. In addition, as at 31 December 2019, Ms. Cheung Siu Chun, an executive Director and the company secretary of the Company, held 800,000 Shares. Other than as disclosed here, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

21. CONNECTED TRANSACTIONS

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

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

(A) Baguio Cleaning Services Company Limited ("Baguio Cleaning") and Cleanic Cleaning Equipment Limited ("CCE") (which is owned as to approximately 74% by Mr. Ng Wing Sun, the brother of Mr. Ng Wing Hong), entered into a supply agreement (the "Supply Agreement") on 27 January 2014 pursuant to which CCE has agreed to supply cleaning equipment and materials to the Group for use in our ordinary course of business for three years and further entered into a supplemental Supply Agreement on 29 December 2016 to extend for a period of 35 months commencing from 26 January 2017 up to and including 31 December 2019. Details are set out in the Company's announcement dated 29 December 2016.

During the Year, the approximate total amount of purchases under the Supply Agreement was approximately HK$783,000, which did not exceed the HK$3,500,000 annual cap for the Year.

(B) Baguio Cleaning and Nexus Solutions Limited ("NSL") entered into an IT service agreement (the "IT Agreement") on 28 January 2014 pursuant to which NSL has agreed to provide information technology services to our Group with hardware and networking support for three years and further entered into a supplemental IT Agreement on 29 December 2016 to extend for a period of 35 months commencing from 27 January 2017 up to and including 31 December 2019. Details are set out in the announcement of the Company dated 29 December 2016.

NSL is owned as to approximately 87% by Mr. Ng Wing Hong, the chairman, a controlling shareholder and an executive Director of the Company, through his wholly owned company, IT Holdings Limited.

During the Year, the transaction amounts of the IT product and services provided by NSL to the Group was approximately HK$1,543,000, which did not exceed the HK$4,000,000 annual cap for the year.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in note 40 to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

22. CONTRACTS OF SIGNIFICANCE

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

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

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

23. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 61.0% (2018: 64.2%) of the total sales for the year and sales to the largest customer included therein amounted to 26.2% (2018: 28.3%). Purchases from the Group's five largest suppliers accounted for 28.5% (2018: 28.2%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 7.6% (2018: 8.6%).

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

24. MANAGEMENT CONTRACTS

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

25. EMOLUMENT AND REMUNERATION POLICY

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

26. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 15 to the consolidated financial statements.

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

27. SHARE OPTION SCHEME

On 24 April 2014, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Directors confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules.

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

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

Eligible Participants:

(i) the Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at the Exercise Price (as defined in the paragraph "Exercise Price" of this section) for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme;

(ii) the basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Total number of securities available for issue under the Share Option Scheme: The maximum number of Shares which may be issued upon exercise of options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue on the date of the listing of the shares of the Company, i.e. 40,000,000 Shares (the "Scheme Limit").

Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.

The Scheme Limit may be refreshed at any time by obtaining approval of the shareholders of the Company ("Shareholders") in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option scheme of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

	The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules. The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.
Price for Subscription of Shares:	The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.
Amount payable on acceptance of the option and the period within which such payment must be made:	An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK$1.00.
Maximum entitlement of each eligible participant:	The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the “Participant Limit”). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
Exercise price:	The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.
Minimum holding period:	The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised.
Period within which the securities must be taken up under an option:	In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.

The remaining life of the Share Option Scheme: The Share Option Scheme remains in force for a period of 10 years commencing on 24 April 2014 unless terminated earlier by Shareholders in general meeting.

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

No share option was granted during the Year, while 204,000 (2018: 356,000) share options lapsed during the Year due to resignation of employees who had been granted share options.

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

		Number of underlying shares comprised in share options					
Name or category of participants	**Date of grant** *(Note)*	**As at 1 January 2019**	**Exercised during the Year**	**Lapsed during the Year**	**As at 31 December 2019**	**Exercise period**	**Exercise price per share (HK$)**
Directors							
Ms. Ng Yuk Kwan Phyllis	16/10/2015	292,000	–	–	292,000	16/10/2017–23/04/2024	1.00
Mr. Ng Wing Chuen	16/10/2015	240,000	–	–	240,000	16/10/2017–23/04/2024	1.00
Ms. Leung Shuk Ping	16/10/2015	216,000	–	–	216,000	16/10/2017–23/04/2024	1.00
Ms. Chan Shuk Kuen	16/10/2015	216,000	–	–	216,000	16/10/2017–23/04/2024	1.00
Ms. Cheung Siu Chun	16/10/2015	240,000	–	–	240,000	16/10/2017–23/04/2024	1.00
Mr. Sin Ho Chiu	16/10/2015	140,000	–	–	140,000	16/10/2017–23/04/2024	1.00
Dr. Law Ka Hung	16/10/2015	140,000	–	–	140,000	16/10/2017–23/04/2024	1.00
Mr. Lau Chi Yin Thomas	16/10/2015	140,000	–	–	140,000	16/10/2017–23/04/2024	1.00
Subtotal		1,624,000	–	–	1,624,000		
Other Eligible Participants (in aggregate)							
Other employees	16/10/2015	2,960,000	–	(204,000)	2,756,000	16/10/2017–23/04/2024	1.00
Subtotal		2,960,000	–	(204,000)	2,756,000		
Total		4,584,000	–	(204,000)	4,380,000		

Note: The share options vested on 16 October 2017.

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

28. SHARE AWARD PLAN

On 12 December 2017, the Company adopted a share award plan ("Share Award Plan"). The purpose of the plan is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

No shares have been granted under the Share Award Plan up to the date of this report.

29. RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Save as otherwise disclosed in this report, at no time during the Year, there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

30. EVENTS AFTER THE REPORTING PERIOD

The details of event after the reporting period of the Group are set out in note 44 to the consolidated financial statements.

31. CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Year. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 35 of this annual report.

32. SUFFICIENCY OF PUBLIC FLOAT

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

33. AUDIT COMMITTEE

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

34. AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Ng Wing Hong
Chairman

Hong Kong, 30 March 2020

The Board is pleased to present the Corporate Governance Report for the year ended 31 December 2019.

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2019, the Company has applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2019.

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

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

3. BOARD OF DIRECTORS

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

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

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

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

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

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

Directors and Officer's Liabilities

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors and officers against losses or liabilities sustained or incurred arising from or incidental to execution of their duties. The insurance coverage is reviewed on an annual basis or any intervals as deemed appropriate by the Board.

Directors' Continuous Professional Development

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

	Attending seminars/briefings	Reading materials
Executive Directors		
Mr. Ng Wing Hong	✓	✓
Ms. Ng Yuk Kwan Phyllis	✓	✓
Mr. Ng Wing Chuen	✓	✓
Ms. Leung Shuk Ping	✓	✓
Ms. Chan Shuk Kuen	✓	✓
Ms. Cheung Siu Chun	✓	✓
Independent Non-executive Directors		
Mr. Sin Ho Chiu	✓	✓
Dr. Law Ka Hung	✓	✓
Mr. Lau Chi Yin Thomas	✓	✓

4. BOARD DIVERSITY POLICY

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

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

The Board will review the Board Diversity Policy on a regular basis to ensure its continual effectiveness.

5. BOARD COMMITTEES

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

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

Remuneration Committee

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

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

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

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

Members of the remuneration committee are:

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

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

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

Details of directors' remuneration are set out in note 15 to the consolidated financial statements.

Nomination Committee

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

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

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

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

The Nomination Committee has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Diversity Policy. The procedure of appointing and re-appointing a Director is summarized as follows:

— nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

— evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy;

— performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approvals;

— in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant Code Provisions and the Listing Rules;

— where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under Code Provision A.5.5;

— in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meeting; and

— convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

Members of the nomination committee are:

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

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

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

Audit Committee

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

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

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

Members of the audit committee are:

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

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

The audit committee reviewed, together with senior management and the external auditors, the financial statements for the six months ended 30 June 2019 and for the year ended 31 December 2019, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, risk management and internal control systems and continuing connected transactions of the Company.

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

During the Year, the audit committee had held three meetings for planning the annual audit of the Company for the year ended 31 December 2018, considering the annual results of the Company for the year ended 31 December 2018 and considering the interim results of the Company for the six months ended 30 June 2019 respectively. All members of the Audit Committee have attended the above meetings.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the Company's forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditors for 2020.

6. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

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

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

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

7. CORPORATE GOVERNANCE FUNCTIONS

The Board has the following responsibilities:

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

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

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

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

8. FINANCIAL REPORTING

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

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

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

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

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

The statement by the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 72 to 77 of this annual report.

9. RISK MANAGEMENT AND INTERNAL CONTROL

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

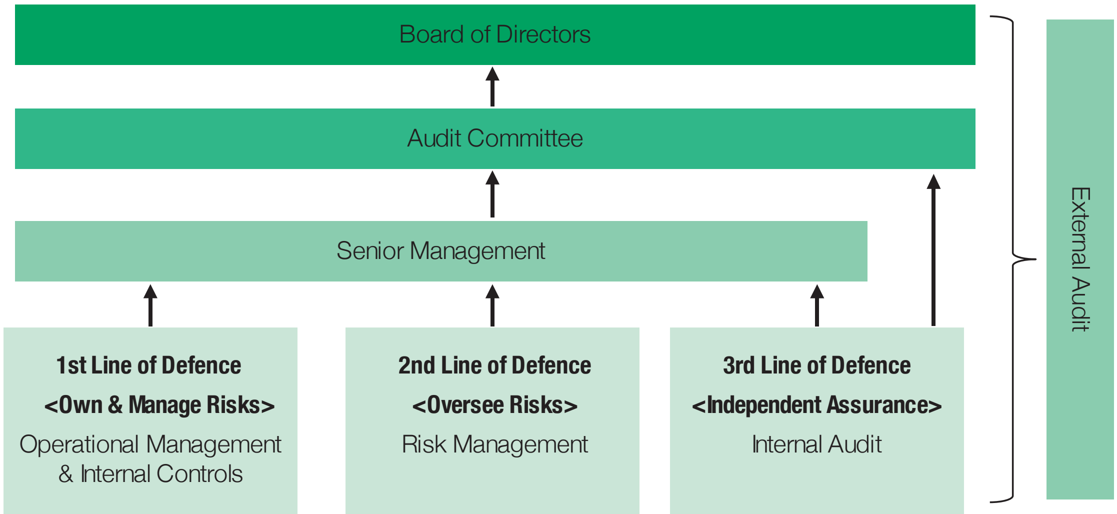
During the Year, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. In this respect, the Audit Committee communicates any material issues to the Board.

Our Enterprise Risk Management Framework and Governance Structure

Baguio established its enterprise risk management framework in 2016 which follows the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management-Integrated Framework 2016. It is our belief that having an effective risk management system is a cornerstone in achieving our strategic priorities. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal controls system to manage risks.

Through a risk identification and assessment process with both top down and bottom up approaches, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework is guided by a three lines of defence system, which allows the Board to manage risks effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Baguio Risk Governance Structure



1st Line of Defense — Operational Management & Internal Controls

The first line of defense refers to the operational management and internal controls carried out by the risk owners. Internal controls and monitoring procedures over regulatory compliance and risk management are integrated into the daily operations subject to a set of clear policy and procedures, which are reviewed on a regular basis to ensure their effectiveness. Every major department has its own set of its operating policy and procedures to ensure that its operating activities are governed by the operational guidelines within a control framework.

2nd Line of Defence — Risk Management

The second line of defence refers to the risk management activities performed by the risk management team led by our risk facilitator in order to monitor and improve the effectiveness of risk controls. The risk management team carries out annual review of the Group's risks profile and maintains a risk register of the Group. From a holistic angle, the second line of defence identifies emerging issues and assists departments to develop processes and controls to manage risks. In particular, the risk management team provides guidelines to business functions to facilitate the risk management process, support management in assessing known and emerging risks and assist in developing the respective internal controls.

3rd Line of Defence — Internal Audit

The third line of defence refers to the internal audit function of the Group. The internal audit provides an independent and objective assurance of the Group's risk management and internal control system. The internal audit function reports directly to the Audit Committee and dotted line to the Group's senior management. During the Year, the Group engaged RSM Consulting (Hong Kong) Limited as outsourced independent service provider to perform internal audit on an annual basis with an internal audit plan to review the Group's key procedures, system and controls. Key findings and recommendations for improvement and the corresponding implementation are regularly reported to the Board through the Audit Committee.

External Auditors

The external auditors of the Group also test the key controls to the extent that they will be relied on for the audit and communicate with the Audit Committee any significant deficiencies in material control identified during the audit.

Principal Risks

The Group will review the principal risks constantly. In view of the continuous change in business environment and global economy, the principal risks are compiled through prioritization, aggregation and filtering from a Group's perspective, taking into account of the risks from each department and business unit. In additions, the principal risks, based on different risk areas, will be classified into 4 risk areas including strategic and business risks, operational risks, financial risks and compliance risks for control and risk management respectively.

Our Risk Control Mechanism

The Group maintains a central risk register as a formal record that keeps track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, the risk management team and senior management with a holistic overview of Baguio's major risks and records what management has done to monitor and mitigate these risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the relevant department or business unit and the Group as a whole. The addition or deletion of risk is considered at least annually after performing the annual risk evaluation. Continual review and refinement of policies, process and structures are being conducted. In light of the changing external and internal environment, the monitoring of "emerging risk" will be a focus. Such review process can ensure the Group proactively manage the risks it faces. All executives of the Group with risk management responsibility are granted access to the register so that they are aware of and alert to those risks which require their attention and follow-up action, as and when necessary.

In addition to the risk register, the Group also maintains detailed risk management procedures regarding risk management activities. These procedures are incorporated into each department's own operation manual and are referenced by the risk register. Department heads and risk owners are responsible for updating the risk management procedures at least annually, and monitoring the implementation of the procedures in actual practice.

Our risk management is an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually and quarterly risk management meetings are held to update the progress of risk monitoring efforts. We also continue to focus on embedding risk process and controls into the business operations of the Group in order to raise awareness of risk responsibilities and to ensure that risk management is part of relevant business processes for securing continuous improvements while at the same time maintaining a simple and practical risk management approach.

10. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

11. AUDITORS' REMUNERATION

For the Year, KPMG charged the Group approximately HK$1.4 million for the audit services and approximately HK$116,000 for the other non-audit services.

12. COMPANY SECRETARY

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

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

13. SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for putting forward proposals at general meetings

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

14. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

15. COMPLIANCE OF NON-COMPETITION UNDERTAKING

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

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

ABOUT THE ESG REPORT

We are proud to present to you our fifth Environmental, Social and Governance ("ESG") report, presenting our continued efforts for driving sustainability and corporate social responsibility. This report is prepared in compliance with ESG Reporting Guidelines stipulated under Appendix 27 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Reporting Period and Scope

This report discloses key indicators of the Group's environmental and social performance during the period from 1 January to 31 December 2019 ("the reporting period"). The scope of this report encompasses the Group and all its subsidiaries unless stated otherwise.

The Board acknowledges its responsibility for ensuring the integrity of the report. To the best of its knowledge, this report fairly discloses details of topics material to the Group, their impacts and the performance in addressing ESG issues. This report has been reviewed and approved by the Board.

Reporting Principle

The reporting principles of Materiality, Quantitative, Balance, and Consistency underpinned the preparation of this ESG report. Data in this report are checked and analysed to account for year-on-year changes and is presented in a way that allows for meaningful comparison.

Contacts

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

Telephone: (852) 2541 3388

Fax: (852) 2544 8668

Email: info@baguio.com.hk

Feedback

The Group is committed to communicating with its stakeholders, learning their concerns and striving for ongoing improvement in ESG management approach and performance. We welcome your feedback on this report and on any aspect of our sustainability performance.

We strive to provide a cleaner, greener and more sustainable living environment

MESSAGE FROM THE CEO

Dear stakeholders,

At Baguio, our core business is intimately entwined with wellness and sustainability of the community we operate in. We are well-positioned to contribute to a circular economy, and it is our passion for and commitment to what we do that has taken us to where we are today. We are glad to have deepened Baguio's commitments to sustainable development in the year and to present to you this ESG report documenting our achievements in 2019.

Baguio has in recent years begun to develop new businesses in resources recycling. Having been commissioned by the Environmental Protection Department as a glass management contractor, we are dedicated to facilitating recycling of glass beverage containers to lessen the landfill strain in Hong Kong. Capitalising on moves made in the past few years, the Group is committed to steering itself forward to the next stage to build and operate a food-grade ready plastic recycling facility, for which we have broken ground in 2019. It is expected to commence operations in late 2020.

We are well-positioned to contribute to a circular economy, and it is our passion for and commitment to what we do that has taken us to where we are today.

Together with this new joint-venture project, we are convinced that Baguio, as an integrated environmental services provider, will be able to contribute to driving a cleaner, greener and more sustainable Hong Kong.

Propelling a sustainability-driven business

We strive to leave the smallest possible environmental footprint at locations where we have operations. Our Tuen Mun waste glass bottle recycling facility is configured with environmentally efficient technology such that emissions from our recycling operations are reduced to minimal. We advocate procurement of goods with certified eco-labels, recycled content and reduced packaging. In 2019, 95% of our procured plastic bags were degradable, and over 70% of pesticides purchased were an eco-friendly alternative.

As a part of our sustainability strategy, we are devoted to not only turning to greener options when sourcing products for our day-to-day operations but also promoting sustainable practices in the upstream supply chain. As a founding member of the Green Procurement Charter Hong Kong, Baguio is committed to developing and implementing a sustainable procurement system that refers to the ISO 20400 Sustainable Procurement Standard. We work closely with our high-risk supply chain partners to improve the sustainability of their operations.

Building a strong and harmonious workforce

Our business depends on the contribution of our over 7,400 employees and their wellness is fundamental to our success. This year, we continued to focus on making Baguio a safe and healthy workplace by providing 10,629 hours of safety training to our operations staff. We are happy to report that in the year 2019, our work-related accident rate per 100,000 working hours decreased from 1.59 in 2018 to 1.33 in 2019, with zero work-related fatality recorded. Our newly published guidelines on handling suspected or diagnosed infectious diseases enables us to take effective and timely measures to control possible emergencies and minimise hazards related to public health.

Through the provision of various training opportunities, we aim to upskill our workforce and back them in achieving their full potential. In 2019, we supported 20 colleagues in obtaining accreditation for Level 4 in Management of Cleaning Work under the Recognition of Prior Learning (RPL) Mechanism of the Qualifications Framework. Together with the provision of a transparent and rewarding career path within the Group, we aim to create and retain more engaged employees.

Enhancing customer centricity

Positioning ourselves to be one of the key environmental services providers in Hong Kong, we make every effort to serve the community with the best quality services. By maintaining an ISO-standard quality management system and carrying out regular audits, we strive to deliver excellent services to our customers while complying with the relevant laws and regulations.

To enhance the satisfaction of our customers, we have been proactively engaging them through monthly surveys and interviews with selected customer groups. This year we have achieved an average response rate of 36.9 % in our monthly customer surveys, with 84.8 % of respondents rating the overall quality of service satisfactory or above.

Engaging our community

Baguio continues to promote public awareness of sustainable development in the community by stimulating the recycling movement. Our Tuen Mun waste glass bottle recycling facility serves as an education centre where schools and businesses are invited for guided tours and seminars. Besides, we have set up recycling bins and bartering booths at housing estates, shopping malls and institutions, and a donation of HKD$300 for every ton of collected glass bottle was made to Tung Wah Group of Hospitals, in support of charitable organisations in Hong Kong. In 2019, we have organised a total of 20 community activities, engaging our staff in contributing to the community through volunteerism.

Going forward

The Group is encouraged by the recognitions it received during the year for efforts in undertaking its corporate social responsibility. With a firm belief and a resilient spirit, we are dedicated to creating continuously shared values for our business, stakeholders and the community.

While we have been putting incessant efforts in our sustainability journey, we recognise that there are areas where we need to improve. Looking ahead, we will undertake closer engagement with our stakeholders and refine our sustainability strategy to guide our management on the ESG front. On behalf of the Board, I would like to thank our staff for making the Group glow in the year and all who have been with us throughout our sustainability journey. We look forward to your continued partnership and support.

By Order of the Board

Phyllis Ng
Chief Executive Officer

Hong Kong, 30 March 2020

AWARDS AND RECOGNITION

The Group continues to be bestowed with awards and recognitions for its performance in environmental protection and fulfilling its social responsibilities. The following table lists our achievement during the reporting period.

Issuer of Award	Award
Environmental Responsibility	
Alaya Consulting	Hong Kong ESG Reporting Awards (HERA) 2019 — Best ESG Report (Small-cap) Commendation
Bank of China & The Federation of Hong Kong Industries	Corporate Environmental Leadership Awards 2018 — EcoPartner + EcoPioneer (3 Years+)
Environmental Campaign Committee	Hong Kong Green Organisation Certification
Environmental Campaign Committee	Hong Kong Green Organisation Certification — Wastewi$e Certificate — Excellence Level
Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence (Manufacturing and Industrial Services) Certificate of Merit
Green Council	Hong Kong Green Awards 2019: Corporate Green Governance Award — Corporate Vision
Green Council	Certificate of Appreciation — Green Carnival 2019
Green Council	Certificate of Appreciation — Green Run 2019
Green Council	Hong Kong Green Day 2019 — Certificate of Appreciation Bronze Sponsor
World Green Organisation	Certificate of Appreciation — WGO 7th Anniversary Dinner Banquet
World Green Organisation	Green Office Award Labelling Scheme (GOALS)
Employer of Choice	
Employee Retraining Board	ERB Merit Award for Employers
Hong Kong Management Association	Award for Excellence in Training and Development 2019 — Best in Workforce Upskilling
The Hong Kong General Chamber of Small and Medium Business	Partner Employer Award (5+)
Health and Safety	
Hong Kong International Airport	Appreciation of Participation — Airfield and Baggage Hall Safety Campaign 2018
Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2018 — Certificate to Zero Accident Achievement (Oct 2017–Mar 2018)
Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2018 — Certificate to Zero Accident Achievement (Apr–Sept 2018)
The Hong Kong Polytechnic University	Certificate of Appreciation — Integrated Pest Management Campaign 2019

Issuer of Award	Award
Socio-economic Contribution	
CEC•CCC Joint Venture	Certificate of Excellence — Outstanding Subcontractor
Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Cleaning Services Company Limited
Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Landscaping Services Limited
Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Pest Management Limited
Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Waste Management and Recycling Limited
Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Tak Tai Enviroscape Limited
Hong Kong Council of Social Service	Caring Company 2018/19 — Baguio Green Group Limited
ISA Hong Kong Chapter	Appreciation of Sponsorship — Hong Kong Tree Climbing Championship 2019
Ngong Ping 360	Certificate of Appreciation — "360 Sharing Ambassador — Blindfold Cable Car Challenge" Sponsorship
People Service Centre	Certificate of Appreciation — "Food Friend Action"
Technological and Higher Education Institute of Hong Kong	Appreciation of Sponsorship — Horticulture & Landscaping Management scholarship
The Federation of Hong Kong Industries	"Industry Cares" 2019 — Caring Certificate
The Federation of Hong Kong Industries	"Industry Cares" 2019 — 3+ year award (Enterprise Group)
The Neighbourhood Advice-Action Council	Certificate of Appreciation — Career Counselling Service
The Young Landscape Architects' Group	Certificate of Appreciation — The Young Landscape Architects' Group Landscape Academic Exhibition

MEMBERSHIPS AND CHARTERS

As we implement our sustainability strategy, our involvement in these organisations provides us with opportunities to share best practices with the industry, enabling us to pursue continuous improvement along our sustainability journey.

- All-China Environmental Foundation
- Business Environment Council
- Environmental Contractors Management Association
- Environmental Protection Department — Green Event Pledge
- Federation of Hong Kong Industries
- Green Council — Sustainable Procurement Charter
- Guangdong Association of Landscape Architecture
- Hong Kong Environmental Industry Association
- Hong Kong General Chamber of Commerce
- Hong Kong Greening Contractors Association
- Hong Kong Pest Management Association
- Hong Kong Waste Disposal Industry Association
- Hong Kong Waste Management Association
- Labour Department — Good Employer Charter
- National Pest Management Association
- Occupational Safety & Health Council — Green Cross Group
- Occupational Safety & Health Council and Department of Health — Joyful @ Healthy Workplace Charter
- Pest Control Personnel Association of Hong Kong
- Proper Operation of Reference Collection Vehicles Steering Committee — The Charter on Proper Operation of Refuse Collection vehicles
- The Chamber of Hong Kong Listed Companies
- The Labour and Welfare Bureau, The Rehabilitation Advisory Committee, and The Hong Kong Joint Council for People with Disability — Talent-Wise Employment Charter
- World Green Organisation — Paper Towel-saving Campaign

CORPORATE GOVERNANCE

The Board ensures sound corporate governance structures are in place to safeguard the interests of its stakeholders. During the reporting period, the Group has complied with all applicable provisions in the CG Code as set out in Appendix 14 to the Listing Rules.

The Board comprises a total of 9 members, with 6 executive directors, and 3 independent non-executive directors. For full details of the Board committee, including responsibilities, please refer to our Corporate Governance Report from page 25 to 35 of this annual report.

OUR SUSTAINABILITY APPROACH

Baguio is primarily engaged in providing professional cleaning, landscaping, pest management, waste management and recycling services.

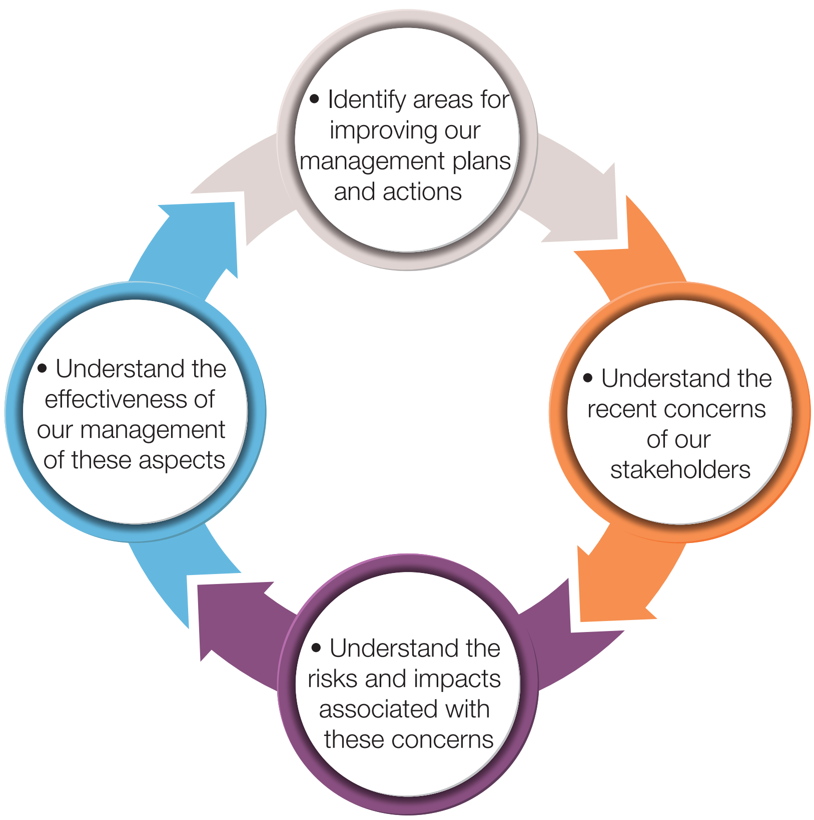
As a leading company in the environmental services industry, Baguio aims to help build a cleaner and greener community through its sustainability agenda. The Group's ISO-standard Integrated Management System is certified to meet the ISO 9001, ISO 14001 and OHSAS 18001 standards.

Our CEO and CFO set the direction for our sustainability approach and lead our ESG working group in reviewing and refining the Group's strategy, addressing the current and emerging material topics on the ESG front. Stepping up our efforts in managing environmental and social aspects, the Group has newly appointed a Sustainability Manager, who directly reports to the CEO, to lead the implementation of the Group's strategy. The ESG working group, which comprises the CEO, CFO and other senior management, is responsible for keeping abreast with the latest trends in ESG and report to the Board. Members from various departments and committees are tasked with the responsibility to implement the sustainability strategy of the Group in their daily operations.

How We Listen to Stakeholders

While there are many environmental and social issues that demand attention, we understand that sustainability is about listening to our stakeholders and responding to their concerns, balancing the interests of different stakeholder groups. On an ongoing basis, we reach out to our stakeholder groups for their feedback on our sustainability performance through multiple channels.

In 2019, we strengthened our stakeholder engagement and invited more than 10 representatives of different stakeholder groups for interviews, aiming to collect their opinions on matters related to the Group's sustainability efforts and performance. This helps ensure that we:



What We Heard

1. Safety should be the first consideration of everything we do.	2. Build a greener corporate culture to propel a greener community.	3. Enhancing customer satisfaction is to understand their needs.
The smooth running of the Group's business depends heavily on the contribution of its frontline operation staff. Stakeholders are concerned about the adequacy and coverage of safety training for the frontline employees. We determined to constantly enhance our safety strategy and provide our staff with the best protection.	We are glad to see stakeholders approving our efforts for advancing internal environmental management. Committed to propelling a sustainability-driven business, we will explore more options to improve our environmental performance.	Our products and services are designed to meet the customer's needs. To enhance customer satisfaction, it is important that we proactively engage with our customers and suppliers and provide them with effective communication channels for giving us feedback.
"The safety awareness level of Baguio's frontline staff is one of our major concerns." ***Customer***	*"Due to the nature of our business, we are actively doing a lot of internal waste recycling work in the office to reduce our solid waste production."* ***Employee***	*"Delivering excellent customer service can demonstrate how much do we value our customers."* ***Employee***
"In addition to safety training, we also receive reminders regarding infectious diseases and work precautions." ***Employee***	*"We can see Baguio is strengthening its green procurement. We suggest that they also consider turning for cleaner vehicle fuels."* ***Professional Service Provider***	*"We would like Baguio to engage with us more proactively."* ***Customer***
		"We use multiple channels to communicate with Baguio. Our communication is smooth and effective." ***Supplier***
For More, please see **Occupational Health and Safety** on page 58	For More, please see **How We Achieve Environmental Sustainability** on page 52	For More, please see **Enhancing Customer Satisfaction** on page 60

The following table summarises the key concerns of our stakeholders and the progress made in 2019 towards addressing these concerns.

Stakeholder Group	Priority Topics of Interest	Ways We Interact
Investors and shareholders	• Long-term shareholder value creation • Corporate governance • Risk management and internal control	• Investor conferences and roadshows • Annual general meeting • Financial reports and press releases • ESG report
Employees	• Training and development • Remuneration • Occupational health and safety	• Corporate activities and events • Employee grievance mechanism • Feedback from training workshops • Education and support
The government	• Legal compliance and corporate governance • Public's environmental awareness • Labour protection • Business ethics	• Compliance with laws and regulations • Active response to government policy • Ongoing communication with relevant government departments
Customers	• Service quality control • Occupational health and safety • Customer satisfaction	• Monthly customer surveys • Maintain high service level • Websites • Feedback from front-line employees
Suppliers & subcontractors	• Occupational health and safety • Responsible sourcing • Green procurement • Energy conservation and waste management	• Site visits and assessments • Annual Interviews and appraisals
Community	• Recycling services • Investment in the community	• Recycling educational booths • Support charity organisations • Participate in voluntary work
Environmental NGOs	• Recycling services • Waste management • Emission control	• Lead public environmental education • Promote waste segregation

MATERIALITY ASSESSMENT

Adhering to the materiality principle, this annual materiality refresh aims to track trends in our sustainability topics and determines if there are any new potential issues that we need to take into consideration and to put greater focus on the management of those aspects.

Identification

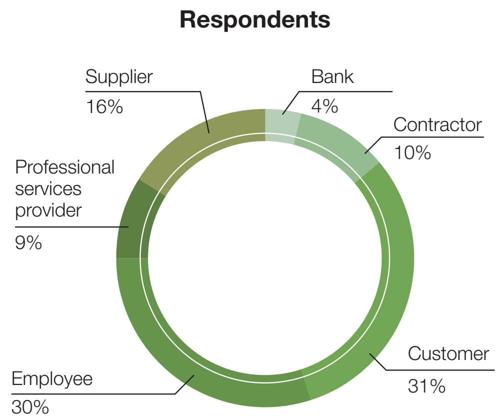
Baguio commissioned an independent consultancy to conduct the materiality assessment. After a thorough review of the HKEX ESG Reporting Guide, latest development trends of the industry and peer analysis, two additional topics were deemed relevant to the Group, namely, anti-discrimination and customer satisfaction, making a total of 25 sustainability topics for further assessment. The 25 sustainability topics were grouped into three key themes that drive the content of our reporting: Environment, People and Operations.

Environment	People	Operation
1. Air emissions management & reduction	12. Employee retention and benefits	19. Supply chain management
2. Effluent discharges management & reduction	13. Employee communication channels	20. Service quality control and complaint handling
3. GHG emission management & reduction	14. Occupational health and safety	21. Customer satisfaction*
4. Hazardous waste management & reduction	15. Employee training and promotion	22. Intellectual property rights protection
5. Non-hazardous waste management & reduction	16. Precautionary measures of child/forced labour	23. Customer privacy protection
6. Energy management & reduction	17. Employee diversity	24. Anti-corruption
7. Water management & reduction	18. Anti-discrimination*	25. Community investment
8. Packaging material consumption		
9. Ecological conservation		
10. Green procurement		
11. Environmental benefits derived from corporate business		

* Topics newly identified in 2019 survey

Prioritisation

To determine materiality of the topics, an online survey was carried out, covering over 70 of our internal and external stakeholders to evaluate the influence of each sustainability topic on their assessments and decisions related to Baguio. Our senior management was also invited to evaluate the significance of the impacts brought by these sustainability topics. These results make the two axes of the materiality matrix, which helps us to understand the importance of each topic to our stakeholders and to our business.

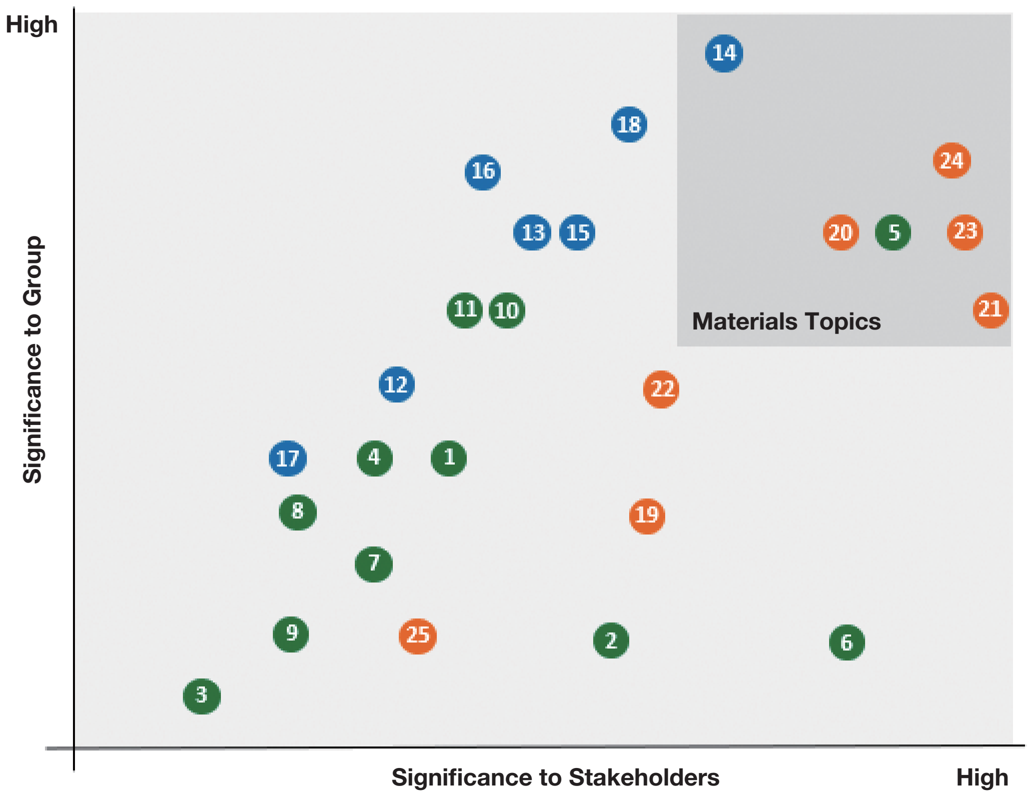


Validation and Review

The matrix in the adjoining diagram illustrates that the Group's material topics in the year were Occupational health and safety, Anti-corruption, Customer privacy protection, Customer satisfaction, Non-hazardous waste management and reduction, and Service quality control and complaint handling.

The change in ranking of our material topics reflects the changing expectations of our stakeholders.

This result of this materiality assessment has been validated by the Group's management. This ESG report is structured around the material topics identified.



Material Topics		Baguio's Efforts in 2019	Corresponding Section
14	Occupational health and safety	• Recorded a total of 10,629 hours of safety training • Recorded zero work-related fatalities • Qualified 25 trainers in our Train-the-trainer program	CARING FOR PEOPLE
21	Customer satisfaction	• Engaged customers through monthly surveys and interviews with selected customer groups • Achieved an average response rate of 36.9 % in our monthly customer surveys, with 84.8% of our customer respondents rated the overall quality of service satisfactory or above	STRIVING FOR OPERATIONAL EXCELLENCE
24	Anti-corruption	• Continued full compliance with all applicable laws and regulations	BUSINESS ETHICS
23	Customer privacy protection	• Continued full compliance of all applicable laws and regulations	BUSINESS ETHICS
5	Non-hazardous waste management and reduction	• Recycled 44% of office general waste • 95% of our procured plastic bags were degradable, and over 70% of pesticides purchased were an eco-friendly alternative • Approximately 96% of procured paper were recycled products composing at least 50% recycled content	ENVIRONMENTAL STEWARDSHIP
20	Service quality control and complaint handling	• The number of complaints has declined compared to 2018 • All grievances have been redressed satisfactorily	STRIVING FOR OPERATIONAL EXCELLENCE

BUSINESS ETHICS

We are committed to upholding high moral and ethical principles as affirmed in the Group's policies, and to operating based on honesty, integrity and respect.

Upholding Anti-corruption Practices

Anti-corruption standards have been incorporated in the Group's policies and are clearly communicated to employees via Employee Handbook. We strictly prohibit any form of corruption, extortion, bribery, embezzlement and other illegal acts. To reinforce our anti-corruption policy, all new-comers undergo ethical training orientation and current employees are reminded of the anti-corruption practices through a series of training events held by external experts every two years.

During festive seasons, special email reminders are sent to employees informing that luxuriant or frequent entertainment provided by business partners or any form of benefits whose value exceeds a set limit should not be accepted. In the case of any non-compliance, the associated personnel face disciplinary action and may be dismissed in severe cases.

In addition, employees should avoid any situations that may be considered as conflict of interest. In case any relevant situation happens, a declaration must be made via the Group's "Conflict of Interest Return Form".

Ethical practices are applicable to our tendering process and supply chain partners also. During the reporting period, the Group's operations complied with all relevant laws and regulations[1] relating to bribery, extortion, fraud and money laundering.

Our Speak-up Policy functions as a whistle-blowing channel for anyone to submit concerns regarding ethical or legal matters without fear of repercussions

Whistle-blowing Channel

Safeguarding Confidentiality Matters

In the digital era, data security threats continue to escalate, making it an evolving issue of concern for both Baguio and its customers. Awareness regarding data privacy and security is integrated into the fundamentals of our business. Employees of Baguio who are in regular contact with sensitive information are required to sign a Declaration of confidentiality; under any and all circumstances, they are allowed to make use of any confidential information only in line with the method and scope specified, or they are required to apply for written authorization consent for purposes otherwise. Employees are also prohibited from disclosing the Group's confidential information such as trade secrets, business plans or investment intents.

During the reporting period, the Group did not encounter any cases of infringement of laws and legislations related to data privacy and security as well as intellectual property rights.

1 List of applicable laws and regulations available in ESG Content Index.

ENVIRONMENTAL STEWARDSHIP

As one of the largest integrated environmental services providers in Hong Kong, we seize every single opportunity to develop a clean, safe and sustainable community.

Resource Recycling- Striving for a Closed-loop Economy

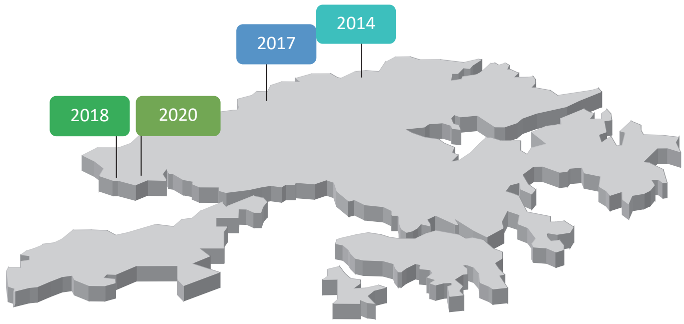
Hong Kong has long been facing various waste related challenges including an enormous 'waste load' and the limited capacity for waste absorption. The Hong Kong government has developed a set of specific targets[2] on municipal solid waste (MSW) disposal rate reduction. A 40% reduction, to 0.8 kg or below, in per capita MSW disposal rate is expected by 2022 over 2011 levels. It is also expected that 3,900 tonnes of MSW can be prevented from being landfilled. A range of key actions is required in order to achieve the targets, including investment in infrastructure and enhancing social mobilisation.

To tackle the imminent waste problem and help achieve the waste reduction targets in Hong Kong, Baguio has been stepping up efforts for promoting waste reduction and recycling. On one hand, we help accelerate development of the city's recycling industry by incorporating advanced technologies and our own experience in recycling and continuously looking into the potential of establishing waste processing facilities and expanding our footprint in the recycling industry. On the other hand, we mobilise the community to help waste reduction by launching public participative activities such as our 'Glass Bottle Recycling X Donation', 'Glass Bottle Bartering Activity' and the 'ECO Office — Refreshing and Go Green' recycling activity.

Baguio has continued to put in effort in devoting our commitment in exploring opportunities in the recycling business and transforming from a recyclable waste collector to one of the key players in recyclable waste processing and recycling in Hong Kong. Not only are we keeping an eye on the potential need to expand our collection networks to plastic bottles and other waste materials, but we are also looking for more innovative methods to enhance our collection efficiency and increase the collection volume of recyclables. Supporting by the commenced operations of our glass bottles and plastic bottles recycling facilities which we have and are going to set up, Hong Kong is able to locally recycle its own waste and recovered materials for local consumption. We will continue to put in effort to expand the other parts of our recycling business, moving towards our ultimate goal of diverting recyclables away from landfills.

2 Reference: https://www.enb.gov.hk/en/files/WastePlan-E.pdf

Baguio is committed to step up efforts and investment for making a greener and cleaner Hong Kong. The following presents the recycling milestone we achieved:



We have made impressive strides in expanding our one-stop waste management and recycling platform, providing motivation in moving Hong Kong towards a circular and zero waste economy.

Year of Commencement	
2014	**Our first step into recycling industry — Establishment of Waste Sorting and Recycling Centre** • Successfully obtained contracts from the Government to collect recyclable plastics, papers and metals from approximately 3,000 roadside three-coloured recycling bins in 18 districts in Hong Kong • Established a Waste Sorting and Recycling Centre in Fanling for waste processing and recycling • Obtained a chemical waste collection license and a clinical waste collection license, which further enhanced our position into recycling business
2016	**Collection of yard waste** • Gained contracts from the Environmental Protection Department of Hong Kong to collect yard waste, which further expanded our recycling business into organic waste • Began collecting and processing natural Christmas tree, peach blossoms tree and other yard wastes into recyclable materials for horticulture use
2017	**Collection of Animal Waste and operation of Animal Waste Composting Plant** • Entered into a servicing contract with Hong Kong Jockey Club for collecting animal manure • Partnered with The Jardine Engineering Corporation Limited to win the contract from the Environmental Protection Department to operate Animal Waste Composting Plant in Ngau Tam Mei in composting the collected animal waste and turning it into organic compost • The resulted organic soil conditioner (BG Soil) can be used for local horticulture and cultivation • Procured the first food waste collection truck to kick off our food waste collection services
2018	**Establishment of Waste Glass Bottle Recycling Plant** • Appointed by the Hong Kong government as a qualified glass management contractor to undertake waste glass container collection and treatment services in Hong Kong Island (including Islands District) and the New Territories • Kicked off the establishment of glass collection network and our Waste Glass Bottle Recycling Plant in Tuen Mun • Configured with advanced glass crushing technology to produce glass cullets which can be used for producing eco-friendly materials such as eco-paving blocks
2019–2020	**Construction and operation of Waste Plastic Bottle Recycling Plant** • Further expanded the recycling business by joining with partners to operate a state-of-the-art, first food-grade ready plastic recycling facility in Hong Kong • Planned to be able to process and recycle the entire domestic volume of post-consumer beverage packaging (PET) combined with used personal care bottles (HDPE), which is collectable in the foreseeable future • Began construction in 2019 and expected to commence operations in the second half of 2020 • Advocating "Local waste, local recycling", our Waste Plastic Bottle recycling facility helps closing the loop for plastic wastes we generate in Hong Kong

Environmental Benefits We Create (daily capacity of the facility):

Waste Glass Bottle Recycling Plant	Animal Waste Composting Plant	Waste Plastic Bottle Recycling Plant
100 tons/day	40 tons/day	100 tons/day

Promoting sustainability through effective glass management

Our Waste Glass Bottle Recycling Plant creates an opportunity to convert waste glass into reusable materials such as raw material for eco-paver and for public works applications. At the same time, it serves the twin purposes of environmental protection and education.

The Group is devoted to promoting and facilitating recycling of waste glass bottles. We have established an extensive collection network stretching across commercial and industrial sectors, food and beverage outlets, as well as public and private housing estates.

To facilitate the collection of waste glass bottles, it is essential to increase the provision and placement of recycling bins. During the year, we increased the number of collection points to more than 2,000, covering the New Territories and Hong Kong Island (including Islands). During the year, we recovered more than 15,960 tonnes of waste glass containers, a 177% rise compared to 2018.

The Group believes that it is of great importance to cultivate environmental awareness and green living among younger generation, as well as to educate the public in developing “Clean” and “Recycle” glass bottles habits. In 2019, 1,060 public participative events were launched throughout the year. We also held 23 educational tours in the Waste Glass Bottle Recycling Plant to institutions and organisations during the year, aiming to deepen the knowledge and arouse public awareness of the public on glass bottle recycling.

Leading the way towards a closed loop for plastic materials

Accounting for 21% and being the third largest category of MSW disposed of at landfill sites in 2018[3], plastics can take up to 1,000 years to decompose into the ecosystem which imposes great challenges to the environment. Tapping the potential of a very small composition (only 4% of plastic waste is recovered from MSW), the Group has embarked upon a new recycling project.

We are proud to be part of the solution for Hong Kong's plastic waste crisis. This year, the Group were involved in a joint venture project with ALBA and Swire on a state-of-the-art facility for recycling plastic waste in Hong Kong. The facility is located in Lot T6 of the EcoPark, Tuen Mun, under a 20-year lease from the Environmental Protection Department (EPD). Baguio aims to leverage our extensive waste collection network to secure the volume of the feedstock of the plastic bottle processing plant. Upon commencement of operations in the second half of 2020, the facility will be able to process and recycle about 35,000 tonnes of post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high density polyethylene or personal care bottles) plastic materials in the foreseeable future.

How We Achieve Environmental Sustainability

Environmental Management

Our SHEQ department is responsible for monitoring and managing the Group's environmental impacts through implementation of an Integrated Management System (IMS), certified for ISO 14001 Environmental Management System. The IMS manager and operations manager or their subordinates also take part in supervising the IMS, and they are responsible for environmental inspection and improving the Group's environmental performance.

We comply with the Environmental Protection Policy and internal procedures which guide our environmental management approach. By regularly reviewing all related environmental and safety policies, we ensure our business operations are in full compliance with all applicable environmental laws and regulations[4] in Hong Kong. During the year, we did not aware of any non-compliance of relevant laws and regulations that could have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

3 Hong Kong 2018 Waste Statistics: https://www.wastereduction.gov.hk/sites/default/files/msw2018_ataglance.pdf

4 List of applicable laws and regulations available in ESG Content Index

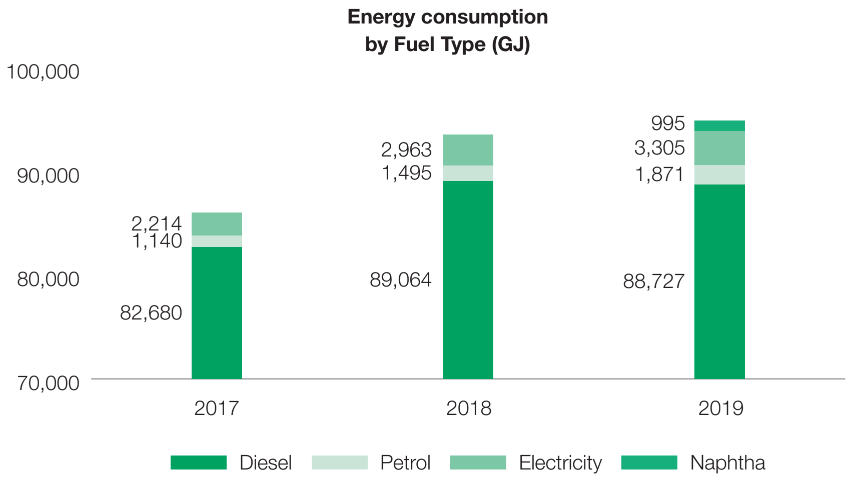
Overview of 2019 Environmental Performance

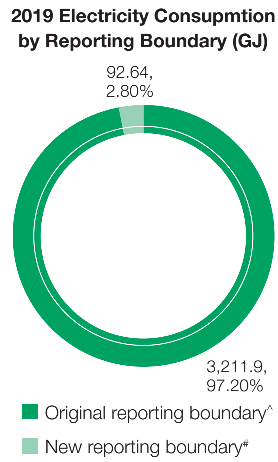
Aspect	Approach	Progress In 2019
Air quality	• Carry out regular maintenance on all vehicles, plants, equipments and power generators to reduce emissions • Use diesel of good quality to prevent dark smoke emission	• Renewed or replaced obsolete vehicles or vehicle parts
Carbon footprint	• Use energy-saving vehicles, machineries, equipments and tools • Promote environmentally friendly behaviors i.e. use public transport and switch off electric appliances when they are not in use	• Over 80% of the Group's registered vehicles were energy-saving models • Vehicular fuel consumption decreased 1% to 0.3 litres/km
Noise control	• Purchase and use quieter equipment and appliances • Arrange noisy operations and activities to be carried out at times when there is high background noise and away from noise sensitive receivers	• 0 cases of noise-related complaints • Regular monitoring of the noise level at the Animal Waste Composting Plant and Waste Glass Bottle Recycling Plant to ensure compliance with the Noise Control Ordinance
Wastewater management	• Minimise the use of water for cleaning and recycle the water whenever possible • Direct all wastewater to the storm water drain and collect wastewater in a designated area to avoid stagnant water • Prevent chemical spillage into sewage or rainwater drains by using sand bags or other measures to enclose operations area	• At the glass bottle recycling plant, 90% of the wastewater is channelled back for reuse • At the animal waste composting plant, wastewater after treatment is reused for internal use such as irrigation, realising zero discharge of wastewater
Waste management	• Reduce the amount of waste generated by fully utilizing the materials • Handle chemical, construction and animal waste in accordance with statutory requirements	• Recycled 44% of office general waste • 95% of our procured plastic bags were degradable • Approximately 96% of procured paper were recycled products composing at least 50% recycled content
Ecological impacts	• Deploy services which minimise invasive and chemical-based approaches, such as prioritising biological and bio-pesticide control before using chemicals	• Over 70% of pesticides purchased were an eco-friendly alternative.

Energy Consumption

The major component of our energy consumption is the fuel used by our fleet of 380 vehicles that provide comprehensive environmental services. Enhancing the efficiency of our fleet operations is of the highest priority to us.

This year, we saw an increase 1.5% in our total energy consumption, from 93,522 GJ to 94,898 GJ. This is mainly attributable to the expanded reporting boundary, that the stationary consumption of fuel by our facilities, as well as the energy use from our waste glass bottle recycling operations, were incorporated in this 2019 ESG report.

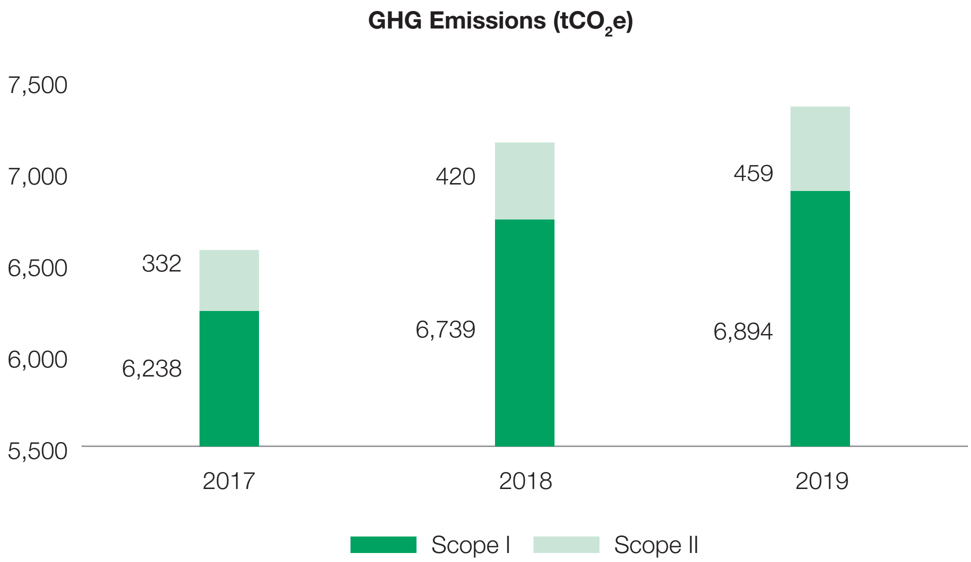




^ Original reporting boundary includes our operations in headquarters office, animal waste composting plant and waste sorting and recycling centre and several other sites

\# New reporting boundary includes our operations in waste glass bottle recycling plant

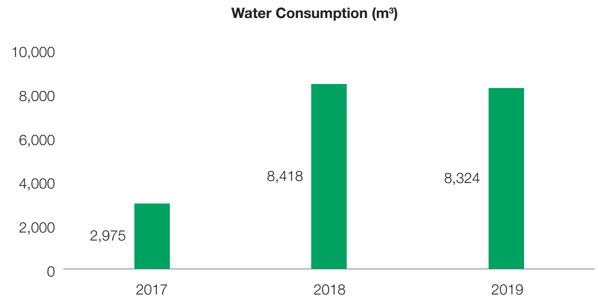
Carbon Emissions



Our carbon footprint is mainly composed of energy consumption. Scope 1 emissions and Scope 2 emissions represent fuel consumption and electricity usage respectively. In 2019, the Group's total greenhouse gas ("GHG") emissions amounted to approximately 7,353 tonnes of carbon dioxide equivalent (tCO_2e), comprising 6,894 tonnes of direct emissions (Scope 1) and 459 tonnes of indirect emissions (Scope 2). Corresponding to the energy consumption, the increased carbon emissions are mainly attributable to the expanded reporting boundary.

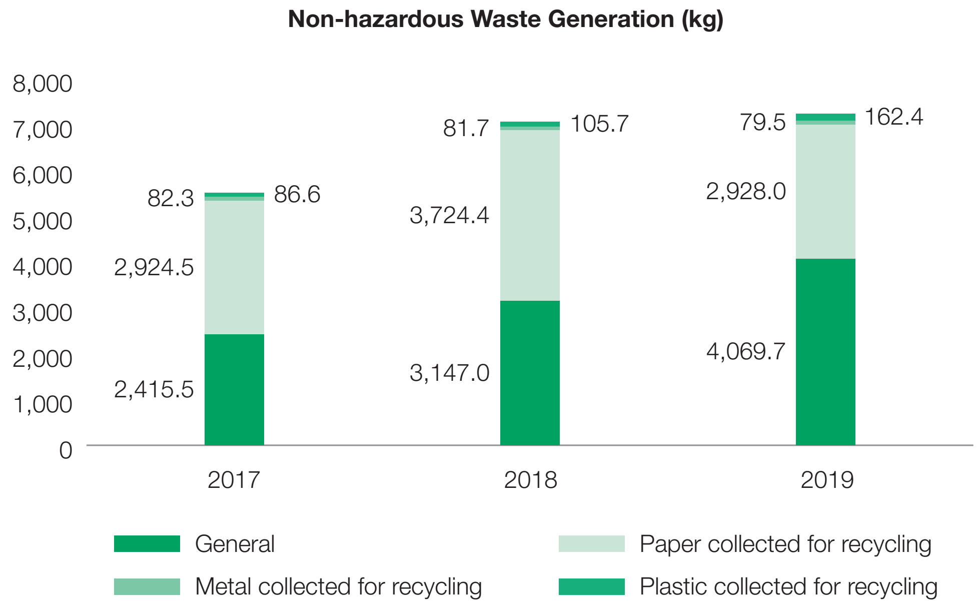
Water Consumption

The major part of our water consumption is for water usage in our operations and offices. During the year, the total water consumption was 8,324[5] cubic metres, compared to 8,418 cubic metres in 2018. The Group did not have any issue in sourcing water that is fit for the purpose.



Waste Management

In 2019, the Group's operations generated 2,000 litres of hazardous waste, consisting of engine oil (lube oil) that was disposed. Total non-hazardous waste generated was 7,239.6 kg. About 44% of non-hazarous waste, including paper, metal and plastics were collected for recycling in order to minimise waste of resources.



Environmental Emergency Management

The Group has developed an Emergency Preparedness And Response Guideline to address emergency situations, including prevention of potential environmental or safety incidents and response actions in the event of an emergency. It is aimed to enhance the Group's emergency response capacity and minimise the impact of environmental accidents. We provide specific emergency response plans for identified potential environmental hazards, including extreme weather conditions such as typhoons, accidental release of chemicals and dangerous goods and animals dead bodies handling.

5 Reporting boundary of water consumption includes our operations in headquarters office, animal waste composting plant and waste sorting and recycling centre and several other sites.

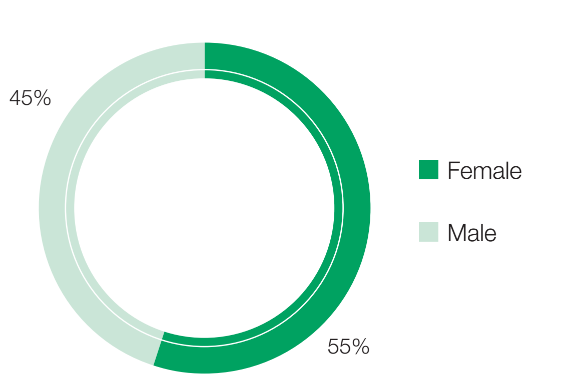
CARING FOR PEOPLE

At Baguio, people are our greatest asset. It is critical for us to listen and respond to their needs and enable them to fulfil career aspirations.

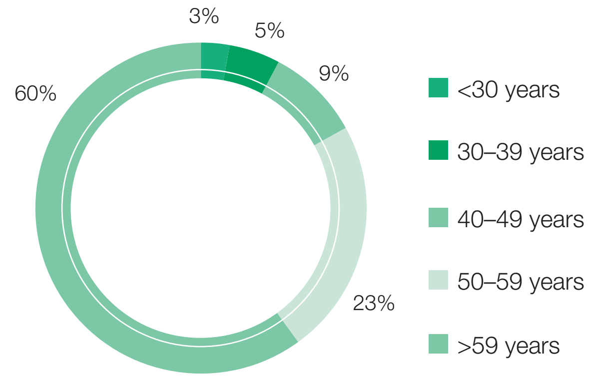
Our Employees

As of year-end in 2019, the Group employs a total of 7,457 staff, all of which are located in Hong Kong. We assess the available manpower on a continuous basis to determine the additional personnel needed to cope with our business growth. Our Employee Handbook articulates policies that strictly adhere to Hong Kong labour legislations, including Employment Ordinance and Minimum Wage Ordinance, to ensure compliance with laws in respect of employment, compensation, benefits, dismissals, working hours and rest periods.

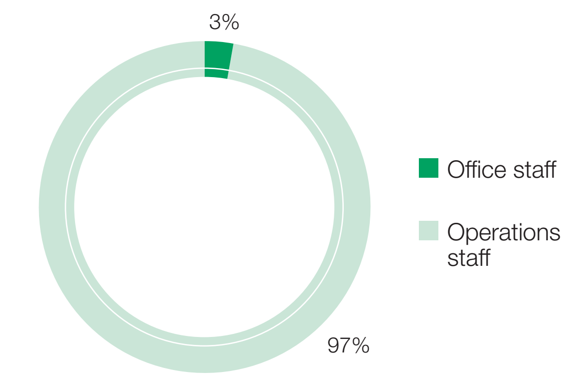
Employee Profile, by Gender



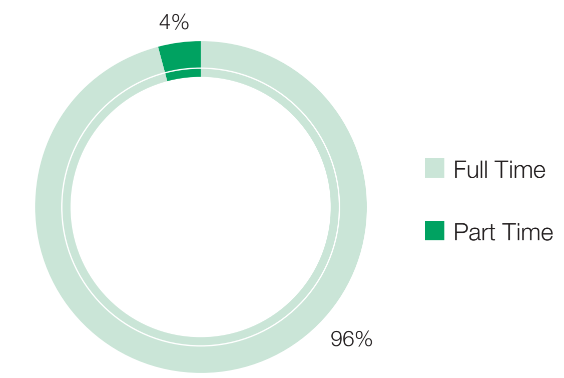
Employee Profile, by Age



Employee Profile, by Workforce



Employee Profile, by Employment Type



Upholding the principles of "Fairness, Openness and Impartiality", the Group ensures equal opportunities in its recruitment and employment, regardless of employees' race, gender, colour, marital and family status, or disabilities. The Group takes rigorous measures to prohibit recruitment of child or forced labour, such as verifying identity cards of candidates using the HRMS system. The Group's speak-up policy, which is overseen by the Group's Complaint and Appeal Committee, allows employees to voice their opinions and report grievances. Via this channel together with training on relevant topics, we strive to create a working atmosphere free of inequality, discrimination and harassment.

During the reporting period, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and preventing child or forced labour.

Welfare and Benefits

To motivate and retain quality employees, the Group provides competitive remuneration and welfare packages to its people. Employees are entitled to comprehensive benefits including medical insurance and training subsidies. We review our benefits package annually to ensure it is comparable to the market. Besides, our CSR Working Group takes part in programs supporting environmental protection and volunteer work to give back to the community and environment.

Green Run 2019

This year, senior management of Baguio led a running team of 15 to participate in "Green Run 2019" organised by the Green Council. The activity aimed to raise public awareness of environmental protection and encourage participants to pursue a greener and healthy lifestyle. We are proud of our team winning the third place in the 10 km corporate team competition.

Talent Management

Baguio strives to support its talented people for honing their skills to contribute more to the economy of the future. Committed to the ongoing development of our people, we devote substantial resources to training and career development programmes for our operations staff, office staff and the management. We regularly review our performance appraisal system to ensure its fairness and effectiveness.

Focus of training has shifted to supervisory training for higher grade operations staff and technical knowledge sharing among office staff. Initiated in September 2019, technical knowledge sharing sessions aim to promote knowledge transfer among our office staff on the trends and dynamics of the industry. During the reporting period, we recorded a total of 20,168 training hours, which amounts to 9,539 hours excluding OHS training.

Operations staff

- Driver training
- QF training
- Supervisory training for foreman and above graded operation staff

Office staff

- Monthly orientation for all newly jointed office staff
- Technological knowledge sharing sessions

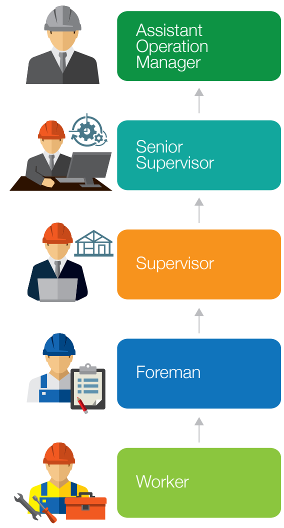
Training Focus in 2019

Recognition of Prior Learning (RPL) Mechanism

We continue to encourage and support our employees to seek professional accreditation through the Recognition of Prior Learning (RPL) Mechanism under the Qualifications Framework. This mechanism enables practitioners with various backgrounds to obtain formal recognition of their work experiences and competencies acquired on-the-job. Undergoing 296.5 hours of relevant training, our 20 colleagues with six years or more of related work experience have successfully attained Level 4 in Management of cleaning work administered by the Vocational Training Council, with a passing rate of 100%.

Career Ladder Policy

Implemented since 2016, our Career Ladder Policy details clear and transparent career development prospects for our operations staff. Through the provision of relevant training, the Group supports its operations staff in developing skill sets and professional knowledge for their career progression. Staff who successfully complete the required training and evaluation by their supervisors have the opportunity to move up the career ladder and become competent leaders in their respective disciplines.



Occupational Health and Safety

Supporting a safe and healthy workforce is at the forefront of the Group's priorities. The Group works unceasingly to improve its health and safety practices. All the Group's safety matters are implemented in accordance with the OHSAS 18001 standard and the Group's Occupational Safety and Health Policy by our SHEQ department. The department oversees and periodically reviews the Group's safety management system to ensure compliance with all applicable labour and safety regulations[6].

Workplace Safety

Targeting job positions with high potential safety risks, we have prepared comprehensive working guidelines to mitigate risks inherent in daily operational duties, including but not limited to machinery operation, chemicals handling and working at heights. We train all our employees in accordance with our Occupational Health & Safety and Environmental Guidelines, available in four languages to ensure the diversified workforce is able to access our safety messages. In 2019, the Group recorded a total of 10,629 hours of safety training. We have also enhanced our communications on safety matters with our staff via communication applications.

In 2019, the Group recorded a total of 10,629 hours of safety training.

Launched in 2017, our Train-the-trainer programme focuses on upskilling our supervisors and project officers responsible for carrying out staff induction training and regular safety training sessions, with an aim to enhance the building of safety awareness among our employees. During the reporting period, we carried out three train-the-trainer sessions and have successfully qualified 25 trainers.

6 List of applicable laws and regulations available in ESG Content Index.

Rehabilitation Management

Since last year, Baguio has enhanced rehabilitation services with a guideline established to speed up the recovery process of injured staff. We keep close communication with the injured staff to ensure that we learn from the incident and prevent recurrence of similar incidents. Our rehabilitation services include:

- Follow up with the recovery status of the injured staff via calls or home visiting
- Escort the injured staff to attend medical appointment
- Review the incident case and propose rehabilitation treatment
- Provide work re-arrangement for injured staff after their resumption of duty, if necessary

During the reporting period, the Group has 12,387 lost days due to work injuries.

Occupational Health

We work to continuously enhance our occupational health monitoring to protect the health of our employees. During the year, the Group developed an emergency response procedure and safety guidelines for handling suspected or diagnosed infectious diseases. The guidelines aim to enable the Group to take effective and timely measures to control possible emergencies and minimise hazards related to public health. Besides, to enhance mental well-being of its employees, the Group continues to take part in the Joyful @ Healthy Workplace Charter organised by the Occupational Safety & Health Council

STRIVING FOR OPERATIONAL EXCELLENCE

Excellence in operations is paramount to achieving long-term success. Baguio is committed to driving continuous enhancement of its services to provide reliable waste management solutions for our society and to meet the rising demands of our customers.

Maintaining Quality Services

Baguio's Integrated Management System is certified to meet the ISO 9001 Quality Management System Standard. By carrying out regular audits to monitor the quality of our services, we strive to deliver excellent services to our customers, ensuring compliance of relevant laws and regulations. The Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redressal.

Tools for Our Fleet Management

The Group's fleet of vehicles covers over 10 types to serve a range of purposes in its operations. For better management of our fleet and to improve the overall efficiency of our operations, the Group has embraced two tracking tools, namely:

Geographical Information System (GIS) platform
The Group has adopted the GIS platform to optimise route arrangements of the fleet.

iButton electronic key system
The Group has adopted the iButton system which allows authorised drivers to be identified, thus facilitating the tracking of the operation efficiency of our fleet.

Enhancing Customer Satisfaction

Beyond ensuring our customers' satisfaction with our services, Baguio is more committed to maintaining amicable relationships with our customers, making every customer happy and willing to cooperate with us. Our approach in this regard is to be proactive and prevent issues before they occur. We analyse and review customer feedback from all five business divisions gathered by monthly service quality surveys on a half-yearly basis, which encompasses a full spectrum evaluation of our service quality under three major categories: service provision, management performance and front-line worker performance. During the reporting period, an average response rate of 36.9 % was achieved. It is encouraging to find 84.8% of our customer respondents rated the overall quality of our services as satisfactory or above.

The Group also provides various channels for customers to express their opinions on our service quality. Subject to annual review, our customer complaints handling system is managed on intranet logs for prompt handling and follow-up on all submitted cases. Cases regarding workmanship are reviewed under formal follow-up procedures to ensure proper rectification ensues.

Looking ahead, we will further improve communication with our customers, proactively reaching out for their opinions to maintain a closer and long-term relationship with our customers.

Supply Chain Management

Baguio strives to build a responsible supplier network with suppliers and sub-contractors who demonstrate that they follow responsible practices while delivering high-quality goods and services. We invite tenders from reputable suppliers and conduct annual supplier reviews to ensure goods supplied align with our safety and environmental standards, encouraging our partners to establish recognised management systems such as the ISO standards to effectively manage their environmental and social-related matters.

To facilitate two-way communication, we engage with selected suppliers and sub-contractors through annual interviews to collect up-to-date information about their performance and discuss areas for improvement. We incorporate sustainability considerations into our discussions to share our expectations on their environmental and safety performance.

Sustainable Procurement

Green procurement practices have been embedded in Baguio's daily operations. The Sustainable Procurement Charter developed in 2018 by Green Council is signage of the trend of deepening commitment from Hong Kong corporates to practicing sustainable procurement activities. As a founding member of the charter, Baguio is committed to becoming a leading organisation to implement sustainable procurement with reference to ISO 20400 Sustainable Procurement Standard.

Our dedication includes establishing relevant procedures and working with our high-risk supply chain partners to improve the sustainability of their operations. The participation in this charter also enables us to share best practices and experiences in implementing sustainable procurement with companies in the similar industry. We advocate procurement of goods with certified eco-labels such as Energy Star, Green Seal, as well as products with recycled content and reduced packaging. We are committed to selecting goods and services with fewer impacts on the environment and society.

In 2019, 95% of our procured plastic bags were degradable, and over 70% of pesticides purchased were an eco-friendly alternative. In terms of office papers, we continued to procure recycled products comprising at least 50% recycled content, accounting for 96% of procured paper items this year — an additional 17% compared to last year's proportion.

In 2019, 95 % of our procured plastic bags were degradable.

ENGAGING OUR COMMUNITY

It is our fundamental duty to contribute to and serve the society we are in. Drawing on our specialty in environmental services, we continue to make progress in promoting awareness of sustainable development in our community. As a tribute to our continued care for the community, five of our subsidiaries have been recognised as "5 years+ Caring Company" by the Hong Kong Council of Social Service.

Eco Expo Asia 2019

This is the sixth year of the Group taking part in the hottest green event in Hong Kong — Eco Expo Asia. Echoing with the theme of the year — Less Carbon, Less Waste • Green Innovation, we showcased our recycling solutions on plastic bottle, glass bottle, yard waste and animal waste. All materials used in the decoration of our booth were recyclable and reusable. Through our participation in this Eco Expo Asia 2019, we aim to enable the public to make the best preparation for the coming MSW charging scheme.

Waste Glass Bottle Recycling Plant Guided Tour

Commenced operation in 2018, our 32,000 sq. ft Waste Glass Bottle Recycling Plant in Tuen Mun offers guided tours to organizations, schools and institutions to deepen the community's understanding of glass bottle recycling. Through the provision of a seminar and a guided tour in our recycling plant, we are dedicated to promoting the recycling of glass beverage containers from the public and businesses.

Glass Bottle Recycling × Charity Donation

Further encouraging glass bottle recycling among the public and at the same time giving back to the community, the Group has launched the "Glass Bottle Recycling x Charity donation Campaign" in 2019. Through this campaign, the Group has made a donation of HKD $300 for every ton of glass bottle collected from properties of supporting unit, in support of charitable organisations in Hong Kong.

Advocating Staff Volunteerism

The way we involve our people through volunteering drives our staff engagement. We believe, volunteerism from our staff not only helps the community but also agglomerates our people to share the values cherished by the Group. During the reporting period, the Group has organised 20 community activities (9 more activities as compared to last year), from organising public recycling education programmes to taking part in activities promoting green living, to engage our warm-hearted staff to contribute to the community.

Red Packet Reuse & Recycling

Mooncake Box Recycling

Green Carnival 2019

Mentally Handicapped & Elderly Visiting

Summary of Community Activities in 2019

Partner Organisation	Volunteering Activity	Hours of Volunteering
Green Council	Green Carnival 2019	30
Greeners Action	Red Packet Reuse & Recycle Program	8
Green Council	Green Run 2019	153
World Wide Fund for Nature Hong Kong	Reserve Ranger Volunteering Experience at Mai Po	69
Hong Kong Institute of Vocational Education (Kwai Chung) — Applied Science	Baguio Glass Bottle Recycling Plant Visit	4
Queen Elizabeth School Old Students' Association Secondary School	Baguio Glass Bottle Recycling Plant Visit	4
Green Council	Hong Kong Green Day 2019	2
World Wide Fund for Nature Hong Kong	Baguio Glass Bottle Recycling Plant & Waste Sorting & Recycling Centre Visit	12
The Open University of Hong Kong	Baguio Waste Sorting & Recycling Centre Visit	4
World Green Organisation	Baguio Waste Sorting & Recycling Centre Visit	4
Jockey Club Museum of Climate Change	Baguio Glass Bottle Recycling Plant Visit	4
Jockey Club Museum of Climate Change	Baguio Glass Bottle Recycling Plant Visit	4
The Salvation Army	Shoes Recycling Campaign	8
Haven of Hope Christian Service	Visiting the Elderly with Doctor Pets	29.5
Haven of Hope Christian Service	Visiting the Mentally Handicapped with Doctor Pets	22
Business Environment Council	Baguio Glass Bottle Recycling Plant Visit	4
Vocational Training Council	Baguio Glass Bottle Recycling Plant Visit	4
Ecobus	Baguio Waste Sorting and Recycling Centre Visit	4
Green Sense	Baguio Glass Bottle Recycling Plant Visit	4
Ecobus	Baguio Waste Sorting and Recycling Centre Visit	4
Total		377.5

Performance Data Summary

		Unit	2019	2018	2017
Employment	Group-wide	Person	**7,457**	8,715	8,853
	By Employment type				
	Full-time	Person	**7,135**	8,389	8,498
	Part-time	Person	**322**	326	355
	By Workforce				
	Office Staff	Person	**218**	208	165
	Operations Staff	Person	**7,239**	8,507	8,688
	By Age group				
	Under 30	Person	**238**	247	232
	30-39	Person	**341**	380	405
	40-49	Person	**676**	845	887
	50-59	Person	**1,687**	2,043	2,342
	60 or above	Person	**4,515**	5,200	4,987
	By Gender				
	Male	Person	**3,389**	3,897	3,764
	Female	Person	**4,068**	4,818	5,089
Turnover rate	Group-wide	%	**3.72**	3.53	2.16
Training and Development	Training hours (including safety training)	Hour	**20,168**	13,191	14,791
	By Workforce Profile				
	Office staff	Hour	**2,181**	2,147	3,041
	Operations staff	Hour	**17,987**	11,044	11,750
Health & Safety	Days lost due to work injury	Day	**12,387**	17,766	13,292
	Work-related accidents (cases of over 3 lost days)	Number	**237**	317	247
	Work-related accident rate	Cases per 100,000 working hours	**1.33**	1.59	1.40
	Confirmed work-related fatalities	Number	**–**	1	–
	Safety Training hours	Hour	**10,629**	8,101	8,435

		Unit	2019	2018	2017
Environment	Total Resource Consumption				
	Electricity	kWh	**917,926^**	822,948	614,996
	Diesel	Litre	**2,478,070***	2,487,467	2,309,188
	Petrol	Litre	**58,962***	46,897	35,782
	Naphtha	Litre	**29,088***	–	–
	Water	m^3	**8,324**	8,418	2,975
	Paper (Total)	Ream	**4,687**	4,942	4,529
	Paper with recycled content	Ream	**4,480**	3,925	2,715
	Non-degradable plastic bags	Bag	**607,100**	446,500	5,980,460
	Degradable plastic bags	Bag	**10,568,661**	14,948,620	13,978,799
	Energy intensity (average vehicular fuel consumption)	(litre/km)	**0.300**	0.303	0.332
	Greenhouse Gas Emission				
	Scope I	tCO_2e	**6,893.68**	6,739.43	6,238.33
	Scope II	tCO_2e	**458.96**	419.70	332.10
	Total Emissions	tCO_2e	**7,352.64**	7,159.13	6,570.43
	Air Emissions				
	Sulphur oxides	tonnes	**0.04**	0.04	0.04
	Nitrogen oxides	tonnes	**25.99**	26.28	22.31
	Particulate matter	tonnes	**2.05**	2.06	1.72
	Hazardous waste				
	Engine oil disposed (spent lube oil)	litre	**2,000**	4,000	8,000
	Chemical disposed	kg	**–**	–	–
	Pesticide disposed	kg	**–**	–	–
	Non-hazardous waste				
	Office — general	kg	**4,069.7**	3,147.0	2,415.5
	Office — paper collected for recycling	kg	**2,928.0**	3,724.4	2,924.5
	Office — metal collected for recycling	kg	**79.5**	81.7	82.3
	Office — plastic collected for recycling	kg	**162.4**	105.7	86.6
Community	Donations	HKD	**78,511.8**	–	–
	Volunteer hours	hours	**377.5**	600.0	356.0

^ 2019 electricity data boundary has been expanded to include our Glass Bottle Recycling Plant in Tuen Mun.

* The Group has been optimising its ESG data collection process. Starting from 2019, we have incorporated the stationary fuel consumption, including diesel, petrol and naphtha, into the data reporting boundary.

ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**Environmental Management** During the reporting period, the Group was not aware of any non-compliance of applicable laws and regulations and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* Air Pollution Control Ordinance; Waste Disposal Ordinance; Water Pollution Control Ordinance; Hazardous Chemicals Control Ordinance; Noise Control Ordinance; Ozone Layer Protection Ordinance; Motor Vehicle Idling (Fixed Penalty) Ordinance; Road Traffic Ordinance; Environmental Impact Assessment Ordinance; Waste Disposal Ordinance; Pesticides Ordinance
KPI A1.1	The types of emissions and respective emissions data.	**Performance Data Summary**
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Carbon Emissions;** **Performance Data Summary**
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Waste Management;** **Performance Data Summary**
KPI A1.4	Total non-hazardous waste generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Waste Management;** **Performance Data Summary**
KPI A1.5	Description of measures to mitigate emissions and results achieved.	**Resource Recycling- A Closed-loop Economy;** **Overview of 2019 Environmental Performance**
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	**Overview of 2019 Environmental Performance; Waste Management**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	**How we achieve environmental sustainability**
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	**Energy Consumption**
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**Water Consumption**
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	**Overview of 2019 Environmental Performance;** **Energy Consumption**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	**Overview of 2019 Environmental Performance;** **Water Consumption** The Group sources water solely from municipal water supplies, having no issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	**Performance Data Summary**
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	**Resource Recycling- A Closed-loop Economy;** **Environmental Emergency Management**
KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Resource Recycling- A Closed-loop Economy;** **Environmental Emergency Management**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B1	**Employment**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**Our Employees;** **Welfare and Benefits** During the reporting period, the Group was not aware of any non-compliance of applicable laws and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* Employment Ordinance; Minimum Wage Ordinance; Sex Discrimination Ordinance; Disability Discrimination Ordinance; Family Status Discrimination Ordinance; Race Discrimination Ordinance
KPI B1.1	Total workforce by employment type, age group and geographical region.	**Our Employees;** **Performance Data Summary**
KPI B1.2	Employee turnover rate by age group and geographical region.	**Performance Data Summary**
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**Occupational Health and Safety** During the reporting period, the Group was not aware of any non-compliance of applicable laws and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* Occupational Health and Safety Ordinance; Factories and Industrial Undertakings Ordinance; Employees' Compensation Ordinance; Fire Safety (Buildings) Ordinance
KPI B2.1	No. and rate of work-related fatalities	**Performance Data Summary**
KPI B2.2	Days lost due to work injury.	**Performance Data Summary**
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	**Occupational Health and Safety**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Talent Management**
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	**Total training hours available in Performance Data Summary**
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**Our Employees** During the reporting period, the Group was not aware of any non-compliance of applicable laws and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* Employment of Young Persons (Industry) Regulations; Employment of Children Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	**Our Employees**
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain	**Supply Chain Management; Sustainable Procurement**
KPI B5.1	Number of suppliers by geographical region.	The Group's major suppliers reside mostly in Hong Kong and China.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	**Supply Chain Management; Sustainable Procurement**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Maintaining Quality Services; Enhancing Customer Satisfaction; Safeguarding Confidential Matters** During the reporting period, the Group was not aware of any non-compliance of applicable laws and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* The Trade Descriptions Ordinance Personal Data (Privacy) Ordinance
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	The Group renders integrated environmental services and does not encounter product recall due to health and safety reasons.
KPI B6.2	Number of products and service related complaints received and how they are dealt with	**Enhancing Customer Satisfaction**
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	**Safeguarding Confidential Matters**
KPI B6.4	Description of quality assurance process and recall procedures	**Maintaining Quality Services**
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	**Safeguarding Confidential Matters**
Aspect B7	**Anti-corruption**	
General disclosure	Information on: (c) the policies; and (d) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Upholding Anti-corruption Practices** During the reporting period, the Group was not aware of any non-compliance of applicable laws and was not subject to any significant fines or non-monetary sanctions due to non-compliance. *Applicable Hong Kong laws:* Prevention of Bribery Ordinance The Competition Ordinance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	**Upholding Anti-corruption Practices**
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	**Upholding Anti-corruption Practices**

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Engaging our Community**
KPI B8.1	Focus areas of contribution to the community (e.g. education, environmental concerns, labour needs, health, culture, sport).	**Engaging our Community**
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	**Engaging our Community**

KPMG

Independent auditor's report to the shareholders of Baguio Green Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Baguio Green Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to note 8 to the consolidated financial statements and the accounting policies on note 2(e).</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Revenue from provision of professional cleaning, landscaping, pest management, waste management and recycling services is recognised when the services are rendered, with reference to the contractual terms and completion of the specific transaction assessed on the basis of the actual extent of services provided as at the reporting date as a proportion of the total services to be provided under the terms of the service contract.

The Group enters into significant volume of service contracts with a wide range of customers. The extent of services may subsequently be altered upon request from customers.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and could be subject to risk of manipulation to meet specific targets or expectations and because subsequent alterations to the services to be provided under service contracts increases the risk of error in the timing of revenue recognition.</td><td>Our audit procedures to assess the timing of revenue recognition included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;

• inspecting, on a sample basis, customer contracts to identify terms and conditions relating to the provision of services and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

• forming expectation on the amount of revenue to be recognised for the year in respect of key customer contracts based on the terms and service periods stipulated in the contracts and comparing our expectations with the revenue recorded by the Group for the year;

• inspecting correspondence with customers in relation to requests to alter the services in service contracts, on a sample basis, and assessing whether the related service revenue was recognised in accordance with the agreed altered terms and the Group's revenue recognition policies;

• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including service contracts and service records, to determine whether the related revenue had been recognised in the appropriate financial period; and

• inspecting underlying documentation for manual journal entries relating to revenue which were raised during the year which were considered to be material or met other specific risk-based criteria.</td></tr>
</table>

Accruals for staff costs	
Refer to note 29 to the consolidated financial statements and the accounting policies on note 2(h).	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's staff costs comprise salaries and other staff benefits, including untaken paid leave and long service payments. The Group has a large number of staff, the costs of which account for a very substantial portion of the Group's total expenses. The Group experiences high staff turnover, especially when new service contracts are awarded or existing service contracts expire without renewal. We identified accruals for staff costs as a key audit matter because the Group's business model is labour-intensive and staff costs are critical to the Group's performance and because given the large number and high turnover of the Group's staff, there is a risk that staff costs are incorrectly calculated and/or under/over-accrued at the end of the reporting period.	Our audit procedures to assess accruals for staff costs included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to accruals for staff costs; • performing analytical procedures on the Group's salary expenses, which included forming an expectation of the current year's salaries and comparing our expectations with actual amounts recorded by the Group and investigating any significant differences identified; • re-calculating accruals for staff benefits, other than salaries, on a sample basis, and comparing the assumptions adopted in the calculations with relevant records maintained by the Human Resources Department; • comparing actual payments during the current year with the accruals for staff costs at the last reporting date to assess the accuracy of management's estimating process; and • comparing actual payments subsequent to the reporting date with the amount of staff costs accrued at the reporting date to assess whether there were any significant under/over-accrued balances.

VALUATION ON THE BIOLOGICAL ASSETS

Refer to note 26 to the consolidated financial statements and the accounting policies on note 2(r).

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2019, the Group had biological assets with a fair value totalling HK$28.3 million, which comprised mainly of plants and flowers held for further growth for the usage in the Group's landscaping service contracts. The fair value of the biological assets was valued using market comparable approach and assessed by the directors based on an independent valuation prepared by qualified external valuer in accordance with recognised industry standards. Assessing the fair value of biological assets requires management and the external valuer to make a number of judgements, particularly relating to the valuation methodology adopted and the selection of the comparable market transactions. We identified the valuation of biological assets as a key audit matter because of its significance to the consolidated financial statements and because the valuation of biological assets is inherently subjective and requires significant management judgement, which increases the risk of error.	Our audit procedures to assess the valuation on the biological assets included the following: • obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to valuation of biological assets; • evaluating the accuracy of the data input to the valuation report by observing, on a sample basis, the physical count of plants and flowers performed by the Group and comparing the Group's management records with the quantity and size of plant and flowers adopted by the external valuer; • assessing the external valuer's qualifications, experience and expertise in the biological assets being valued and considering their objectivity and independence; • discussing with the external valuer and assessing the valuation methodology and key estimates and assumptions adopted in the valuations; • inspecting the valuation report prepared by the external valuer of the fair value of the biological assets and, with the assistance of our internal valuation specialist, evaluating the valuation methodology and key assumptions applied by the external valuer; and • considering the disclosures in the consolidated financial statements inspect of the valuation of biological asset with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Ka Ming, Alice.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Hong Kong Dollars)

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	**1,397,455**	1,429,480
Cost of services		**(1,327,000)**	(1,336,550)
Gross profit		**70,455**	92,930
Other income	9	**5,181**	978
Change in fair value less costs to sell of biological assets	26	**5,009**	7,785
Selling and marketing expenses		**(1,990)**	(2,893)
Administrative expenses		**(80,240)**	(73,748)
(Loss)/profit from operations		**(1,585)**	25,052
Finance costs	10	**(10,489)**	(5,780)
Share of losses of a joint venture		**(648)**	–
(Loss)/profit before taxation	11	**(12,722)**	19,272
Income tax credit/(expense)	12	**1,412**	(2,830)
(Loss)/profit for the year		**(11,310)**	16,442
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		**(36)**	(151)
Total comprehensive income for the year		**(11,346)**	16,291
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(11,031)**	17,893
Non-controlling interests		**(279)**	(1,451)
		(11,310)	16,442
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(11,067)**	17,742
Non-controlling interests		**(279)**	(1,451)
		(11,346)	16,291
(Loss)/earnings per share			
Basic and diluted (HK cents)	14	**(2.66)**	4.31

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3(a).

The notes on pages 82 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019
(Expressed in Hong Kong Dollars)

	Note	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**181,613**	222,794
Right-of-use assets	*17*	**63,679**	–
Interest in a joint venture	*18*	**9,352**	–
Financial assets at fair value through profit or loss	*20*	**14,176**	13,893
Prepayments, deposits and other receivables	*25*	**18,562**	6,637
		287,382	243,324
Current assets			
Inventories	*22*	**2,635**	3,902
Contract assets	*23*	**9,042**	10,526
Trade receivables	*24*	**319,970**	352,779
Prepayments, deposits and other receivables	*25*	**32,125**	22,439
Tax recoverable		**2,073**	1,819
Biological assets	*26*	**28,316**	20,772
Pledged bank deposits	*21*	**6,153**	6,143
Cash and cash equivalents	*27*	**22,887**	36,105
		423,201	454,485
Current liabilities			
Trade payables	*28*	**28,001**	30,921
Accruals, deposits received and other payables	*29*	**143,118**	160,540
Bank borrowings	*31*	**235,095**	218,314
Lease liabilities	*32*	**11,745**	12,437
Tax payable		**1,982**	608
		419,941	422,820
Net current assets		**3,260**	31,665
Total assets less current liabilities		**290,642**	274,989
Non-current liabilities			
Lease liabilities	*32*	**34,976**	11,400
Provision	*30*	**10,152**	–
Deferred tax liabilities	*33*	**8,393**	11,727
		53,521	23,127
Net assets		**237,121**	251,862
Capital and reserves			
Share capital	*34*	**4,150**	4,150
Reserves	*35*	**232,971**	248,673
Total equity attributable to equity shareholders of the Company		**237,121**	252,823
Non-controlling interests		**–**	(961)
Total equity		**237,121**	251,862

Approved by the Board of Directors on 30 March 2020 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3(a).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	4,150	100,850	18,330	1,911	14	115,636	240,891	–	240,891
Profit for the year	–	–	–	–	–	17,893	17,893	(1,451)	16,442
Other comprehensive income for the year	–	–	–	–	(151)	–	(151)	–	(151)
Total comprehensive income for the year	–	–	–	–	(151)	17,893	17,742	(1,451)	16,291
Dividends approved in respect of the previous year *(note 13(b))*	–	–	–	–	–	(5,810)	(5,810)	–	(5,810)
Share options lapsed	–	–	–	(138)	–	138	–	–	–
Capital contributions received by non-wholly owned subsidiary from non-controlling shareholder	–	–	–	–	–	–	–	490	490
At 31 December 2018	4,150	100,850	18,330	1,773	(137)	127,857	252,823	(961)	251,862
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(11,031)**	**(11,031)**	**(279)**	**(11,310)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(36)**	**–**	**(36)**	**–**	**(36)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(36)**	**(11,031)**	**(11,067)**	**(279)**	**(11,346)**
Acquisition of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(1,730)**	**(1,730)**	**1,240**	**(490)**
Dividends approved in respect of the previous year *(note 13(b))*	**–**	**–**	**–**	**–**	**–**	**(2,905)**	**(2,905)**	**–**	**(2,905)**
Share options lapsed	**–**	**–**	**–**	**(78)**	**–**	**78**	**–**	**–**	**–**
At 31 December 2019	**4,150**	**100,850**	**18,330**	**1,695**	**(173)**	**112,269**	**237,121**	**–**	**237,121**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3(a).

The notes on pages 82 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Hong Kong Dollars)

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
(Loss)/profit before taxation		**(12,722)**	19,272
Adjustments for:			
Depreciation	*11*	**39,180**	28,522
Recognition of credit losses on other receivables	*11*	**2,250**	–
(Reversal)/recognition of credit losses on trade receivables	*11*	**(38)**	139
Share of losses of a joint venture	*18*	**648**	–
Loss on disposal of property, plant and equipment	*11*	**64**	219
Change in fair value less costs to sell of biological assets	*26*	**(5,009)**	(7,785)
Change in fair value of investments in life insurance	*20*	**(283)**	(297)
Interest income	*9*	**(45)**	(16)
Finance costs	*10*	**10,489**	5,780
Changes in working capital:			
Decrease in inventories		**1,267**	637
Increase in biological assets		**(2,535)**	(956)
Decrease/(increase) in contract assets		**1,484**	(8,325)
Decrease/(increase) in trade receivables		**32,847**	(69,230)
Increase in prepayments, deposits and other receivables		**(12,046)**	(8,558)
(Decrease)/increase in trade payables		**(2,920)**	9,796
(Decrease)/increase in accruals, deposits received and other payables		**(17,422)**	29,489
Cash generated from/(used in) operations		**35,209**	(1,313)
Income tax paid		**(802)**	(4,162)
Net cash generated from/(used in) operating activities		**34,407**	(5,475)
Investing activities			
Interest received		**18**	16
Increase in pledged bank deposits		**(10)**	(1,002)
Proceeds from disposal of property, plant and equipment		**6,039**	5,283
Payment for the purchase of property, plant and equipment		**(23,663)**	(89,811)
Capital contribution to a joint venture		**(10,000)**	–
New loan to a joint venture		**(3,300)**	–
Net cash used in investing activities		**(30,916)**	(85,514)
Financing activities			
Proceeds from new bank borrowings	*27(a)*	**1,265,662**	1,136,929
Repayments of bank borrowings	*27(a)*	**(1,248,881)**	(1,027,327)
Interest paid for bank borrowings	*27(a)*	**(8,583)**	(4,651)
Dividend paid to equity shareholders of the Company		**(2,905)**	(5,810)
Capital contributions received by non-wholly owned subsidiary from non-controlling shareholder		**–**	490
Payment for acquisition of additional interest in a subsidiary		**(490)**	–
Interest element of lease rentals paid	*27(a)*	**(1,906)**	(1,129)
Capital element of lease rentals paid	*27(a)*	**(19,425)**	(19,251)
Net cash (used in)/generated from financing activities		**(16,528)**	79,251
Net decrease in cash and cash equivalents		**(13,037)**	(11,738)
Cash and cash equivalents at 1 January		**36,105**	47,983
Effect of foreign exchange rate changes		**(181)**	(140)
Cash and cash equivalents at 31 December	*27*	**22,887**	36,105

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3(a).

The notes on pages 82 to 143 form part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The ultimate holding company of the Company is Baguio Green (Holding) Limited, which was incorporated in the British Virgin Islands ("BVI"). The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit A, 4/F., Dragon Industrial Building, No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture and are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance ("CO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Major sources of estimation uncertainty in the application of HKFRSs are discussed in note 4.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices include within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable for the asset or liability.

(c) Basis of consolidation

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

— has power over the investee;

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(q).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)(iii)), unless the investment is classified as held for sale.

(d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(m)(iii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is rerecognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method.

Further details of the Group's revenue and other income recognition policies are described below.

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

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

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(l) and 2(m)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

(B) Policy applicable prior to 1 January 2019 *(Continued)*

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

Lease payments were apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses were recognised immediately in profit or loss, unless they were directly attributable to qualifying assets, in which case they were capitalised in accordance with the Group's general policy on borrowing costs (see note 2(g)). Contingent rentals were recognised as expenses in the periods in which they were incurred.

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

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(e).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(f)(i), then the Group classifies the sub-lease as an operating lease.

(g) Borrowing costs

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

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

(h) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement schemes and the cost of non-monetary benefits are charged to consolidated statement of profit or loss and other comprehensive income in the year in which the associated services are rendered by employees.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(ii) Equity-settled share-based payments

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

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(m)(i).

(j) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Taxation *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

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

(k) Investment property

Investment properties are land and/or building which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(m)(iii)). Depreciation is calculated on the straight-line basis to write off the cost of investment property held under a leasehold interest over its estimated useful life which is the lease term of 20 years.

Useful lives and depreciation method are review and, if appropriate, adjusted at the end of each reporting period. Any gain or loss on retirement or disposal of an investment property is recognised in profit or loss on the date of retirement or disposal.

(l) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 2(f)), are stated in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses.

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

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

Land and buildings	Over the shorter of term of lease or 50 years
Motor vehicles	10 years
Machinery and equipment	1 to 10 years
Office furniture and equipment	1 to 10 years
Leasehold improvements	Over the shorter of term of lease or 12 years

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Property, plant and equipment *(Continued)*

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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

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

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECL on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

— contract assets as defined in HKFRS 15 (see note 2(o)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

Measurement of ECLs (Continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for that financial asset because of the financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within accruals, deposits received and other payables at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in accruals, deposits received and other payables in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(iii) Impairment of other non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss:

— property, plant and equipment, including right-of-use assets;

— interest in joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)); and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Inventories

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

Cost represents the invoiced cost of inventories and is calculated using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(e)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(q)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(e)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(p) Provisions and contingent liabilities

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

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

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

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

When it is probable that the costs of services to fulfill the obligations under the contracts will exceed the total contract revenue, a provision for onerous contracts would be made. In estimating such provision, management takes into account the costs to fulfill the obligations under the contracts and any compensation or penalties arising from failure of fulfilling such obligations.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

Investments in life insurance

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— Fair value through other comprehensive income ("FVOCI"), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— Fair value through profit or loss ("FVPL"), if the investment does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method, less allowance for credit losses (see note 2(m)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Trade and other payables

Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Except for financial guarantee liabilities measured in accordance with note 2(m)(ii), subsequent to initial recognition, trade and other payables are measured at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(g)).

(r) Biological assets

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

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting

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

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

(u) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

(a) Changes in accounting policies for the year ended 31 December 2019

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and properties as disclosed in note 38(b). For an explanation of how the Group applies lessee accounting, see note 2(f)(i).

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

(a) Changes in accounting policies for the year ended 31 December 2019 *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group does not have any leasehold investment properties at the date of initial application of HKFRS 16. For further details on the Group's accounting policy for leasehold investment property, see note 2(k).

(iv) Lessor accounting

The Group leases out a number of items of property as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(v) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.70%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

— the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

— when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

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

(a) Changes in accounting policies for the year ended 31 December 2019 *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(v) Transitional impact *(Continued)*

The following table reconciles the operating lease commitments as disclosed in note 38(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	**50,664**
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(143)**
— leases of low-value assets	**(120)**
	50,401
Less: total future interest expenses	**(11,978)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	**38,423**
Add: obligations under finance leases recognised as at 31 December 2018	**23,837**
Total lease liabilities recognised at 1 January 2019	**62,260**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Obligations under finance leases", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Upon the initial application of HKFRS 16 on 1 January 2019, the Group recognised lease liabilities and corresponding right-of-use assets of HK$38,423,000 in relation to leases previously classified as operating leases. Property, plant and equipment of HK$67,006,000 held previously under finance leases were reclassified to right-of-use assets on 1 January 2019. There is no impact on the opening balance of the Group's equity as at 1 January 2019 on the initial application of HKFRS 16.

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

(a) Changes in accounting policies for the year ended 31 December 2019 *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(vi) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 27(a)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amount related to operating leases as if under HKAS 17 *(Note 1)* (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
(Loss)/profit from operations	(1,585)	7,082	(7,547)	(2,050)	25,052
Finance costs	(10,489)	1,329	–	(9,160)	(5,780)
(Loss)/profit before taxation	(12,722)	8,411	(7,547)	(11,858)	19,272
(Loss)/profit for the year	(11,310)	8,411	(7,547)	(10,446)	16,422
Reportable segment results for the year ended 31 December 2019 (note 5) impacted by the adoption of HKFRS 16:					
— Cleaning services business	24,113	–	–	24,113	44,285
— Landscaping services business	21,726	1,049	(1,096)	21,679	30,200
— Pest management business	5,612	51	(52)	5,611	4,883
— Waste management and recycling business	17,014	2,826	(2,889)	16,951	10,669
— Total	68,465	3,926	(4,037)	68,354	90,037

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

(a) Changes in accounting policies for the year ended 31 December 2019 *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(vi) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	Estimated amounts related to operating leases as if under HKAS 17 *(Notes 1 & 2)* (B) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Net cash generated from/(used in) operating activities	**34,407**	**(7,547)**	**26,860**	(5,475)
Capital element of lease rentals paid	**(19,425)**	**6,218**	**(13,207)**	(19,251)
Interest element of lease rentals paid	**(1,906)**	**1,329**	**(577)**	(1,129)
Net cash (used in)/generated from financing activities	**(16,528)**	**7,547**	**(8,981)**	79,251

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relates to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(Expressed in Hong Kong Dollars unless otherwise indicated)

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

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended standards, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Conceptual Framework for Financial Reporting 2018, *Revised Conceptual Framework for Financial Reporting*	1 January 2020
HKFRS 17, *Insurance Contracts*	1 January 2021
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be fixed

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. ACCOUNTING ESTIMATES

Notes 6 and 36 contain information about the assumptions and their risk factors relating to fair value of financial instruments and share options granted. Other key sources of estimation uncertainty are as follows:

(a) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. This estimate is based on the historical experience of the useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

(b) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the year in which such determination is made.

5. 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.

5. SEGMENT INFORMATION *(Continued)*

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, change in fair value less costs to sell of biological assets and share of losses of a joint venture. The following is an analysis of the Group's revenue and results by reportable segments.

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Total HK$'000
Year ended 31 December 2019					
Revenue from external customers and reportable segment revenue recognised over time	**977,248**	**184,189**	**71,222**	**164,796**	**1,397,455**
Segment results	**24,113**	**21,726**	**5,612**	**17,014**	**68,465**
Other income					**5,181**
Change in fair value less costs to sell of biological assets *(note 26)*					**5,009**
Administrative expenses					**(80,240)**
Finance costs					**(10,489)**
Share of losses of a joint venture					**(648)**
Loss before taxation					**(12,722)**

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Total HK$'000
Year ended 31 December 2018					
Revenue from external customers and reportable segment revenue recognised over time	1,065,136	186,084	44,314	133,946	1,429,480
Segment results	44,285	30,200	4,883	10,669	90,037
Other income					978
Change in fair value less costs to sell of biological assets *(note 26)*					7,785
Administrative expenses					(73,748)
Finance costs					(5,780)
Profit before taxation					19,272

5. SEGMENT INFORMATION *(Continued)*

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 31 December 2019					
Segment assets	**371,552**	**119,507**	**30,585**	**186,814**	**708,458**
Unallocated					**2,125**
Total assets					**710,583**
Segment liabilities	**339,946**	**32,037**	**21,322**	**79,078**	**472,383**
Unallocated					**1,079**
Total liabilities					**473,462**

	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 2018					
Segment assets	429,398	106,432	26,105	131,647	693,582
Unallocated					4,227
Total assets					697,809
Segment liabilities	359,663	29,921	14,701	40,427	444,712
Unallocated					1,235
Total liabilities					445,947

5. SEGMENT INFORMATION *(Continued)*

Other segment information

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2019						
Depreciation	**16,665**	**2,556**	**1,635**	**17,553**	**771**	**39,180**
Additions to non-current assets	**15,354**	**1,591**	**237**	**10,351**	**166**	**27,699**
Loss/(gain) on disposal of property, plant and equipment	**(1)**	**118**	**(183)**	**130**	**–**	**64**

	Cleaning services business HK$'000	Landscaping services business HK$'000	Pest management business HK$'000	Waste management and recycling business HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018						
Depreciation	14,168	1,711	1,707	10,765	171	28,522
Additions to non-current assets	71,911	2,538	59	16,019	16	90,543
Loss/(gain) on disposal of property, plant and equipment	(70)	167	(273)	394	1	219

Geographical information

All of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the years ended 31 December 2019 and 2018.

5. SEGMENT INFORMATION *(Continued)*

Information about major customers

For the year ended 31 December 2019, the Group's revenue of HK$695,828,000 (2018: HK$784,043,000) for various segments was derived from two customers (2018: two), each of whom has individually accounted for over 10% of the Group's total revenue, which are disclosed as follows:

	2019 HK$'000	2018 HK$'000
Customer A	**330,043**	404,450
Customer B	**365,785**	379,593
	695,828	784,043

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**14,176**	13,893
Amortised cost		
— Trade receivables	**319,970**	352,779
— Deposits	**5,625**	7,680
— Other receivables	**15,906**	5,660
— Pledged bank deposits	**6,153**	6,143
— Cash and cash equivalents	**22,887**	36,105

	2019 HK$'000	2018 HK$'000
Financial liabilities		
Amortised cost		
— Trade payables	**28,001**	30,921
— Accruals, deposits received and other payables	**143,118**	160,540
— Bank borrowings	**235,095**	218,314
— Lease liabilities *(Note)*	**46,721**	23,837

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 3(a).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management

Exposure to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Market risk

(i) Foreign currency risk

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

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's interest-bearing receivables, pledged bank deposits, lease liabilities and bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less interest-bearing receivables and pledged bank deposits) at the end of the reporting period.

	2019		2018	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Net fixed rate borrowings				
Lease liabilities *(Note)*	**2.88%–3.88%**	**46,721**	2.97%–3.47%	23,837
Less: Loan to a joint venture	**6.00%**	**(3,300)**	–	–
Pledged bank deposits	**0.20%–0.45%**	**(6,153)**	0.20%–0.45%	(6,143)
		37,268		17,694
Variable rate borrowings				
Bank borrowings	**2.40%-4.35%**	**235,095**	2.53%–5.77%	218,314
Total net borrowings		**272,363**		236,008

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 3(a).

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 50 basis point in interest rate, with all other variables were held constant, would have increased/decreased the Group's loss after taxation and retained earnings by approximately HK$982,000 (2018: decreased/increased the Group's profit after taxation and retained earnings by approximately HK$911,000).

The sensitivity analysis above indicates the annualised impact on the Group's profit after taxation and retained earnings that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rates instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis for 2018.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risk

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

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

The Group had certain concentration of credit risk as 26% (2018: 28%) and 62% (2018: 59%) of the Group's contract assets and trade receivables were due from the largest customer and the five largest customers respectively as at 31 December 2019. The Group's credit risk exposure is limited as the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis.

For contract assets and trade receivables due from quasi-government organisations and The Government of the Hong Kong Special Administrative Region, there was no history of default and the Group considers the credit risk for such assets to be insignificant.

For the remaining trade receivables due from non-government organisations, the Group measures loss allowance at amount equal to lifetime ECLs for each business segment. The ECLs as at 31 December 2019 are based on the expected loss rates determined with reference to the historical actual loss on the trade receivables for each business segment. Expected loss rates ranging from 0.01% to 1.21% (2018: 0.01% to 1.74%) were applied to such trade receivables for cleaning services, landscaping services together with waste management and recycling businesses. As there was no history of default from customers for the pest management business, the Group considers the credit risk of such customers to be insignificant and no loss allowance was recognised as at 31 December 2019 (2018: Nil).

Expected loss rates are based on actual loss experience over the past 5 (2018: 4) years for each business segment. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In respect of other receivables, as at 31 December 2019, there was a gross amount of HK$4,500,000 (2018: HK$4,500,000) due from Shanghai Genyuan Environmental Co., Limited ("Shanghai Genyuan", a company principally engaged in harmless treatment of organic wastes and resources utilisation in the People's Republic in China ("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 year ended 31 December 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 loss allowance of HK$2,250,000 was recognised in previous year, and considered the lengthy legal proceedings, unexpected changes or uncertainties may occur, a further loss allowance of HK$2,250,000 was recognised in current year.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Liquidity risk

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

As at 31 December 2019, the Group had unutilised banking facilities of HK$174,000,000 (2018: HK$72,229,000).

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows of the lenders were to invoke unconditional rights to call the loans with immediate effect.

	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2019					
Trade payables	28,001	–	–	28,001	28,001
Accruals, deposits received and other payables	143,118	–	–	143,118	143,118
Bank borrowings	180,594	51,361	9,348	241,303	235,095
Lease liabilities *(Note)*	13,221	17,235	27,524	57,980	46,721
	364,934	68,596	36,872	470,402	452,935
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	54,501	(51,361)	(9,348)	(6,208)	
	419,435	17,235	27,524	464,194	

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Liquidity risk *(Continued)*

	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2018					
Trade payables	30,921	–	–	30,921	30,921
Accruals, deposits received and other payables	160,540	–	–	160,540	160,540
Bank borrowings	176,113	32,959	10,928	220,000	218,314
Obligations under finance leases	13,011	11,745	–	24,756	23,837
	380,585	44,704	10,928	436,217	433,612
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	42,201	(32,959)	(10,928)	(1,686)	
	422,786	11,745	–	434,531	

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 3(a).

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

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 investments 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.

	As at 31 December 2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss				
Investments in life insurance	**–**	**–**	**14,176**	**14,176**

	As at 31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Investments in life insurance	–	–	13,893	13,893

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement *(Continued)*

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

Reconciliation of Level 3 fair value measurements

	2019 HK$'000	2018 HK$'000
Investments in life insurance		
Balance as at 1 January	**13,893**	13,596
Gains recognised in profit or loss	**283**	297
Balance as at 31 December	**14,176**	13,893

(ii) 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 31 December 2019 and 2018.

7. CAPITAL MANAGEMENT

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

The Group actively and regularly reviews and manage its capital structure to maximise the returns to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain new bank borrowings. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements, except for banking facilities which require the fulfillment of covenants relating to certain of the Group's financial ratio as disclosed in note 31 to the financial statements.

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

The gearing ratio at 31 December 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
Total borrowings *(Note)*	**281,816**	242,151
Total equity	**237,121**	251,862
Gearing ratio	**119%**	96%

Note: Total borrowings included bank borrowings and lease liabilities as disclosed in notes 31 and 32.

8. REVENUE

(a) Disaggregation of revenue

The principal activity of the Group is environmental and related service. Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2019 HK$'000	2018 HK$'000
Cleaning services	**977,248**	1,065,136
Landscaping services	**184,189**	186,084
Pest management services	**71,222**	44,314
Waste management and recycling services	**164,796**	133,946
	1,397,455	1,429,480

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and geographic information of revenue is disclosed in note 5.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The aggregated amounts of transaction price allocated to the remaining performance obligations under the Group's existing contracts are as follows:

	Cleaning services HK$'000	**Landscaping services HK$'000**	**Pest management services HK$'000**	**Waste management and recycling services HK$'000**	**Total HK$'000**
As at 31 December 2019					
Expected to be recognised within one year	**452,428**	**117,119**	**88,695**	**131,961**	**790,203**
Expected to be recognised after one year	**267,853**	**22,380**	**97,441**	**201,834**	**589,508**
	720,281	**139,499**	**186,136**	**333,795**	**1,379,711**

	Cleaning services HK$'000	**Landscaping services HK$'000**	**Pest management services HK$'000**	**Waste management and recycling services HK$'000**	**Total HK$'000**
As at 31 December 2018					
Expected to be recognised within one year	690,070	174,727	26,324	137,166	1,028,287
Expected to be recognised after one year	266,355	68,481	1,796	336,306	672,938
	956,425	243,208	28,120	473,472	1,701,225

The amounts represent revenue expected to be recognised in the future from the Group's service contracts for the respective services. The Group will recognise the expected revenue in future when services are rendered, which is expected to occur over the next 12 to 54 months (2018: next 12 to 67 months).

9. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Change in fair value of investments in life insurance	**283**	297
Exchange gain	**386**	–
Government grants*	**313**	313
Income relating to right-of-use assets	**2,356**	–
Interest income	**45**	16
Rental income	**1,341**	126
Sundry income	**457**	226
	5,181	978

* Government grants of HK$313,000 (2018: HK$313,000) were granted during the year ended 31 December 2019 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.

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank overdrafts	**13**	34
Bank loans	**8,570**	4,617
Lease liabilities	**1,906**	1,129
	10,489	5,780

11. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
Auditors' remuneration:		
Audit services	**1,405**	1,405
Other services	**116**	106
Cost of consumable goods	**59,609**	57,871
Recognition of credit losses on other receivables	**2,250**	–
(Reversal)/recognition of credit losses on trade receivables	**(38)**	139
Depreciation#		
Owned property, plant and equipment	**26,224**	19,421
Property, plant and equipment held under finance leases	**–**	9,101
Right-of-use assets	**12,956**	–
Loss on disposal of property, plant and equipment	**64**	219
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	**1,095,264**	1,107,245
Provision for long service payments	**18,513**	7,745
Provision for untaken paid leave	**10,693**	13,032
Contributions to defined contribution retirement scheme	**33,128**	35,195
	1,157,598	1,163,217
Total minimum lease payments for leases previously classified as operating leases under HKAS 17# (excluding short-term lease payments)		
Land and buildings	**–**	4,954
Short-term lease payments not included in the measurement of lease liabilities		
Machinery and motor vehicles	**38,599**	34,625
Land and buildings	**4,420**	3,401
	43,019	38,026

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospectively approach. Under this approach, comparative information is not restated. See note 3(a).

12. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credited)/charged to profit or loss represents:

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,963**	2,239
Over-provision in respect of prior years	**(45)**	(508)
	1,918	1,731
Current tax — PRC Enterprise Income Tax		
Provision for the year	**4**	2
	1,922	1,733
Deferred tax		
Reversal and origination of temporary differences	**(3,334)**	1,097
	(1,412)	2,830

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 has also taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018/19. The Group is eligible for the maximum reduction of HK$20,000 (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017/18 and was taken into account in calculating the provision for 2018) for each Hong Kong subsidiaries within the Group.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before taxation	**(12,722)**	19,272
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(2,269)**	2,996
Tax effect of non-taxable income	**(126)**	(56)
Tax effect of non-deductible expenses	**565**	398
Over-provision in respect of prior years	**(45)**	(508)
Others	**463**	–
Income tax (credit)/expense	**(1,412)**	2,830

13. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2019 HK$'000	2018 HK$'000
Final dividend proposed after the end of the reporting period of nil (2018: HK0.7 cents) per ordinary share	**–**	2,905

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 HK$'000	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.7 cents (2018: HK1.4 cents) per ordinary share	**2,905**	5,810

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic loss per share for the year ended 31 December 2019 is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK$11,031,000 (2018: profit of HK$17,893,000) and the weighted average number of 415,000,000 (2018: 415,000,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2019 and 2018 are the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in existence during the years presented.

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' emoluments disclosed with reference to section 383(1) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2019					
Executive Directors					
Mr. Ng Wing Hong	**–**	**2,180**	**–**	**6**	**2,186**
Ms. Ng Yuk Kwan Phyllis	**–**	**2,227**	**–**	**192**	**2,419**
Mr. Ng Wing Chuen	**–**	**1,097**	**–**	**–**	**1,097**
Ms. Leung Shuk Ping	**–**	**1,111**	**–**	**18**	**1,129**
Ms. Chan Shuk Kuen	**–**	**960**	**–**	**18**	**978**
Ms. Cheung Siu Chun	**–**	**1,267**	**–**	**132**	**1,399**
Independent Non-executive Directors					
Mr. Sin Ho Chiu	**180**	**–**	**–**	**–**	**180**
Dr. Law Ka Hung	**180**	**–**	**–**	**–**	**180**
Mr. Lau Chi Yin Thomas	**180**	**–**	**–**	**–**	**180**
	540	**8,842**	**–**	**366**	**9,748**

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2018					
Executive Directors					
Mr. Ng Wing Hong	–	2,176	–	18	2,194
Ms. Ng Yuk Kwan Phyllis	–	2,046	338	205	2,589
Mr. Ng Wing Chuen	–	1,094	–	–	1,094
Ms. Leung Shuk Ping	–	999	189	18	1,206
Ms. Chan Shuk Kuen	–	937	140	18	1,095
Ms. Cheung Siu Chun	–	1,137	186	137	1,460
Independent Non-executive Directors					
Mr. Sin Ho Chiu	195	–	–	–	195
Dr. Law Ka Hung	195	–	–	–	195
Mr. Lau Chi Yin Thomas	195	–	–	–	195
	585	8,389	853	396	10,223

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

Five highest paid individuals

For the years ended 31 December 2019 and 2018, the five highest paid individuals of the Group are directors whose emoluments are disclosed above.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Equipment and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost						
As at 1 January 2018	34,781	22,932	28,813	190,844	1,067	278,437
Additions	46,907	7,354	11,903	21,403	2,052	89,619
Disposals	–	(14)	(1,762)	(9,520)	–	(11,296)
Exchange adjustments	–	(17)	–	–	–	(17)
As at 31 December 2018	**81,688**	**30,255**	**38,954**	**202,727**	**3,119**	**356,743**
Impact on initial application of HKFRS 16 *(Note)*	**–**	**–**	**(2,906)**	**(102,032)**	**–**	**(104,938)**
As at 1 January 2019	**81,688**	**30,255**	**36,048**	**100,695**	**3,119**	**251,805**
Additions	**–**	**2,079**	**6,556**	**16,429**	**263**	**25,327**
Disposals	**–**	**(121)**	**(1,027)**	**(12,842)**	**–**	**(13,990)**
Exchange adjustments	**–**	**(7)**	**–**	**(2)**	**–**	**(9)**
Transfer from right-of-use assets	**–**	**–**	**2,175**	**60,981**	**–**	**63,156**
As at 31 December 2019	**81,688**	**32,206**	**43,752**	**165,261**	**3,382**	**326,289**
Accumulated depreciation						
As at 1 January 2018	4,888	18,610	20,200	67,445	84	111,227
Charge for the year	1,138	2,836	7,336	16,926	286	28,522
Written back on disposals	–	(13)	(1,373)	(4,408)	–	(5,794)
Exchange adjustments	–	(6)	–	–	–	(6)
As at 31 December 2018	**6,026**	**21,427**	**26,163**	**79,963**	**370**	**133,949**
Impact on initial application of HKFRS 16 *(Note)*	**–**	**–**	**(2,390)**	**(35,542)**	**–**	**(37,932)**
As at 1 January 2019	**6,026**	**21,427**	**23,773**	**44,421**	**370**	**96,017**
Charge for the year	**2,643**	**3,462**	**6,977**	**12,522**	**620**	**26,224**
Written back on disposals	**–**	**(121)**	**(987)**	**(6,779)**	**–**	**(7,887)**
Exchange adjustments	**–**	**(4)**	**–**	**–**	**–**	**(4)**
Transfer from right-of-use assets	**–**	**–**	**2,175**	**28,151**	**–**	**30,326**
As at 31 December 2019	**8,669**	**24,764**	**31,938**	**78,315**	**990**	**144,676**
Net book value						
As at 31 December 2019	**73,019**	**7,442**	**11,814**	**86,946**	**2,392**	**181,613**
As at 31 December 2018	75,662	8,828	12,791	122,764	2,749	222,794

The land and buildings are situated on land in Hong Kong held under medium term leases.

As at 31 December 2019, the land and buildings with carrying amount of HK$73,019,000 (2018: HK$75,662,000) were mortgaged for banking facilities granted to the Group.

As at 31 December 2018, the carrying amount of motor vehicles together with equipment and machinery held under finance leases amounted to HK$67,006,000.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospectively approach. Under this approach, comparative information is not restated. See note 3(a).

17. RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is shown as follows:

	Leasehold investment properties HK$'000	Properties leased for own use HK$'000	Equipment and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
Impact on initial application of HKFRS 16 (Note) and as at 1 January 2019	–	38,423	2,906	102,032	143,361
Additions	–	4,060	501	73	4,634
Lease modification *(note 27(a))*	–	(598)	–	–	(598)
Transfer to property, plant and equipment	–	–	(2,175)	(60,981)	(63,156)
Transfer	24,547	(24,547)	–	–	–
As at 31 December 2019	24,547	17,338	1,232	41,124	84,241
Accumulated depreciation					
Impact on initial application of HKFRS 16 (Note) and as at 1 January 2019	–	–	2,390	35,542	37,932
Charge for the year	308	6,774	699	5,175	12,956
Transfer to property, plant and equipment	–	–	(2,175)	(28,151)	(30,326)
Transfer	947	(947)	–	–	–
As at 31 December 2019	1,255	5,827	914	12,566	20,562
Net book value					
As at 31 December 2019	**23,292**	**11,511**	**318**	**28,558**	**63,679**

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 3(a).

The analysis of income and expense items in relation to leases recognised in profit or loss is shown as follows:

	2019 HK$'000	2018 HK$'000
Income relating to right-of-use assets	**2,356**	–
Depreciation charge of right-of-use assets	**12,956**	–
Interest on lease liabilities *(note 10)*	**1,906**	1,129
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (excluding short-term lease payments)	**–**	4,954
Short-term lease payments not included in the measurement of lease liabilities	**43,019**	38,026

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognises right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3(a).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases are set out in notes 27(b), 32 and 38(b), respectively.

17. RIGHT-OF-USE ASSETS *(Continued)*

(a) Leasehold investment properties

The Group obtained the right to use a leasehold land from a government authority in Hong Kong through tenancy agreement with a term of 20 years. The leasehold land could only be used for the construction and operation of a plant (the "Plant") for the recovery, recycling and reprocessing of waste plastic.

During the year ended 31 December 2019, the Group entered into a subcontracting agreement with the joint venture, New Life Plastics Limited ("NLP"), pursuant to which, NLP was given the exclusive right to use the above leasehold land for the construction and operation of the Plant during the lease term of the land, and certain monthly fee will be paid to the Group by NLP.

Accordingly, the leasehold land has been accounted for as investment property since the date when the subcontracting agreement was entered into.

The fair value of the leasehold land as at 31 December 2019 approximates its carrying value.

The undiscounted future payments receivable from NLP under the above-mentioned non-cancellable subcontracting agreement as at 31 December 2019 is as follows:

	HK$'000
Within 1 year	**1,675**
After 1 year but within 5 years	**16,800**
After 5 years	**58,427**
Total	**76,902**

(b) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses and nurseries through tenancy agreements. The leases typically run for an initial period of 2 to 12 years.

(c) Other leases

The Group leases production equipment and machinery together with motor vehicles under leases expiring within 1 to 3 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

18. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
NLP	Incorporated	Hong Kong	HK$30,000,000	33.33%	–	33.33%	Provision of plastic recycling services *(Note 1)*

Note 1: NLP is engaged in the business of constructing and operating the Plant at Lot T6 of EcoPark for the recovery, recycling and reprocessing (including, without limitation, by way of washing, crushing, grinding and flake production) of (a) polyethylene terephthalate ("PET") and high density polyethylene ("HDPE") waste bottles; and (b) other PET and HDPE waste plastic which is from time to time capable of being recovered, recycled or reprocessed by the Plant (the "Specified Waste Plastics") in Hong Kong.

NLP, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of NLP and a reconciliation to the carrying amount in the consolidated financial statements for the period from 26 September 2019 (date of incorporation) to 31 December 2019, are disclosed below:

	HK$'000
Gross amounts of NLP's	
Current assets	97,828
Non-current assets	85,571
Current liabilities	(17,883)
Non-current liabilities	(137,459)
Equity	28,057
Included in the above assets and liabilities:	
Cash and cash equivalents	97,600
Current financial liabilities (excluding trade and other payables and provisions)	(295)
Non-current financial liabilities (excluding trade and other payables and provisions)	(127,307)
Revenue	–
Loss and total comprehensive income for the period	(1,943)
Group's share of losses of a joint venture	(648)
Included in the above loss:	
Interest expense	626
Reconciled to the Group's interest in NLP	
Gross amounts of NLP's net assets	28,057
Group's effective interest	33.33%
Group's share of NLP's net assets and carrying amount of the Group's interest	9,352

(Expressed in Hong Kong Dollars unless otherwise indicated)

19. PARTICULARS OF SUBSIDIARIES

As at 31 December 2019, details of the Company's subsidiaries which principally affected the results, assets or liabilities of the Group set out below. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ operation	Injected/ issued and paid up capital	Proportion of the Company's ownership interest 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
Baguio Cleaning Services Company Limited	Hong Kong	HK$10,000,000	–	100%	–	100%	Provision of cleaning services
Baguio Green Technology Limited	Hong Kong	HK$10,000	–	100%	–	100%	Development and exploration of green technology products
Baguio Landscaping Services Limited	Hong Kong	HK$2,000,000	–	100%	–	100%	Provision of landscaping services
Baguio Pest Management Limited	Hong Kong	HK$200,000	–	100%	–	100%	Provision of pest management services
Baguio rPlastic Limited	Hong Kong	HK$10,000	–	100%	–	–	Provision of source, collect and sort Specified Waste Plastics
Baguio Waste Management & Recycling Limited	Hong Kong	HK$10,000	–	100%	–	100%	Provision of waste management and recycling services
Batio Glass Recycling Limited	Hong Kong	HK$1,000,000	–	100%	–	51%	Provision of glass recycling services
Modern Automobile Company Limited	Hong Kong	HK$10,000	–	100%	–	100%	Provision of automobile repair services
Tak Tai Enviroscope Limited	Hong Kong	HK$8,100,000	–	100%	–	100%	Provision of plant nursing, landscaping and related services
碧瑤綠色科技（深圳）有限公司#	PRC	RMB1,670,210	–	100%	–	100%	Development and exploration of environmental and recycling business

Registered as a wholly-foreign owned enterprise in PRC.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets at fair value through profit and loss		
Investments in life insurance	**14,176**	13,893

Investments in life insurance represent investments in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no quoted market price for such investments. The return of the investments will be based on the guarantee minimum return rate. As at 31 December 2019, the investments in life insurance of HK$14,176,000 (2018: HK$13,893,000) were pledged for banking facilities granted to the Group.

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

During the year ended 31 December 2019, a fair value gain of HK$283,000 (2018: HK$297,000) was recognised and credited to profit or loss.

21. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank borrowings.

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Consumable goods	**2,635**	3,902

23. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Arising from performance under glass management contracts	**2,694**	6,985
Arising from performance under landscaping contracts	**6,348**	3,541
	9,042	10,526

The service fees under the glass management contracts are received after the processed glass has been delivered to the designated locations specified in the contracts. The landscaping contracts include payment schedules which require stage payments over the service periods once milestones are reached.

As at 31 December 2019, contract assets of HK$5,259,000 (2018: HK$3,444,000) are expected to be recovered after one year.

As at 31 December 2019, the Group's contract assets arising from performance under glass management contracts of HK$2,694,000 (2018: HK$6,985,000) were pledged for certain banking facility granted to the Group.

24. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, net of loss allowance	**319,970**	352,779

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

	2019 HK$'000	2018 HK$'000
Within 60 days	**236,313**	259,559
Over 60 days but within 120 days	**69,490**	68,719
Over 120 days but within 365 days	**13,893**	23,355
Over 365 days	**274**	1,146
	319,970	352,779

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 customers' creditworthiness and the length of business relationship.

As at 31 December 2019, included in the Group's trade receivables in respect of non-government organisations which were past due and net of loss allowance are balances totalling HK$42,309,000 (2018: HK$50,014,000) with the following ageing analysis:

	2019 HK$'000	2018 HK$'000
Overdue by:		
Within 60 days	**31,758**	32,288
Over 60 days but within 120 days	**7,319**	5,463
Over 120 days but within 365 days	**3,034**	11,669
Over 365 days	**198**	594
	42,309	50,014

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 6(b).

The Group's trade receivables of HK$83,662,000 (2018: HK$78,132,000) as at 31 December 2019 were pledged for certain banking facilities granted to the Group.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**19,004**	15,736
Deposits	**5,625**	7,680
Other receivables	**26,058**	5,660
	50,687	29,076
Less: Non-current prepayments	**(201)**	(1,865)
Non-current deposits	**(4,882)**	(4,772)
Loan to a joint venture	**(3,300)**	–
Interest receivable from a joint venture	**(27)**	–
Non-current receivable from a joint venture	**(10,152)**	–
Non-current portion	**(18,562)**	(6,637)
Current portion	**32,125**	22,439

Included in non-current portion of deposits as at 31 December 2019 are performance deposits of HK$1,351,000 (2018: HK$1,241,000) and rental deposits of HK$3,531,000 (2018: HK$3,531,000), in respect of certain service contracts and rental contracts of the Group, which are recoverable at the end of the service contracts and rental contracts.

The loan to a joint venture is unsecured, interest bearing at 6% per annum and repayable by September 2029, and is subject to the repayment of other financing obtained from external financial institutions by the joint venture.

Non-current receivable from a joint venture represents the right to receive payment from the joint venture in respect of the reinstatement costs relating to the leasehold land from the government authority at the end of the lease term of the leasehold land under the subcontracting agreement with the joint venture.

Included in current portion of other receivables as at 31 December 2019 is an amount due from a joint venture of HK$7,857,000 (2018: Nil) which is unsecured, interest free and expected to be recovered within one year.

All of the current portion of prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

26. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	2019 HK$'000	2018 HK$'000
Plants and flowers		
Balance as at 1 January	**20,772**	12,031
Purchases	**8,097**	3,726
Usage in services	**(5,471)**	(2,648)
Disposal	**(91)**	(122)
Change in fair value less costs to sell *(note 5)*	**5,009**	7,785
Balance as at 31 December	**28,316**	20,772

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

The fair value of biological assets of the Group as at 31 December 2019 and 2018 has been arrived at the basis of a valuation carried out at that date by the independent valuer and the independent valuer has appropriate qualifications and experiences in providing biological assets valuation services.

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

27. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**22,887**	36,105

As at 31 December 2019, the balances that were placed with banks or on hand in the PRC and included in the cash and bank balances amounted to HK$391,000 (2018: HK$562,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

27. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(a) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank borrowings HK$'000 *(note 31)*	**Lease liabilities** HK$'000 *(note 32)*	**Total** HK$'000
At 31 December 2018	218,314	23,837	242,151
Impact on initial application of HKFRS 16 *(Note)*	–	38,423	38,423
As at 1 January 2019	218,314	62,260	280,574
Changes from financing cash flows:			
Proceeds from new bank borrowings	1,265,662	–	1,265,662
Repayments of bank borrowings	(1,248,881)	–	(1,248,881)
Interest paid for bank borrowings	(8,583)	–	(8,583)
Capital element of lease rentals paid	–	(19,425)	(19,425)
Interest element of lease rentals paid	–	(1,906)	(1,906)
Total changes from financing cash flows	8,198	(21,331)	(13,133)
Other changes:			
Increase in lease liabilities from entering into new leases *(note 39)*	–	4,634	4,634
Lease modification *(note 17)*	–	(598)	(598)
Interest expenses *(note 10)*	8,583	1,906	10,489
Effect of foreign exchange rate changes	–	(150)	(150)
Total other changes	8,583	5,792	14,375
As at 31 December 2019	**235,095**	**46,721**	**281,816**

	Bank borrowings HK$'000 *(note 31)*	**Lease liabilities** HK$'000 *(note 32)*	**Total** HK$'000
As at 1 January 2018	108,712	42,356	151,068
Changes from financing cash flows:			
Proceeds from new bank borrowings	1,136,929	–	1,136,929
Repayments of bank borrowings	(1,027,327)	–	(1,027,327)
Interest paid for bank borrowings	(4,651)	–	(4,651)
Capital element of lease rentals paid	–	(19,251)	(19,251)
Interest element of lease rentals paid	–	(1,129)	(1,129)
Total changes from financing cash flows	104,951	(20,380)	84,571
Other changes:			
Increase in lease liabilities from entering into new leases *(note 39)*	–	732	732
Interest expenses *(note 10)*	4,651	1,129	5,780
Total other changes	4,651	1,861	6,512
As at 31 December 2018	**218,314**	**23,837**	**242,151**

Note: The Group has initially HKFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 3(a).

27. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2019 HK$'000	2018 HK$'000
Within operating cash flows	**43,019**	42,980
Within financing cash flows	**21,331**	20,380
	64,350	63,360

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts of HK$64,350,000 (2018: HK$63,360,000) relate to lease rentals paid.

28. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**28,001**	30,921

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**16,986**	16,561
Over 30 days but within 60 days	**7,963**	10,913
Over 60 days but within 90 days	**809**	987
Over 90 days	**2,243**	2,460
	28,001	30,921

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

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals of staff costs	**133,492**	139,252
Deposits received	**973**	796
Other accrual expenses and payables	**8,653**	20,492
	143,118	160,540

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.

30. PROVISION

	2019 HK$'000	2018 HK$'000
Provision for reinstatement cost of leasehold land		
Balance as at 1 January	–	–
Additional provision made	10,152	–
Balance as at 31 December	10,152	–

Under the tenancy agreement of the leasehold land located with the government authority, the Group has a contractual obligation to hand back the leasehold land in its original condition. Therefore, the Group recognises a provision for these reinstatement cost, based on the best estimate of the expected reinstatement cost in respect of the modifications made to the leasehold land. The expected timing of utilising the provision is either when the Group terminates the tenancy agreement or when the tenancy agreement expires.

The Group had recognised the receivable for the right to receive payment from the joint venture in respect of the reinstatement cost, which is disclosed in note 25.

31. BANK BORROWINGS

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

	2019 HK$'000	2018 HK$'000
Current liabilities		
Current portion of term loans from banks	178,788	174,667
Non-current portion of term loans from banks repayable on demand	56,307	43,647
	235,095	218,314

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

	2019 HK$'000	2018 HK$'000
Secured	176,424	175,197
Unsecured	58,671	43,117
	235,095	218,314

The secured bank loans of the Group as at 31 December 2019 were secured by:

(i) pledged bank deposits of HK$6,153,000 (2018: HK$6,143,000);

(ii) cash and cash equivalents of HK$546,000 (2018: Nil);

(iii) mortgage of the land and buildings of HK$73,019,000 (2018: HK$75,662,000);

(iv) pledge of the financial assets at fair value through profit or loss of HK$14,176,000 (2018: HK$13,893,000);

(v) pledge of the trade receivables of HK$83,662,000 (2018: HK$78,132,000); and

(vi) pledge of the contract assets arising from performance under glass management contracts of HK$2,694,000 (2018: 6,985,000).

31. BANK BORROWINGS *(Continued)*

As at 31 December 2019, the bank loans of the Group of HK$235,095,000 (2018: HK$218,314,000) bear interest ranging from 2.40% to 4.35% (2018: 2.53% to 5.77%) per annum.

As at 31 December 2019, banking facilities of HK$249,115,000 (2018: HK$153,902,000) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2019, such facilities were utilised to the extent of HK$102,115,000 (2018: HK$100,672,000). The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of the covenants relating to the drawn down facilities had been breach (2018: Nil). Further details of the Group's management of liquidity risk are set out in note 6(b).

32. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of current and previous reporting periods and at the date of transition to HKFRS 16 are shown as below:

	At 31 December 2019 HK$'000	**At 1 January 2019 HK$'000**	At 31 December 2018 HK$'000
Minimum lease payments			
— within one year	**13,221**	**19,951**	13,011
— after one year but within five years	**17,235**	**27,621**	11,745
— after five years	**27,524**	**27,585**	–
	44,759	**55,206**	11,745
	57,980	**75,157**	24,756
Less: Future interest expenses	**(11,259)**	**(12,897)**	(919)
Present value of lease liabilities	**46,721**	**62,260**	23,837
Present value of minimum lease payments			
— within one year	**11,745**	**18,095**	12,437
— after one year but within five years	**13,245**	**22,286**	11,400
— after five years	**21,731**	**21,879**	–
	34,976	**44,165**	11,400
	46,721	**62,260**	23,837

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3(a).

33. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation HK$'000	Biological assets HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2018	18,268	798	(8,436)	10,630
Charged/(credited) to profit or loss *(note 12)*	2,086	1,284	(2,273)	1,097
As at 31 December 2018 and 1 January 2019	**20,354**	**2,082**	**(10,709)**	**11,727**
(Credited)/charged to profit or loss *(note 12)*	**(935)**	**827**	**(3,226)**	**(3,334)**
As at 31 December 2019	**19,419**	**2,909**	**(13,935)**	**8,393**

Reconciliation to the consolidated statement of financial position is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax liabilities recognised in the consolidated statement of financial position	**8,393**	11,727

Deferred tax assets not recognised

As at 31 December 2019, the Group has not recognised deferred tax assets in respect of the estimated unused tax losses of HK$902,000 (2018: HK$784,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entity. Included in unrecognised tax losses are loss of HK$584,000 (2018: HK$466,000) which will expire at various dates up to 2024. Other losses do not expire under current tax legislation.

34. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	415,000	4,150

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

(Expressed in Hong Kong Dollars unless otherwise indicated)

35. RESERVES

Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 43 to the financial statements.

Nature and purpose of reserves

(i) Share premium

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

(ii) Share option reserve

This reserve represents the grant date fair value of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Group that was recognised in accordance with the accounting policy in note 2(h)(ii).

(iii) Other reserve

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

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

36. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 24 April 2014 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group or others who contribute to the development and growth of the Group, to take up options at nominal consideration to subscribe for shares of the Company. The options vest after two years from the date of grant and are then exercisable within a period up to 23 April 2024. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

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

				Number of share options			
Name of category of participant	Date of grant	Exercise period	Exercise price per share HK$	At 1 January 2019	Exercised during the year	Lapsed during the year	At 31 December 2019
Directors	16/10/2015	16/10/2017 to 23/4/2024	1.00	1,624,000	–	–	1,624,000
Employees	16/10/2015	16/10/2017 to 23/4/2024	1.00	2,960,000	–	(204,000)	2,756,000
			Total:	4,584,000	–	(204,000)	4,380,000
Weighted average exercise price (HK$)				1.00	–	1.00	1.00

(Expressed in Hong Kong Dollars unless otherwise indicated)

36. SHARE OPTION SCHEME *(Continued)*

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

No share option was exercised during the years ended 31 December 2019 and 2018, while 204,000 (2018: 356,000) share options were lapsed due to resignation of employees during the year ended 31 December 2019.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model with the following assumptions adopted in this model:

Date of grant	16 October 2015
Fair value at measurement date	HK$0.39
Share price	HK$0.94
Exercise price	HK$1.00
Expected volatility	44.58%
Option life	10 years
Expected dividends	1.383%
Risk-free interest rate	1.473%

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

37. RETIREMENT BENEFIT COSTS

Defined contribution retirement scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in profit or loss included contributions to defined contribution retirement scheme for the Group of HK$33,128,000 (2018: HK$35,195,000) for the year ended 31 December 2019.

38. OPERATING LEASE COMMITMENT

(a) Operating leases receivable

As at 31 December 2019, the Group had total future minimum lease payments under non-cancellable leases receivable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**476**	816
After one year but within five years	**–**	476
	476	1,292

(b) Operating leases payable

As at 31 December 2019, the Group had total future minimum lease payments under non-cancellable leases payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**393**	7,221
After one year but within five years	**–**	12,919
After five years	**–**	30,524
	393	50,664

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3(a)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3(a) and the details regarding the Group's future lease payments are disclosed in note 32.

39. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment and right-of-use assets of totalling HK$4,634,000 (2018: HK$732,000) for the year ended 31 December 2019 were made under the leases arrangement.

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Compensation paid to key management personnel of the Group, including director's remuneration as detailed in note 15.

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**9,382**	9,827
Retirement scheme contributions	**366**	396
	9,748	10,223

(b) Transactions with a joint venture

	2019 HK$'000	2018 HK$'000
Income relating to right-of-use assets	**2,356**	–

(c)

Nature of related party relationship	**Nature of transaction**	**Interested director**	**2019 HK$'000**	2018 HK$'000
The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	**783**	1,072
Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	**1,543**	1,751

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of purchase of cleaning equipment and materials and information technology service fee as disclosed in note 40(c) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures defined by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Directors' Report.

41. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE FINANCIAL STATEMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the additions of property, plant and equipment		
— Contracted for within one year	**105**	4,438
Capital expenditure in respect of the additions of equipment and machinery for glass management contracts		
— Authorised but not contracted for	**–**	12,210
— Contracted for within one year	**183**	23
	183	12,233
Capital expenditure in respect of the construction of recycling plant for EcoPark project		
— Authorised but not contracted for	**–**	77,768
— Contracted for within one year	**925**	925
	925	78,693
	1,213	95,364

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**1,283**	1,283
Current assets		
Prepayments and other receivables	**79**	2,326
Amounts due from subsidiaries	**201,255**	162,560
Cash and cash equivalents	**331**	350
	201,665	165,236
Current liabilities		
Accruals and other payables	**158**	121
Amounts due to subsidiaries	**98,525**	60,067
	98,683	60,188
Net current assets	**102,982**	105,048
Net assets	**104,265**	106,331
Capital and reserves		
Share capital	**4,150**	4,150
Reserves	**100,115**	102,181
Total equity	**104,265**	106,331

Approved by the Board of Directors on 30 March 2020 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

43. CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2018	4,150	100,850	1,911	(730)	106,181
Profit and total comprehensive income for the year	–	–	–	5,960	5,960
Dividends approved in respect of the previous year *(note 13(b))*	–	–	–	(5,810)	(5,810)
Share options lapsed	–	–	(138)	138	–
As at 31 December 2018 and 1 January 2019	**4,150**	**100,850**	**1,773**	**(442)**	**106,331**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**839**	**839**
Dividends approved in respect of the previous year *(note 13(b))*	**–**	**–**	**–**	**(2,905)**	**(2,905)**
Share options lapsed	**–**	**–**	**(78)**	**78**	**–**
As at 31 December 2019	**4,150**	**100,850**	**1,695**	**(2,430)**	**104,265**

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to HK$100,115,000 (2018: HK$102,181,000).

44. POST BALANCE SHEET EVENTS

Upon the outbreak of the coronavirus disease ("COVID-19") in early 2020, World Health Organization further declared COVID-19 a 'Pandemic' on 11 March 2020. The continued surge of COVID-19 cases, combined with the impact of various government measures, have caused disruption to business in a domestic and global manner.

The Group quickly responded with caution during the difficult times; however our recycling business is expected to be affected to a certain extent due to the city lockdown and we see greater costs burden on securing sufficient sterilizing materials and protection gears to the work force. The Group will continue to pay close attention to the development of the COVID-19 outbreak, and evaluate and proactively respond to its impact on the Group's financial position and operating results.

45. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3(a).

46. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, the directors consider the immediate parent and ultimate controlling company of the Group to be Baguio Green (Holding) Limited, which is incorporated in the BVI. Baguio Green (Holding) Limited does not produce financial statements available for public use and is controlled by Mr. Ng Wing Hong, a director of the Company.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**1,397,455**	1,429,480	1,207,640	1,094,788	1,224,887
(Loss)/profit before taxation	**(12,722)**	19,272	25,551	30,759	28,731
Income tax credit/(expense)	**1,412**	(2,830)	(4,935)	(5,748)	(4,645)
(Loss)/profit for the year	**(11,310)**	16,442	20,616	25,011	24,086
Attributable to:					
Equity shareholders of the Company	**(11,031)**	17,893	20,616	25,011	24,086
Non-controlling interests	**(279)**	(1,451)	–	–	–
(Loss)/profit for the year	**(11,310)**	16,442	20,616	25,011	24,086

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**710,583**	697,809	555,983	519,007	564,720
Total liabilities	**(473,462)**	(445,947)	(315,092)	(292,836)	(357,716)
	237,121	251,862	240,891	226,171	207,004
Attributable to:					
Equity shareholders of the Company	**237,121**	252,823	240,891	226,171	207,004
Non-controlling interests	**–**	(961)	–	–	–
Total equity	**237,121**	251,862	240,891	226,171	207,004

碧瑤綠色集團有限公司
Baguio Green Group Limited