



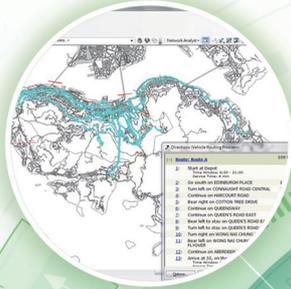
碧 瑤 BAGUIO



碧瑤綠色集團有限公司
Baguio Green Group Limited

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

股份代號 Stock Code : 1397



Integrated Environmental Services



2021

INTERIM REPORT
中期報告



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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

(resigned with effect from 18 February 2021)

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

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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 BANKER

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

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
	2021 HK\$'000	2020 HK\$'000	
Revenue			
Cleaning	351,821	361,691	-2.7%
Landscaping	62,591	97,939	-36.1%
Pest management	55,147	51,657	+6.8%
Waste management and recycling	117,595	79,768	+47.4%
	587,154	591,055	-0.7%
Cost of services	(538,121)	(558,079)	-3.6%
Gross profit	49,033	32,976	+48.7%
Profit from operations	21,195	16,582	+27.8%
Profit attributable to equity shareholders of the Company	12,247	11,158	+9.8%
Basic earnings per share (HK cents)	2.95	2.69	

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, and together with its subsidiaries, the “Group” or “Baguio”) is pleased to present the interim report of the Group for the six months ended 30 June 2021 (the “Period”).

MARKET REVIEW

A Municipal Solid Waste Charging (MSW Charging) bill, which has been proposed for many years, was finally passed on 26 August 2021. This is an important step forward in reducing waste and promoting recycling within Hong Kong. Applying the “polluter-pays” principle, MSW charging can help society change its behaviour toward waste generation and thereby reduce the overall volume of waste being disposed. The Environment Protection Department (“EPD”) has allocated additional resources to promote various waste reduction and recycling initiatives. These include creating the Green Outreach Team to assist citizens with recycling; establishing Recycling Stores and expanding the recycling network into 18 districts; launching various pilot schemes for recycling collection services; and implementing reverse vending machines (RVMS) to encourage public recycling. The 18 months directly following the MSW Charging bill being passed is a preparatory period for the Government and public to prepare for its implementation. During this time, the Government and key industry players will launch a publicity campaign to help educate the public, conduct employee training and public-engagement programs, and develop MSW Charging related systems and facilities to cope with the new waste reduction and recycling initiatives.

Although the MSW charging bill passed, the waste problem in Hong Kong cannot be solved immediately. Thence, a smart waste management and recycling solution should be well adapted to reduce and recycle the waste in Hong Kong more effectively. The Hong Kong Government launched a well-crafted “Hong Kong Smart City Blueprint 2.0” that outlines several major initiatives to realize smart environmental and waste management services which is highly related to Baguio’s one-stop environmental and waste management services. They include but not limited to smart waste recycling systems and pest control technologies to waste energy technologies which facilitate the adoption of commercially available new green technologies and help create a low carbon and sustainable environment for Hong Kong people in the future.

The “Hong Kong Smart City Blueprint 2.0” also clearly delineates the initiatives of exploring the use of innovative technologies to promote the efficiency of waste reduction and recycling and to treat food waste more effectively under the strategy of “Innovation and Cooperation”. As part of this blueprint, the Hong Kong Government commissioned a consultancy on market review and tender preparation in April 2021 regarding extending the scope of technical trials and pilot applications of smart recycling systems in more suitable venues in the city in late 2021. The government’s target is to reach full carbon neutrality by 2050.

To fully tap into the recycling sector and its enormous growth opportunities, technology will play a vital role. Our vision is to pursue a carbonless economy and make every piece of waste traceable through leveraging our fast-growing waste-management technology platform. It will be the ultimate factor in determining who wins in this competitive market, especially when engaging with tech-savvy millennials and Gen Z who are key growth drivers of sustainability and circular economy.

In view of the macro-economic environment in Hong Kong, the first half of 2021 presented many challenges and opportunities for Hong Kong’s environmental service industry. During the Period, Hong Kong’s economy grew by 7.8% Year-on-Year (YoY). This was mainly led by robust growth of exports and the rebound of domestic consumption in retail, food & beverage and health & wellness as the pandemic receded and the mass vaccination program was rolled out. In the second quarter of 2021, leasing activity in the office rental market showed signs of recovery which suggests that the commercial sector is gradually improving. As Hong Kong’s economy stabilized and business activity increased, the environmental service sector benefited. In addition, increased public awareness of environmental health & hygiene during the pandemic has spurred long-term demand for comprehensive environmental and waste management services.

However, the impact of the COVID-19 pandemic has fundamentally changed the industry landscape. Greater resilience is required to respond to unexpected threats and challenges as well as technological innovation to enhance competitiveness against tough competition and meet the evolving market demand for waste management. Additionally, according to the Environment Bureau, a significant decline in market prices for recyclables and restrictions on importing recyclables into the PRC have substantially reduced the volume of municipal solid waste being recycled in Hong Kong from 3.6 million tonnes in 2010 to 1.64 million tonnes in 2019, placing further pressure on landfills.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to tackle long-term waste and recycling problems and pursue smarter and sustainable development to create a more livable city, it is essential to nurture eco-responsibility among citizens and facilitate smart management of waste and recycling. As part of the Waste Blueprint for Hong Kong 2035 (Waste Blueprint) launched by the Environment Bureau in February 2021, the Environment Bureau proposed the Producer Responsibility Scheme (PRS) on glass beverage containers and plastic beverage containers with an aim to achieve full implementation by 2022 the earliest and 2025 the earliest respectively.

These initiatives have tried to demonstrate how the private sector can contribute to building an effective waste collection network. In May 2021, the Civic Exchange conducted a public opinion survey on the “Municipal Solid Waste Charging Bill”. The response from the public showed widespread support for the “polluter pays” principle to help reduce waste. Introducing various economic incentive schemes to foster public participation in recycling is important.

BUSINESS REVIEW

As one of Hong Kong’s major integrated environmental service providers, Baguio has been successful in consistently leveraging its strong facilities and industry capabilities to offer comprehensive environmental services. During the Period, the Group’s revenue was approximately HK\$587.2 million, representing a slight decrease of approximately 0.7% as compared to the same period in 2020. Gross profit increased by approximately 48.7% to approximately HK\$49.0 million (1H2020: HK\$33.0 million). The gross profit margin increased by 2.8 percentage points (“p.p.”) to approximately 8.4% (1H2020: 5.6%). Profit attributable to equity shareholders of the Company amounted to approximately HK\$12.2 million, representing a year-on-year increase of approximately 9.8% (1H2020: HK\$11.2 million), with net profit margin increased by approximately 0.2 p.p. to approximately 2.1% (1H2020: 1.9%).

During the Period, the overall gross profit was increased and gross profit margin was also improved from 5.6% to 8.4% even though the overall revenue slightly dropped, which was mainly due to the keen competition in landscaping segment affected by the economic impact of COVID-19 pandemic. The encouraging result was attributed by the Group’s enormous effort to secure new contracts in cleaning, pest management and, waste management and recycling segments with higher profit margin and operation efficiency. The Group could also maintain the profit attributable to equity shareholders of the Company similar to the same period in 2020 to approximately HK\$12.2 million (1H2020: HK\$11.2 million) with net profit margin to 2.1% (1H2020: 1.9%). This demonstrated the Group’s continues effort to improve cost control and to strive for effective business strategy. The Group has strengthened its comprehensive one-stop service by offering different types of professional and niche environmental services such as recycling, clinical waste collection, food waste collection and management, disinfection and antimicrobial coating services, specialty cleaning services for hospitals, and waste management service for large scale institutions. These strategies have been successful in adding new sources of income and enhancing profitability.

During the Period, the Group won new contracts worth approximately HK\$1.05 billion from government tenders. These included cleaning and waste collections services for public streets, waste management services for public utilities and cleaning services for leisure and recreation venues. New business driven by private-sector demand was also promising. Awareness of sustainability within the commercial sector is increasing, mainly due to the impact of the pandemic and also the trend among large private companies to act more responsibly on the ESG front. This trend has created new opportunities for Baguio to provide customers with customized environmental services catering to their specific needs on cleaning and environmental protection for the well-being of their staff and customers. Our pest control business continued to enjoy consistent growth during the Period due to surging demand for related services, fuelled by heightened hygiene awareness among commercial buildings, such as offices, hotels and restaurants.

Our landscaping business continued to be affected by stiff market competition and project delays caused by the pandemic. The Group’s strategy will be to continue pursuing high-end projects that offer greater profitability by leveraging our trusted service and high service standards. The green policies under the town planning rollout launched by the Hong Kong government will provide new opportunities for the landscaping industry.

With regard to waste management and recycling, the Group continued to expand its range of services to keep pace with new market opportunities and evolving social needs. Building upon its success in 2020, the Group secured new contracts with the Food and Environmental Hygiene Department and the Airport Authority of Hong Kong for the provision of waste collection and management during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group continued to expand its operational capacity and waste collection network. During the Period, Baguio operated the 35,000 sq. ft. waste paper recycling plant in Sheung Shui with a maximum daily capacity of 100 tonnes, and the 50,000 sq. ft. new waste sorting plant in Tuen Mun will be commenced in Q3 2021 with a maximum daily capacity of 20 tonnes. The new waste sorting plant is equipped with the NIR technology to increase the sorting efficiency and enhance the quality of the sorted recyclables. Baguio also expanded the recyclable collection network to petrol stations (Shell and Esso), RVMs, EPD's recycling stations, recycling stores, and recycling spots. In January 2021, Baguio iRecycle joined forces with foodpanda Hong Kong to promote free door-to-door recycling services for discarded plastics. This partnership has been well received and it helped raise consumers' awareness of the need to recycle disposable plastic tableware and contribute to a more sustainable world.

As one of the leading recycling services providers, Baguio, has a long-term vision to expand public awareness of waste recycling by integrating innovative technologies into waste collection. "iRecycle" platform, the Group's own independently developed mobile App, is developed to encourage proper and clean recycling. It collects and analyzes the big data to enhance the recycling service by connecting different stakeholders included waste producers, collectors, recyclers to merchants. In order to facilitate the recycling rate, "iRecycle" also provides iDollar to users as an incentive return for conducting recycling through the platform to redeem different coupons for consumption.

To create a one-stop smart cleaning and waste management is a long-term endeavor of the Group in reducing costs and raising service's credibility. Apart from the "iRecycle" platform, the Group has few other technology platforms such as "iAttendance" platform for employee management; "iButton" and Geographical Information System (GIS) platform for fleet management and route planning; QR code solution for the public and clients to monitor and report our service performance instantly; and our Enterprise Resource Planning (ERP) system to enhance productivity and digitalize the entire business platform.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period (1H2020: Nil).

Revenue Breakdown of Major Business Segments

	For the six months ended 30 June 2021		2020		Change
	Revenue (HK\$ million)	% of total revenue	Revenue (HK\$ million)	% of total revenue	
Cleaning	351.8	59.9%	361.7	61.2%	-2.7%
Landscaping	62.6	10.7%	97.9	16.6%	-36.1%
Pest management	55.2	9.4%	51.7	8.7%	+6.8%
Waste management and recycling	117.6	20.0%	79.8	13.5%	+47.4%
Total	587.2	100.0%	591.1	100.0%	-0.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin of Major Business Segments

	For the six months ended 30 June		
	2021	2020	Change
Cleaning	7.4%	2.5%	+4.9 p.p.
Landscaping	7.4%	13.1%	-5.7 p.p.
Pest management	8.9%	5.4%	+3.5 p.p.
Waste management and recycling	11.4%	10.6%	+0.8 p.p.
Overall	8.4%	5.6%	+2.8 p.p.

During the Period, the Group was driven by the increase in revenue of approximately 47.4% from waste management and recycling segment. This encouraging result was attributable to the Group's enormous effort to secure new contracts with Food and Environmental Hygiene Department for the provision of waste collection services, and Airport Authority Hong Kong for the provision of waste management services. Additions, with the award of new contracts from cleaning and pest management segments with higher profit margin and effective cost control, the profit margin for the relevant segments were improved satisfactorily approximately from 2.5% to 7.4%, and approximately from 5.4% to 8.9% respectively. The overall gross profit amount and margin of the Group were improved approximately from HK\$33.0 million to HK\$49.0 million, and approximately from 5.6% to 8.4% respectively.

The landscaping segment was still affected by the impact of COVID-19 pandemic. The progress delay in landscaping projects increased operation cost and overhead, and the keen competition in landscaping market also hindered the tender results of new contracts.

Contracts on Hand

As of 30 June 2021, the Group had a total amount of approximately HK\$2,417.2 million worth of unexpired contracts on hand, among which, approximately HK\$620.8 million would be recognised by the end of 2021; approximately HK\$1,052.2 million would be recognised in 2022 and the rest of approximately HK\$744.2 million would be recognised in 2023 and beyond.

	Backlog contract value (HK\$ million)	Contract value to be recognised by 31 December 2021 (HK\$ million)	Contract value to be recognised by 31 December 2022 (HK\$ million)	Contract value to be recognised in 2023 and beyond (HK\$ million)
Cleaning services	1,707.4	446.7	765.9	494.8
Landscaping services	172.0	63.3	66.0	42.7
Pest management services	137.3	41.2	72.0	24.1
Waste management and recycling services	400.5	69.6	148.3	182.6
Total	2,417.2	620.8	1,052.2	744.2

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS

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

Date	Issuer of Award	Award
Jan 2021	Environmental Campaign Committee	Hong Kong Green Organisation Certification — Wastewise Certificate — Excellence Level
Jan 2021	CityOne Shatin Committee	Certificate of Appreciation
Mar 2021	Junior Chamber International Harbour (Hong Kong) Limited	Certificate of Appreciation
May 2021	Lions Clubs International District 303 — Hong Kong & Macao, China	Certificate of Appreciation
Jun 2021	Hong Kong Council of Social Service	10 years+ Caring Company 2020/21 — Baguio Cleaning Services Company Limited
Jun 2021	Hong Kong Council of Social Service	10 years+ Caring Company 2020/21 — Baguio Landscaping Services Limited
Jun 2021	Hong Kong Council of Social Service	5 years+ Caring Company 2020/21 — Baguio Green Group Limited
Jun 2021	Hong Kong Council of Social Service	5 years+ Caring Company 2020/21 — Baguio Pest Management Limited
Jun 2021	Hong Kong Council of Social Service	5 years+ Caring Company 2020/21 — Baguio Waste Management & Recycling Limited
Jun 2021	Hong Kong Council of Social Service	5 years+ Caring Company 2020/21 — Tak Tai Enviroscape Limited

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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

Date	Organiser of Activity	Activity
Jan 2021	Hong Kong Playground Association	CNY Greeting Card Drawing to Elderly
Feb 2021	Greeners Action	Red Packet Reuse & Recycle Program
Mar 2021	Tin Shui Wai Methodist College	Baguio — Hong Kong Recycling Development Seminar
Mar 2021	Ecobus	Baguio — Hong Kong Recycling Development Webinar
Apr 2021	Ecobus	Baguio — Hong Kong Recycling Development Webinar
May 2021	Ecobus	Baguio — Hong Kong Recycling Development Webinar
May 2021	Hong Kong Organic Resource Centre	Baguio — Hong Kong Recycling Development Webinar
Jun 2021	Caritas Elderly Centre — Ngau Tau Ko	Elderly Workshop — Eco bag painting
Jun 2021	Caritas Elderly Centre — Ngau Tau Ko	Elderly Workshop — Pastel painting
Jun 2021	Caritas Elderly Centre — Ngau Tau Ko	Elderly Workshop — Planting
Jun 2021	Hong Kong Institute of Vocational Education (Sha Tin Campus) — Environmental Science	Baguio — Hong Kong Recycling Development Webinar

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

According to the ambitious vision of “Waste Reduction • Resources Circulation • Zero Landfill” advocated by the Government in its Waste Blueprint for Hong Kong 2035, the Administration is pressing ahead on six major areas of action, (1) waste reduction, (2) waste separation, (3) resources circulation, (4) industry support, (5) innovation and cooperation, and (6) education and publicity in attaining the goals. In anticipation of the implementation of “Municipal Solid Waste Charging”, it is expected that the Government will roll out more policies to support the building of a new and comprehensive waste management and recycling system in Hong Kong and create ample business opportunities in the waste management industry. In addition, the Government will encourage and support more innovation and new technologies to improve the rate of recycling in the city.

The MSW Charging bill may have been delayed for 16 years. However, Baguio has been developing local recycling services since 2014 and is well prepared for these steps forward in local waste reduction and recycling. We already own and operate various local recycling facilities. We have also developed various recycling solutions and established a large network of collection points together with a fleet of vehicles.

With the MSW charging scheme being passed on 26 August 2021, the need for professional recycling and waste management services in the market will greatly increase. We believe that our solid experiences in one-stop waste management and recycling services is key to clients successfully implementing individualised recycling and waste reduction initiatives to prepare for the MSW charging scheme. We predict that more incentive schemes will be introduced to promote recycling along with new regulations that put the burden firmly on producers and end users to treat their waste more responsible. The Group therefore has great confidence in the local recycling industry’s long-term prospects.

A joint venture with ALBA Group Asia Limited and Swire Beverages Holdings Limited to operate Hong Kong’s first food-grade ready plastics recycling facility at EcoPark should begin operating by the end of 2021. The facility is expected to process and recycle 35,000 tonnes of post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high-density polyethylene or personal care bottles) annually at a rate of 100 tonnes of plastics per day. The three-stage process will turn plastic waste into flakes and pellets which can then be reused as raw materials for new, high-quality consumer and industrial products.

Looking forward, the Group will take the initiative to develop its own proprietary technology platform for waste recycling and management. Making waste fully traceable will help increase the waste management efficiency and recycling rate. Collected big data can provide to the clients to enhance their sustainable performance. We will also continue to strengthen our cleaning, landscaping and pest management core businesses. As one of Hong Kong’s leading green companies, we will make every effort to build a cleaner and more sustainable city and achieve sustainable returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six-month periods ended 30 June 2021 and 2020 amounted to approximately HK\$587.2 million and HK\$591.1 million respectively, representing a slightly decrease of approximately 0.7%. The decrease was mainly due to keen competition in the landscaping services segment during the Period.

Cost of Services

For the six-month periods ended 30 June 2021 and 2020, the cost of services amounted to approximately HK\$538.1 million and HK\$558.1 million respectively, representing approximately 91.6% and approximately 94.4% of the Group's revenue for the corresponding periods respectively. The cost of services primarily comprised of direct wages, direct overhead expenses, material consumables and sub-contracting fees.

Gross Profit

The Group's gross profit for the Period was approximately HK\$49.0 million, representing an increase of approximately 48.7% from approximately HK\$33.0 million for the corresponding period in 2020.

Gross Profit Margin

The gross profit margins of the Group for the six-month periods ended 30 June 2021 and 2020 were approximately 8.4% and approximately 5.6% respectively. As mentioned above, the increase in gross profit margin was mainly due to the increase of new contracts with high profit margin and operation efficiency during the Period.

Other Income

The other income of the Group for the six-month periods ended 30 June 2021 and 2020 were approximately HK\$16.2 million and HK\$21.8 million respectively, representing a decrease of approximately 25.7%. The decrease was mainly with the subsidies under the Anti-epidemic Fund set up by the Hong Kong Government was recognised during the six-month period ended 30 June 2020 (six-month period ended 30 June 2021: Nil).

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 change in fair value of biological assets represented by the loss of approximately HK\$3.0 million and gain of approximately HK\$23,000 for the six-month periods ended 30 June 2021 and 2020 respectively. The decrease in fair value was mainly due to the decrease in demand in new landscaping contracts and sales market affected by the COVID-19 pandemic.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the six-month periods ended 30 June 2021 and 2020 were approximately HK\$0.6 million and HK\$0.6 million respectively. 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 six-month periods ended 30 June 2021 and 2020 were approximately HK\$40.4 million and HK\$37.6 million respectively, representing an increase of approximately 7.3%, and approximately 6.9% and approximately 6.4% of the respective period's total revenue. The increase was mainly due to the increase in wages and allowances for staff and the office overhead. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The finance costs amounted to approximately HK\$2.0 million and HK\$4.5 million for the six-month periods ended 30 June 2021 and 2020 respectively, representing approximately 0.3% and approximately 0.8% of the Group's total revenue respectively. The decrease was mainly due to the decrease in average bank borrowings during the Period.

Profit for the Period Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for the six-month periods ended 30 June 2021 and 2020 amounted to approximately HK\$12.2 million and HK\$11.2 million respectively, representing an increase of approximately 9.8%. The increase was mainly due to the factors described above.

CAPITAL STRUCTURE

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flows from operating activities principally from rendering comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$51.4 million (1H2020: HK\$70.7 million). As at 30 June 2021, the Group had available cash and bank balances amounting to approximately HK\$57.0 million (31 December 2020: HK\$28.5 million), representing an increase of approximately 99.7% from 31 December 2020.

As at 30 June 2021, the Group's total current assets and current liabilities were approximately HK\$392.4 million (31 December 2020: HK\$355.2 million) and HK\$321.3 million (31 December 2020: HK\$264.6 million) respectively, while the current ratio was approximately 1.2 times (31 December 2020: 1.3 times). The liquidity position of the Group is maintained at a healthy level.

As at 30 June 2021, the Group's bank borrowings amounted to approximately HK\$130.3 million (31 December 2020: HK\$107.6 million), representing an increase of approximately 21.1%; the Group's lease liabilities were approximately HK\$42.7 million (31 December 2020: HK\$46.0 million), representing a decrease of approximately 7.2%, for financing the acquisition of motor vehicles for operational usage and recognising lease liabilities related to the lease contracts in respect of certain lands, office buildings and nurseries. During the Period, no financial instruments were used for hedging purposes.

As at 30 June 2021, the gearing ratio of the Group was approximately 0.6 times (31 December 2020: 0.5 times), which was calculated based on the total interest-bearing bank borrowings and lease liabilities over total equity of the Group.

As at 30 June 2021, the Group had unutilised banking facilities of approximately HK\$231.0 million (31 December 2020: HK\$301.5 million).

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 Period, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 June 2021, the Group had capital commitment contracted for of approximately HK\$17.3 million (31 December 2020: HK\$0.1 million) and no capital commitment authorised but not contracted for (31 December 2020: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, the amounts payable under lease liabilities within one year was approximately HK\$12.6 million (31 December 2020: HK\$13.3 million), that after one year but with five years was approximately HK\$11.1 million (31 December 2020: HK\$12.5 million), and that after five years was approximately HK\$19.0 million (31 December 2020: HK\$20.2 million).

As at 30 June 2021, the lease liabilities of the Group of approximately HK\$1.9 million (31 December 2020: HK\$4.2 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 30 June 2021, the Group had (i) pledged bank deposits of approximately HK\$6.2 million (31 December 2020: HK\$6.2 million); (ii) pledge of cash and cash equivalents of approximately HK\$0.3 million (31 December 2020: HK\$1.5 million); (iii) mortgage of the land and buildings of approximately HK\$69.1 million (31 December 2020: HK\$70.4 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK\$2.4 million (31 December 2020: HK\$2.4 million); (v) pledge of the trade receivables of approximately HK\$51.3 million (31 December 2020: HK\$59.5 million); and (vi) pledge of the contract assets arising from performance under glass management contracts of approximately HK\$4.3 million (31 December 2020: HK\$2.4 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.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

INTELLECTUAL PROPERTIES

During the Period, the Group registered the trademarks  愛回收  and  iRecycle in Hong Kong for a period of 10 years.

HUMAN RESOURCES

As at 30 June 2021, the Group employed 6,084 employees (31 December 2020: 5,255 employees), including both full time and part time. Remuneration packages were generally structured by reference to market terms and individual qualifications and experience.

During the Period, various training activities, such as training on operational safety, team building, administrative and management skills, were conducted to improve the quality of front-end services and 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 institutions to ensure the smooth and effective management of the Group's business.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	For the six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	4	587,154	591,055
Cost of services		(538,121)	(558,079)
Gross profit		49,033	32,976
Other income		16,190	21,783
Change in fair value less costs to sell of biological assets		(3,015)	23
Selling and marketing expenses		(638)	(572)
Administrative expenses		(40,375)	(37,628)
Profit from operations		21,195	16,582
Finance costs	5	(1,958)	(4,530)
Share of losses of a joint venture		(1,729)	(1,303)
Profit before taxation	6	17,508	10,749
Income tax (expense)/credit	7	(5,261)	409
Profit for the period attributable to equity shareholders of the Company		12,247	11,158
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries, net of nil tax		24	(32)
Cash flow hedge: share of net movement in the hedging reserve of a joint venture		(414)	554
Other comprehensive income		(390)	522
Total comprehensive income for the period attributable to equity shareholders of the Company		11,857	11,680
Earnings per share			
Basic and diluted (HK cents)	9	2.95	2.69

The notes on pages 17 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Non-current assets			
Property, plant and equipment	10	170,616	149,837
Right-of-use assets	11	46,036	54,829
Interest in a joint venture		6,296	8,439
Financial assets at fair value through profit or loss		14,419	14,348
Prepayments, deposits and other receivables		27,760	19,292
Deferred tax assets		2,440	2,367
		267,567	249,112
Current assets			
Inventories		2,954	3,180
Contract assets		11,238	9,451
Trade receivables	12	265,983	259,529
Prepayments, deposits and other receivables		31,467	26,775
Tax recoverable		1,072	1,072
Biological assets		16,560	20,493
Pledged bank deposits		6,163	6,161
Cash and cash equivalents		56,968	28,522
		392,405	355,183
Current liabilities			
Trade payables	13	28,719	23,899
Contract liabilities		1,250	1,750
Accruals, deposits received and other payables		147,346	117,790
Bank borrowings	14	130,323	107,642
Lease liabilities	15	12,579	13,254
Tax payable		1,090	218
		321,307	264,553
Net current assets		71,098	90,630
Total assets less current liabilities		338,665	339,742
Non-current liabilities			
Lease liabilities	15	30,110	32,749
Provision		10,750	10,548
Deferred tax liabilities		11,856	7,413
		52,716	50,710
Net assets		285,949	289,032
Capital and reserves			
Share capital	16	4,150	4,150
Reserves		281,799	284,882
Total equity		285,949	289,032

The notes on pages 17 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Hedging reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2020	4,150	100,850	18,330	1,695	(173)	–	112,269	237,121
Profit for the period	–	–	–	–	–	–	11,158	11,158
Other comprehensive income for the period	–	–	–	–	(32)	554	–	522
Total comprehensive income for the period	–	–	–	–	(32)	554	11,158	11,680
At 30 June 2020	4,150	100,850	18,330	1,695	(205)	554	123,427	248,801
At 1 January 2021	4,150	100,850	18,330	1,656	(52)	414	163,684	289,032
Profit for the period	–	–	–	–	–	–	12,247	12,247
Other comprehensive income for the period	–	–	–	–	24	(414)	–	(390)
Total comprehensive income for the period	–	–	–	–	24	(414)	12,247	11,857
Dividends approved in respect of the previous year (note 8)	–	–	–	–	–	–	(14,940)	(14,940)
Share options lapsed	–	–	–	(84)	–	–	84	–
At 30 June 2021	4,150	100,850	18,330	1,572	(28)	–	161,075	285,949

The notes on pages 17 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Net cash generated from operating activities	51,371	70,676
Investing activities		
Payment for the purchase of property, plant and equipment	(44,322)	(3,574)
Other cash flows arising from investing activities	7,853	4,126
Net cash (used in)/generated from investing activities	(36,469)	552
Financing activities		
Proceeds from new bank borrowings	390,478	688,556
Repayment of bank borrowings	(367,797)	(729,148)
Other cash flows used in financing activities	(9,205)	(12,265)
Net cash generated from/(used in) financing activities	13,476	(52,857)
Net increase in cash and cash equivalents	28,378	18,371
Cash and cash equivalents at the beginning of the period	28,522	22,887
Effect of foreign exchange rates changes	68	(140)
Cash and cash equivalents at the end of the period	56,968	41,118

The notes on pages 17 to 28 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

1. GENERAL INFORMATION

The Company was incorporated 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. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. 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.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 30 August 2021.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 29.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and amended standards, that are first effective for the current accounting period of the Group.

Except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in the current interim period. There is no impact on the opening balance of equity at 1 January 2021.

4. SEGMENT INFORMATION

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

- Cleaning services business
- Landscaping services business
- Pest management business
- Waste management and recycling business

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. 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
Six months ended 30 June 2021					
Revenue from external customers and reportable segment revenue recognised over time	351,821	62,591	55,147	117,595	587,154
Segment results	25,666	4,650	4,882	13,197	48,395
Other income					16,190
Change in fair value less costs to sell of biological assets					(3,015)
Administrative expenses					(40,375)
Finance costs					(1,958)
Share of losses of a joint venture					(1,729)
Profit before taxation					17,508

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
Six months ended 30 June 2020					
Revenue from external customers and reportable segment revenue recognised over time	361,691	97,939	51,657	79,768	591,055
Segment results	8,490	12,815	2,807	8,292	32,404
Other income					21,783
Change in fair value less costs to sell of biological assets					23
Administrative expenses					(37,628)
Finance costs					(4,530)
Share of losses of a joint venture					(1,303)
Profit before taxation					10,749

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. 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 30 June 2021					
Segment assets	327,119	102,131	37,725	178,088	645,063
Unallocated					14,909
Total assets					659,972
Segment liabilities	230,831	19,577	21,946	84,785	357,139
Unallocated					16,884
Total liabilities					374,023

	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 2020					
Segment assets	292,163	106,696	40,267	162,909	602,035
Unallocated					2,260
Total assets					604,295
Segment liabilities	171,502	24,392	35,137	81,700	312,731
Unallocated					2,532
Total liabilities					315,263

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 interim period.

5. FINANCE COSTS

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest on:		
Bank overdrafts	–	5
Bank borrowings	1,194	3,685
Lease liabilities	764	840
	1,958	4,530

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Profit before taxation is arrived at after charging/(crediting):		
Cost of inventories	41,915	22,231
Depreciation:		
Owned property, plant and equipment	15,597	13,518
Right-of-use assets	7,489	6,067
Compensation income from services contracts	(8,900)	–
(Gain)/loss on disposal of property, plant and equipment	(2,068)	357
Gain on disposal of right-of-use assets	(198)	–
Government grants*	(675)	(15,524)
COVID-19-related rent concessions received	(973)	(388)
Reversal of credit losses on trade receivables	(29)	(36)
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	411,042	458,831
Provision for long service and severance payments	12,026	13,840
Provision for untaken paid leave	4,265	5,057
Contributions to defined contribution retirement scheme	14,042	13,076
	441,375	490,804
Short-term lease payments not included in the measurement of lease liabilities:		
Machinery and motor vehicles	17,638	15,595
Land and buildings	2,289	1,076
	19,927	16,671

* During the reporting period, the Group recognised the government grants as follows:

- (i) Employment Support Scheme, which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund of the Government of nil (six months ended 30 June 2020: HK\$12,210,000). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees;
- (ii) Transport Trades Subsidy under the Anti-epidemic Fund of nil (six months ended 30 June 2020: HK\$3,180,000);
- (iii) subsidies from the Green Employment Scheme of the Environment Bureau of HK\$650,000 (six months ended 30 June 2020: Nil); and
- (iv) other subsidies under the Anti-epidemic Fund of HK\$25,000 (six months ended 30 June 2020: HK\$134,000).

There were neither unfulfilled conditions nor 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

7. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	890	739
Deferred tax	4,371	(1,148)
	5,261	(409)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 2021, 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 2020.

8. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, was approved and recognised during the following interim period, of HK3.6 cents (six months ended 30 June 2020: Nil) per ordinary share	14,940	–

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity shareholders of the Company of HK\$12,247,000 (six months ended 30 June 2020: HK\$11,158,000) and the weighted average number of 415,000,000 (six months ended 30 June 2020: 415,000,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2021 and 2020 are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the interim periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with aggregate cost of HK\$35,787,000 (six months ended 30 June 2020: HK\$3,774,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$4,383,000 (six months ended 30 June 2020: HK\$4,464,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the right-of-use assets were transferred to property, plant and equipment with aggregate carrying value of HK\$4,970,000 (six months ended 30 June 2020: HK\$3,275,000). The Group also entered into a number of lease agreements for use of land and properties, and therefore recognised the additions to right-of-use assets of HK\$4,868,000 (six months ended 30 June 2020: HK\$8,250,000). In addition, the Group disposed items of right-of-use assets with aggregate carrying value of HK\$1,202,000 (six months ended 30 June 2020: Nil).

During the six months ended 30 June 2021, the Group received rent concessions for its leased properties amounting to HK\$973,000 (six months ended 30 June 2020: HK\$388,000) in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

As disclosed in note 3, the Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, and has applied the practical expedient to all eligible rent concessions received by the Group during the period.

12. TRADE RECEIVABLES

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:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 60 days	202,676	175,562
Over 60 days but within 120 days	38,306	56,315
Over 120 days but within 365 days	17,714	21,770
Over 365 days	7,287	5,882
	265,983	259,529

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.

13. TRADE PAYABLES

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follow:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 30 days	19,070	13,281
Over 30 days but within 60 days	4,532	6,450
Over 60 days but within 90 days	748	664
Over 90 days	4,369	3,504
	28,719	23,899

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

14. BANK BORROWINGS

The analysis of the carrying amount of the bank borrowings at the end of the reporting period is as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Current liabilities		
Current portion of term loans from banks	90,245	60,582
Non-current portion of term loans from banks repayable on demand	40,078	47,060
	130,323	107,642

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Secured	80,848	95,896
Unsecured	49,475	11,746
	130,323	107,642

The secured bank loans of the Group as at 30 June 2021 were secured by:

- (i) pledged bank deposits of HK\$6,163,000 (31 December 2020: HK\$6,161,000);
- (ii) pledge of cash and cash equivalents of HK\$302,000 (31 December 2020: HK\$1,472,000);
- (iii) mortgage of the land and buildings of HK\$69,057,000 (31 December 2020: HK\$70,377,000);
- (iv) pledge of the financial assets at fair value through profit or loss of HK\$2,439,000 (31 December 2020: HK\$2,415,000);
- (v) pledge of the trade receivables of HK\$51,282,000 (31 December 2020: HK\$59,477,000); and
- (vi) pledge of the contract assets arising from performance under glass management contracts of HK\$4,282,000 (31 December 2020: HK\$2,409,000).

As at 30 June 2021, the bank borrowings of the Group of HK\$130,323,000 (31 December 2020: HK\$107,642,000) bear interest ranging from 1.66% to 3.10% (31 December 2020: 1.66% to 3.10%) per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

15. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Minimum lease payments		
— within one year	13,872	14,657
— after one year but within five years	14,602	16,209
— after five years	23,676	25,229
	38,278	41,438
Less: Future interest expenses	52,150 (9,461)	56,095 (10,092)
Present value of lease liabilities	42,689	46,003
Present value of minimum lease payments		
— within one year	12,579	13,254
— after one year but within five years	11,058	12,518
— after five years	19,052	20,231
	30,110	32,749
	42,689	46,003

16. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,000,000	10,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	415,000	4,150

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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.

	At 30 June 2021			
	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	–	–	14,419	14,419

	As at 31 December 2020			
	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	–	–	14,348	14,348

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

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

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

Reconciliation of Level 3 fair value measurements

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Investments in life insurance		
Opening balance	14,348	14,176
Gains recognised in profit or loss	71	92
Closing balance	14,419	14,268

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

18. LEASE COMMITMENT

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within one year	521	715

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Capital expenditure in respect of the additions of property, plant and equipment		
— Contracted for within one year	17,259	50

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Short term employee benefits	4,526	4,777
Retirement scheme contributions	289	170
	4,815	4,947

- (b) Transactions with a joint venture

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Income relating to right-of-use assets	2,021	2,014
Interest income	98	98
Sourcing, collection and sorting waste plastics services income	12,999	4,635
Other services income	103	–

- (c) Balances with a joint venture

	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	12,733	8,511
Other receivables:		
Loan to a joint venture	3,300	3,300
Interest receivable from a joint venture	322	224
Receivable from a joint venture	16,504	14,951
	32,859	26,986

Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2021	2020
			HK\$'000	HK\$'000
The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	494	391
Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	1,312	1,104

INDEPENDENT REVIEW REPORT



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 28 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

30 August 2021

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, as far as is known to the Directors or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") or as otherwise notified to the Company:

Name	Capacity/ Nature of Interest	Number of Issued Shares Held	Approximate Percentage Holding (%)
Ng Wing Hong	Interest of controlled corporation/Beneficial owner ^(Note 1)	279,256,000	67.29
Chan Shuk Kuen	Family interest ^(Note 2)	279,256,000	67.29
Ng Yuk Kwan Phyllis	Beneficial owner ^(Note 3)	26,736,000	6.44
Mak Che Fai Lawrence	Family interest ^(Note 4)	26,736,000	6.44
Baguio Green (Holding) Limited	Beneficial owner ^(Note 1)	275,000,000	66.27

Notes:

- (1) The entire issued share capital of Baguio Green (Holding) Limited is beneficially owned by Mr. Ng Wing Hong. Therefore, Mr. Ng Wing Hong is deemed to be interested in all the 275,000,000 Shares of the Company ("Shares") held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and an executive Director. In addition, Mr. Ng Wing Hong also directly held 4,256,000 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 resigned as executive Director with effect from 18 February 2021.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 26,736,000 Shares. Ms. Ng Yuk Kwan Phyllis is an executive Director.
- (4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kwan Phyllis and is therefore deemed to be interested in all the Shares held by Ms. Ng Yuk Kwan Phyllis.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2021, the shareholding interests of Mr. Ng Wing Hong 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 31 to 33 in the section "Share Option Scheme" below. In addition, as at 30 June 2021, Ms. Cheung Siu Chun, an executive Director and the company secretary of the Company, held 800,000 Shares. Apart from the foregoing, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under the Listing Rules.

OTHER INFORMATION

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.

OTHER INFORMATION

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.

No share option was granted during the Period, while 216,000 share options were lapsed during the Period due to the resignation of an employee who had been granted share options.

OTHER INFORMATION

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

Name or category of participants	Date of grant (Note 1)	Number of underlying shares comprised in share options			As at 30 June 2021	Exercise period	Exercise price per share (HK\$)
		As at 1 January 2021	Exercised during the Period	Lapsed during the Period			
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 (Note 2)	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	-	(216,000)	1,408,000		
Other Eligible Participants (in aggregate)							
Other employees	16/10/2015	2,656,000	-	-	2,656,000	16/10/2017- 23/04/2024	1.00
Subtotal		2,656,000	-	-	2,656,000		
Total		4,280,000	-	(216,000)	4,064,000		

Notes:

- (1) The share options vested on 16 October 2017.
- (2) Ms. Chan Shuk Kuen resigned as executive Director with effect from 18 February 2021.

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 share was granted under the Share Award Plan during the Period.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Period, 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, its holding companies, or 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.

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

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

CORPORATE GOVERNANCE

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

CHANGE IN INFORMATION OF DIRECTORS

During the Period, the change in information of the directors of the Company which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

Changes in directors of the Company

Ms. Chan Shuk Kuen resigned as executive Director of the Company with effect from 18 February 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

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

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

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

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

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

碧瑤綠色集團有限公司
Baguio Green Group Limited