

碧 瑤
BAGUIO

For a Greener Tomorrow

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
2025



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ng Wing Hong
Ms. Ng Yuk Kwan Phyllis
Ms. Leung Shuk Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ho Chiu
Mr. Lau Chi Yin Thomas
Professor Cheng Edwin Tai Chiu
Mr. Chan Kin Kan
(appointed with effect from 30 May 2025)

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Mr. Chan Chor Fai
(appointed with effect from 12 September 2025)

AUDIT COMMITTEE

Mr. Lau Chi Yin Thomas (*Chairman*)
Mr. Sin Ho Chiu
Professor Cheng Edwin Tai Chiu
Mr. Chan Kin Kan
(appointed with effect from 30 May 2025)

REMUNERATION COMMITTEE

Mr. Sin Ho Chiu (*Chairman*)
Mr. Lau Chi Yin Thomas
Professor Cheng Edwin Tai Chiu
Mr. Chan Kin Kan
(appointed with effect from 30 May 2025)
Mr. Ng Wing Hong

NOMINATION COMMITTEE

Professor Cheng Edwin Tai Chiu (*Chairman*)
Mr. Sin Ho Chiu
Mr. Lau Chi Yin Thomas
Mr. Chan Kin Kan
(appointed with effect from 30 May 2025)
Ms. Ng Yuk Kwan Phyllis

COMPANY SECRETARY

Mr. Chan Chor Fai
(appointed with effect from 12 September 2025)

LEGAL AND COMPLIANCE ADVISERS

Robertsons
(*Hong Kong law*)

AUDITORS

KPMG
(*Public Interest Entity Auditor registered in accordance with the Accounting and 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 CHINESE MAINLAND

L28-01M7, Building T3, Qianhai Zhuoyue Financial Center,
5109 Menghai Boulevard,
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
17/F, Far East Finance Centre
16 Harcourt Road
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

01397

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, together with its subsidiaries, the “Group” or “Baguio”), I am pleased to present the consolidated results of the Group for the year ended 31 December 2025 (the “Year”). This year marks a milestone for Baguio, characterised by record-breaking financial performance, strategic market expansion, and a fundamental transformation of innovation-driven future.

Policy Benefits Providing Future Growth Drivers

Baguio’s development strategy is perfectly aligned with the environmental policies of the country and the HKSAR Government. As the Hong Kong Government further deepens its initiatives of green tech hub and zero carbon emissions and develop into a smart city, Baguio is benefited from the core policies including the Waste Blueprint for Hong Kong 2035, the Hong Kong’s Climate Action Plan 2050, the Northern Metropolis Action Agenda 2023, and the Producer Responsibility Scheme on Plastic Beverage Containers and Beverage Cartons, to convert policy benefits into long-term drivers for the Group’s sustainable development.

Meanwhile, the Outline of the National “15th Five-Year” Plan (2026 – 2030) has clearly outlined the national development direction of “high-quality development as the primary objective, scientific and technological innovation as the driving force, and green and low-carbon development as guiding principle” for the next five years, with an emphasis on the continuous improvement of ecological and environmental quality, and integrates resource recycling and carbon neutral actions into the core of the economic structural upgrading. These long-term national environmental policies will unlock broader growth prospects for Baguio.

Technological Innovation Driving the Group’s Transformation and Development

Baguio regards technological innovation as the core driver of corporate transformation and actively implements digital and smart operational strategies. The Group embraces artificial intelligence, big data and Internet of Things and other new technologies to achieve efficient and precise management. Meanwhile, we are committed to developing resource recycling technologies to promote a circular economy and are actively expanding the footprint of “Baguio Green Technology”. Our products, including smart recycling machines, smart food waste recycling machines, smart balances, solar-powered compacting refuse bins and people counting systems etc., has been widely deployed across Hong Kong. These technologies deliver core data analytics that support customers in fulfilling their ESG commitments. Baguio is evolving into an environmental enterprise centred on green technology, unlocking vast potential for a sustainable future.

Commitment to Business Diversification

With a solid foundation established through years of deep involvement in the environmental protection sector, the Group continues to implement a strategy of “horizontal expansion and vertical deepening”. Horizontally, we are engaged in the provision of high-value-added green services, e.g. successful expansion in marine cleansing in recent years, green technology business, and operation of “GREEN@Tai Wo” and “GREEN@Po Lam” recycling stores, and have established a promising and sustainable business model. Vertically, Baguio has continuously explored business opportunities with the Government and private markets, while integrating upstream and downstream resources. We have extended our services scope from traditional operations to the research and development of environmental technologies and data applications, and promoted the transformation of our business model from labour-intensive to innovation-driven, thereby expanding our business footprint and enhancing our core competitiveness and long-term value.

Long Term Housing Strategy Boosting Business Growth

According to the Budget, the Government is accelerating housing supply, with around 308,000 new public housing units expected to be completed over the next decade. With the development of the Northern Metropolis gathering pace, the four development areas namely Kwu Tung North/Fanling North, Hung Shui Kiu/Ha Tsuen, Yuen Long South, and San Tin Technopole are under construction. The Government has resumed more than 400 hectares of private land and completed land levelling for 80 hectares, which has been handed over to relevant departments to build infrastructure, housing, schools and ecological conservation facilities. This large-scale urban development will present substantial opportunities for the Group’s core businesses.

CHAIRMAN'S STATEMENT

Opportunities Arising from Enhanced Climate-related Disclosure Requirements by the Hong Kong Stock Exchange

Since 1 January 2025, the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of the Hong Kong Stock Exchange has incorporated mandatory climate-related disclosure requirements in phases, creating new opportunities for the Group’s ESG-related business. As a one-stop sustainable development solutions provider, Baguio assists enterprises in collecting, analysing and reporting ESG data through a big data platform to enhance transparency. In terms of waste management, we apply recycling and conversion technologies to effectively help customers increase recycling rates and reduce “Scope 3” carbon emissions, thereby supporting enterprises in achieving their sustainable development goals.

Outlook

The future of environmental services is smart, green and data-driven. As the Government advances the development of smart city, the Group is heading towards digital transformation and evolving into a more resilient enterprise with more emphasis on technological innovation. Meanwhile, we are actively exploring suitable opportunities for mergers and acquisitions, joint ventures and new businesses to accelerate business growth.

A Few Words of Appreciation

Finally, I would like to express my most sincere gratitude and appreciation to the Board; to our employees for their hard work, dedication and positive attitude; and to all our customers and business partners for their trust in and support of the Group. Looking forward, we will endeavour to deliver considerable returns to our shareholders.

Ng Wing Hong

Chairman of the Board

Hong Kong
24 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Despite the impact of geopolitical volatility and trade barriers on the global economy in 2025, with some countries slowing down their carbon reduction commitments, the Government of the Hong Kong Special Administrative Region (the “Government”) has always adhered to environmental protection as its crucial policy. As the Waste Blueprint for Hong Kong 2035 enters a critical implementation phase, the Government has clearly put forward two major goals of “zero landfill” and “waste reduction and efficiency improvement” and takes the Northern Metropolis as a new engine to promote smart city and green development.

As a leader in integrated environmental services in Hong Kong, Baguio’s business covers cleaning, recycling, waste management, green technology, landscaping and pest management, which are considered a rigid demand. During the economic transition period in 2025, despite uncertainties in the external market, the Group’s services remained resilient to the economic environment and proactively promoted circular economy and made contributions to sustainable development and smart city construction of Hong Kong.

During the Year, the Government adopted a “multi-pronged” strategy on waste reduction and recycling, focusing on food waste recycling and the legislative framework to achieve the long-term goal of “Zero Landfill”. In addition to actively promoting waste reduction and recycling, the Government has achieved full coverage of smart food waste recycling bins in public housing estates and is striving toward the target of “one bin per block”, to vigorously expand the community recycling support network, which fully demonstrates the Government’s determination to advance waste reduction and recycling. Meanwhile, the Legislative Council passed “The Promotion of Recycling and Proper Disposal of Products (Miscellaneous Amendments) Bill 2025” in 2025, establishing a unified producer responsibility scheme framework for plastic beverage containers and beverage cartons. The legislation will not only help boost recycling rate but also foster the healthy development of the industry.

BUSINESS REVIEW

Revenue for the Year amounted to approximately HK\$2,424.6 million, representing a decrease of approximately 6.9% as compared to the same period last year. Profit for the Year amounted to approximately HK\$97.1 million, representing an increase of approximately 72.0% as compared to the same period last year. Revenue from cleaning services as the Group’s core business amounted to approximately HK\$1,896.5 million, accounting for approximately 78.2% of the Group’s total revenue.

The Group’s cleaning services cover various scenarios, including for Government streets, markets, police stations, fire stations, leisure venues, hospitals and clinics. In addition, the Group provides cleaning services for numerous different places such as universities, large exhibition centers, Hong Kong International Airport, housing estates and private institutions.

During the Year, the Group successfully awarded a 3-year contract from the Marine Department of the Government for approximately HK\$150 million for the provision of “Marine Refuse Cleansing and Disposal Services in the Eastern waters of Hong Kong”. This contract marks a significant milestone for Baguio, as it represents a strategic expansion of its service portfolio from land to sea, further strengthening its leading position in Hong Kong’s integrated environmental services market. Under the contract, Baguio delivers comprehensive marine refuse cleansing and ship refuse collection services in the Eastern waters of Hong Kong starting from 1 October 2025 including, but not limited to: Victoria Harbour, Central, Sheung Wan, Causeway Bay, Tsim Sha Tsui, Yau Ma Tei, Cheung Sha Wan, Shau Kei Wan, Kwun Tong, Sai Kung, Tolo Harbour and Tai Po. Winning this contract signifies strong market recognition of Baguio’s outstanding performance over the past 46 years. The Group will seamlessly extend its professional standards and operational efficiency in land-based waste management to the marine environment, striving to safeguard Hong Kong’s valuable marine ecosystem and present a cleaner, more beautiful Victoria Harbour to both residents and tourists.

MANAGEMENT DISCUSSION AND ANALYSIS

Waste management and recycling business recorded revenue of approximately HK\$277.8 million, accounting for approximately 11.5% of the Group's total revenue. The gross profit margin of the waste management and recycling business increased from 11.6% for the same period last year to 15.0%, driving the gross profit of this business up by approximately 25.2% to approximately HK\$41.9 million, mainly due to the Government's proactive promotion of recycling and the substantial expansion of the network of recycling spots, including those for food waste, which facilitated public participation and effectively stimulated collection, and the contribution from the green technology business.

The Group continued to provide Government-related waste collection services to five districts, serving a population of approximately 1.6 million.

In terms of recycling, the Group is contracted by the Environmental Protection Department ("EPD") of the Government to provide collection services for thousands of recycling spots (including plastics, glass bottles, metals, waste paper and food waste) across Hong Kong. During the Year, the Group provided collection services for recycling bins in public places and schools. Baguio also provides collection services for Recycling Stations of "GREEN@COMMUNITY", recycling stores and smart recycling machines, and other institutions in Hong Kong. In addition, Baguio also provides the Government with glass bottles collection and management services and food waste collection services in several districts in Hong Kong, and is one of the market leaders. In addition, during the Year, the Group was successfully awarded two 35-month contracts from the EPD, with a total value of approximately HK\$43 million. During the Year, the Group was responsible for operating the "GREEN@Tai Wo" and "GREEN@Po Lam" recycling stores, and collaborated with nearby buildings, organizations, and community stakeholders to establish and operate fixed and mobile recycling spots for waste collection, provide community recycling support to facilitate citizens, and promote and educate the public on waste sorting and recycling in the community to strengthen citizens' recycling habits.

As a leading environmental services provider in Hong Kong, the Group provides integrated environmental management solutions including waste management, smart recycling and professional landscaping services to Kai Tak Sports Park, which hosts major sports events and concerts. With excellent environmental protection technologies and experience in operating large-scale international venues, the Group has fully demonstrated its strength in undertaking large-scale international programmes and delivering high-quality services. During the Year, the Group also provided waste recycling services for various Lunar New Year fairs across Hong Kong Island, Kowloon and the New Territories.

Regarding green technology business, the Group won a new contract in relation to the development and supply of a new generation of solar-powered compacting refuse bins to the Government. This innovative product is designed with an auto-sensing inlet and indicator lights, and under its sealed design, it is equipped with devices for ventilation, lighting, and deodorization. Meanwhile, it is equipped with a big data platform and wireless technology to monitor data in real time, enabling effective tracking of the status of waste collection points, strategic deployment of resources, optimization of operational efficiency, and enhanced planning for future initiatives. Furthermore, the solar-powered compacting refuse bins adopt solar panels and rely on renewable energy, which significantly reduces carbon emissions. They can be flexibly deployed in various scenarios, suitable for remote areas where there are no refuse collection points. This product is expected to be gradually launched into the market in 2026.

The Group seizes the opportunity of smart city development and has been committed to expanding its market share of smart recycling in recent years. Currently, Baguio's smart recycling products, such as smart recycling machines, smart food waste recycling machines, and smart balances, have been deployed in different places across Hong Kong, including Government venues and schools, private housing estates, commercial buildings, theme parks, large-scale exhibition venues, and sports stadiums. These products provide the public with convenient recycling services 24 hours a day and help increase Hong Kong's overall recycling volume.

In partnership with Jardine Engineering Corporation Limited, the Pilot Biochar Production Plant at the EcoPark in Tuen Mun converts yard waste into high-quality biochar with pyrolysis technology for various applications, the production plant effectively "turns waste into useful resources".

MANAGEMENT DISCUSSION AND ANALYSIS

As for the landscaping business, the Group provides landscaping services for a wide range of clients, including large private residences, Government premises, schools, shopping malls, hotels, Hong Kong Housing Authority, Hospital Authority, Hong Kong Jockey Club, Hong Kong Science Park, the University of Hong Kong, Hong Kong University of Science and Technology, Hong Kong Wetland Park, as well as 33 sports turf venues under the Leisure and Cultural Services Department, etc. During the Year, the Group provided landscaping services for Kai Tak Sports Park, Hong Kong International Airport, Hong Kong-Shenzhen Innovation and Technology Park, Nano Parks, the Tung Chung New Town Extension (West), Hung Shui Kiu/Ha Tsuen New Development Area and the ventilation building at the eastern portal of the Tseung Kwan O – Lam Tin Tunnel.

For pest management business, the Group provided pest management services for venues in the Tsuen Wan District during the Year. In addition, the Group provided pest and rodent control services for hospitals, clinics and the headquarters of the Kowloon East, Kowloon Central and Kowloon West Clusters under the Hospital Authority. The Group also continued to provide termite control and monitoring services for 24 temples under the Chinese Temples Committee.

PROSPECTS

The Promotion of Recycling and Proper Disposal of Products (Miscellaneous Amendments) Bill 2025 submitted by the Government was passed by the Legislative Council during the Year. This bill establishes a common legal framework for producer responsibility scheme applicable to different products. Under this framework, the Government plans to submit the producer responsibility scheme on plastic beverage containers and beverage cartons in 2026. The scheme encourages citizens to return used containers for recycling to earn rebate, which will help significantly increase the recycling rate. Benefiting from the scheme, Baguio's recycling volume is expected to be directly driven up, providing attractive returns for the Group's long-term investments in recycling services and competitive barriers.

The Government is actively developing the Northern Metropolis. Four new development areas include Kwu Tung North/Fanling North, Hung Shui Kiu/Ha Tsuen, Yuen Long South, and San Tin Technopole are under construction. The Government has resumed more than 400 hectares of private land within these four new development areas, completed land levelling for 80 hectares, and is progressively handing over these lands to relevant departments for building road and railway infrastructure, public and private housing, schools, public markets, ecological conservation, as well as development of innovation and technology industry. The Group believes that this will bring opportunities for many of its core businesses.

Looking forward, the Group will continue to increase the market share of its core businesses and proactively engage in expansion in Hong Kong and beyond. Meanwhile, in line with the development of the Group, it will actively explore potential mergers and acquisitions, joint ventures or new business projects to accelerate future business growth and deliver substantial and long-term returns to shareholders.

CONTRACTS ON HAND

As of 31 December 2025, the Group had a total amount of approximately HK\$2,535.6 million worth of unexpired contracts on hand, of which, approximately HK\$1,560.1 million will be recognised by the end of 2026, approximately HK\$667.6 million will be recognised in 2027 and the rest of approximately HK\$307.9 million will be recognised in 2028 and beyond.

	Backlog contract value HK\$'million	Contract value to be recognised by 31 Dec 2026 HK\$'million	Contract value to be recognised by 31 Dec 2027 HK\$'million	Contract value to be recognised in 2028 and beyond HK\$'million
Cleaning services	1,806.6	1,180.9	427.7	198.0
Waste management and recycling services	405.1	204.1	134.2	66.8
Landscaping services	242.2	143.4	76.2	22.6
Pest management services	81.7	31.7	29.5	20.5
Total	2,535.6	1,560.1	667.6	307.9

MANAGEMENT DISCUSSION AND ANALYSIS

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 35.9% in 2025 (2024: 35.6%) in term of number of tender. We continuously strive to expand our services scope in order to enhance our competitiveness and broaden our service capabilities.

FINANCIAL REVIEW

Results

For the Year, the Group's revenue was approximately HK\$2,424.6 million, representing a decrease of approximately 6.9% (2024: HK\$2,603.1 million). Gross profit increased by approximately 22.4% to approximately HK\$230.6 million (2024: HK\$188.4 million) and gross profit margin increased by 2.3 percentage points ("p.p.") to approximately 9.5% (2024: 7.2%). Profit attributable to equity shareholders of the Company amounted to approximately HK\$97.3 million, representing in a year-on-year increase of approximately 80.6% (2024: HK\$53.9 million), with net profit margin increased by 1.8 p.p. to approximately 4.0% (2024: 2.2%). Earnings per share was HK23.4 cents (2024: HK13.0 cents).

Revenue

Revenue for the years ended 31 December 2025 and 2024 amounted to approximately HK\$2,424.6 million and HK\$2,603.1 million respectively, representing a decrease of approximately 6.9%.

Revenue breakdown of major business segments

	For the year ended				Change
	31 December 2025		31 December 2024		
	Revenue (HK\$ million)	% of total revenue	Revenue (HK\$ million)	% of total revenue	
Cleaning	1,896.5	78.2%	2,086.8	80.1%	-9.1%
Waste management and recycling	277.8	11.5%	285.8	11.0%	-2.8%
Landscaping	195.5	8.0%	160.2	6.2%	+22.0%
Pest management	54.8	2.3%	70.3	2.7%	-22.0%
	2,424.6	100.0%	2,603.1	100.0%	-6.9%

Due to intense competition within the cleaning industry, revenue from cleaning segment declined by approximately 9.1%, primarily due to the expiry of certain cleansing contracts. Revenue from waste management and recycling segment remained stable. Revenue from pest management segment also decreased by approximately 22.0%, which was attributable to the expiry of certain pest control services contracts during the Year. Revenue from landscaping segment increased by approximately 22.0% owing to the substantial completion of several major contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services

Cost of services for the years ended 31 December 2025 and 2024 amounted to approximately HK\$2,194.0 million and HK\$2,414.7 million respectively, representing approximately 90.5% and 92.8% of revenue for the corresponding years respectively. Cost of services primarily comprised direct wages, direct overhead expenses, material consumables and sub-contracting fees.

Gross Profit and Gross Profit Margin

Gross profit for the years ended 31 December 2025 and 2024 were approximately HK\$230.6 million and HK\$188.4 million respectively, representing an increase of approximately 22.4%, while gross profit margins for the years ended 31 December 2025 and 2024 were approximately 9.5% and 7.2% respectively.

Gross profit margin of major business segments

	For the year ended		Change
	31 December 2025	31 December 2024	
Cleaning	7.6%	6.1%	+1.5 p.p
Waste management and recycling	15.0%	11.6%	+3.4 p.p
Landscaping	19.0%	15.5%	+3.5 p.p
Pest management	12.5%	4.7%	+7.8 p.p

Notwithstanding the adverse impact on our revenue arising from chaotic market conditions, the Group successfully implemented stringent cost-control measures and prudent tender selection processes, which collectively enabled us to achieve an improvement in gross profit margins.

Our waste management and recycling segment continued to deliver strong operational efficiency, supported by the Government's ongoing efforts to promote recycling. This favourable operating environment contributed to a notable enhancement in profitability, with its gross profit margin rising moderately from approximately 11.6% to 15.0%.

Our strategy of focusing on landscaping projects with higher profit margins also proved successful. The substantial completion of several high-margin contracts contributed significantly to the increase in gross profit.

As a result, the Group's overall gross profit increased from approximately HK\$188.4 million to HK\$230.6 million, while the gross profit margin rose from approximately 7.2% to 9.5%.

Other Income, Gain and Losses

Other income, gain and losses for the years ended 31 December 2025 and 2024 were approximately HK\$23.7 million and HK\$9.6 million respectively, representing an increase of approximately 147.2%. The substantial increase was primarily due to a gain on disposal of property, plant, and equipment of approximately HK\$15.0 million recognised during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Marketing Expenses

Selling and marketing expenses for the years ended 31 December 2025 and 2024 were approximately HK\$2.5 million and HK\$2.2 million respectively, representing approximately 0.1% and 0.1% of total revenue respectively. These expenses were mainly for the promotional activities and channels to promote our waste management and recycling business and to enhance the public awareness of environmental protection and waste recycling.

Administrative Expenses

Administrative expenses for the years ended 31 December 2025 and 2024 were approximately HK\$132.4 million and HK\$119.3 million respectively, representing approximately 5.5% and 4.6% of total revenue respectively. The increase was primarily attributable to (i) an increase in wages and allowances as well as staff welfare; and (ii) an increase in costs for new business development. The Group continued to implement its budget cost control measures for administrative expenses during the Year.

Finance Costs

Finance costs for the years ended 31 December 2025 and 2024 amounted to approximately HK\$5.1 million and HK\$10.6 million respectively, representing approximately 0.2% and 0.4% of total revenue respectively. The decrease was mainly due to the decrease in the level of working capital loan and interest rate on bank borrowings during the Year.

Profit for the Year Attributable to Equity Shareholders of The Company

As a result of the factors described above, profit attributable to equity shareholders of the Company for the years ended 31 December 2025 and 2024 approximately HK\$97.3 million and HK\$53.9 million respectively, representing an increase of approximately 80.6%.

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 ("HK\$"). During the Year, the main foreign currency exposure arose from the fluctuation in US dollars ("USD") as the Group maintained USD fixed deposits to secure more favorable interest income. The Group's exposure to currency risk arising from USD against HK\$ is considered as insignificant since HK\$ is pegged to USD. In addition, the Group has limited foreign currency exposure arose from the fluctuation in Renminbi ("RMB") as the Group possessed RMB bank balances and a small portion of transactions were denominated in RMB for its operation in Chinese Mainland.

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\$198.7 million (2024: HK\$262.4 million). As at 31 December 2025, the Group had available cash and bank balances amounting to approximately HK\$244.3 million (2024: HK\$128.1 million), representing an increase of approximately 90.8%.

As at 31 December 2025, the Group's total current assets and current liabilities were approximately HK\$740.6 million (2024: HK\$725.5 million) and HK\$457.2 million (2024: HK\$543.0 million) respectively, while the current ratio was approximately 1.6 times (2024: 1.3 times). The liquidity position of the Group is maintained at a healthy level.

As at 31 December 2025, the Group's bank borrowings amounted to approximately HK\$50.7 million (2024: HK\$80.8 million), representing a decrease of approximately 37.3%; the Group's lease liabilities were approximately HK\$35.3 million (2024: HK\$38.1 million), representing a decrease of approximately 7.4%, for recognised lease liabilities related to the lease contracts in respect of certain lands, office buildings and nurseries. During the Year, no financial instruments were used for hedging purposes (2024: Nil).

As at 31 December 2025, the gearing ratio of the Group was approximately 0.2 times (2024: 0.3 times), which was calculated based on the total interest-bearing bank borrowings and lease liabilities over total equity of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

During the Year, capital expenditures, which mainly included additions in land and buildings, motor vehicles, vessels and equipment, amounted to approximately HK\$46.4 million (2024: HK\$30.3 million). Capital expenditures were funded by banks and funds generated from our operating activities.

As at 31 December 2025, the Group had capital commitment contracted for approximately HK\$5.7 million (2024: HK\$7.3 million).

CONTINGENT LIABILITIES

Save as disclosed in note 39 to the consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2025.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2025, the amounts payable under lease liabilities within one year was approximately HK\$11.0 million (2024: HK\$12.0 million), that after one year but within five years was approximately HK\$11.1 million (2024: HK\$11.5 million), and that after five years was approximately HK\$13.2 million (2024: HK\$14.6 million).

In addition as at 31 December 2025, the Group had (i) pledged bank deposits of approximately HK\$7.4 million (2024: HK\$7.3 million); (ii) pledge of cash and cash equivalents of approximately HK\$31,000 (2024: HK\$2.4 million); (iii) mortgage of the land and buildings of approximately HK\$57.1 million (2024: HK\$59.8 million); and (iv) pledge of the trade receivables of approximately HK\$79.5 million (2024: HK\$132.9 million).

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2025, the Group did not have any future plans for material investments or capital assets.

HUMAN RESOURCES

As at 31 December 2025, the Group employed 7,980 employees (2024: 10,329 employees), including both full time and part time employees. Remuneration packages are generally structured by reference to market terms together with 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 together with office support and management. In addition, employees were 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.

AWARDS

During the Year, the Group had been recognised by many renowned institutes.

For details, please refer to "Awards and Appreciations" from pages 8 to 9 of the Sustainability Report.

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.

For details, please refer to "Appendix – memberships and charterships" of page 61 of the Sustainability Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ng Wing Hong (吳永康), aged 71, 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. He is a director of all subsidiaries of the Company.

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 Chartered Governance Institute in March 1988 and an associate member of The Hong Kong Chartered Governance Institute in August 1994. He became a fellow member of The Hong Kong Chartered Governance Institute in March 2014. Mr. Ng is the brother of Ms. Ng Yuk Kwan Phyllis.

Ng Yuk Kwan Phyllis (吳玉群), aged 57, 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 25 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. She is a director of certain subsidiaries of the Company.

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 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.

Leung Shuk Ping (梁淑萍), aged 53, 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 20 years of experience in administration and business management. She currently oversees the operation department, administration 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 in July 1991. She was awarded a Diploma in Company Direction in October 2018 by The Hong Kong Institute of Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Sin Ho Chiu (冼浩釗), aged 70, 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 served as the sales director and general manager of GrafTech Hong Kong Limited from May 2011 to March 2022 and the legal representative of the Beijing representative office of GrafTech Hong Kong Ltd from May 2017 to March 2022. From February 2011 to August 2021, Mr. Sin served as the legal representative of Shanghai GrafTech Trading Company Limited. 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.

Lau Chi Yin Thomas (劉志賢), aged 67, was appointed as an Independent Non-Executive Director of the Company on 24 April 2014 and serves as the Chairman of Audit Committee. He is currently a responsible officer at United Gain Investment Limited, a licensed corporation regulated by the Securities and Futures Commission of Hong Kong, specializing in advising on securities and asset management. From April 2008 to September 2011, Mr. Lau served 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). Additionally, from April 2008 to December 2011, he was a member of the supervisory board 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 held the position of Executive Director and Responsible Officer of Jolmo Capital Limited, a licensed corporation engaged in advising on securities, corporate finance and asset management, from March 2005 until August 2021. He is also an Executive Committee Member and the Honorary Treasurer of the Diamond Federation of Hong Kong, China Limited.

Mr. Lau earned a Bachelor of Science degree from the University of Hong Kong in 1981 and a Master of Business Administration degree from the Chinese University of Hong Kong in 1983. He has been a Chartered Financial Analyst (CFA) since September 2001 and is a member of both the International CFA Institute and the Hong Kong Society of Financial Analysts. Mr. Lau holds a CFA Certificate in ESG Investing and is a Certified ESG Analyst (CESGA) accredited by the European Federation of Financial Analysts Societies (EFFAS).

Cheng Edwin Tai Chiu (鄭大昭), aged 68, was appointed as an Independent Non-executive Director of the Company on 31 May 2023 and he is also the chairman of our Nomination Committee. He is currently Dean of the Faculty of Business, Fung Yiu King-Wing Hang Bank Professor in Business Administration and Chair Professor of Management in The Hong Kong Polytechnic University. Having worked in the higher education field for more than 40 years, Professor Cheng has published over 1,000 papers in international journals such as *California Management Review*, *Journal of Operations Management*, *Management Science*, *MIS Quarterly*, *Operations Research*, *Organization Science*, and *Production and Operations Management*. Professor Cheng was rated as the most prominent author in Operations Management research in Asia (in terms of Bonacich power centrality) over the period 2001-2015 by the *International Journal of Production Economics* and was named one of the “most cited scientists” in All Fields, Computer Science, Economics and Business and Engineering over the period from 2010-2020 (top 1% in terms of citation count) by the *ISI Web of Science* in 2021. Professor Cheng also regularly provides advice on management and executive development training to public and private organizations.

Professor Cheng obtained a Bachelor of Science (Engineering) degree from the University of Hong Kong in November 1979, a Master of Science (Industrial Management) degree from the University of Birmingham in December 1980, a Doctor of Philosophy degree from the University of Cambridge in March 1984, and a Doctor of Science degree from the University of Cambridge in May 2007. Professor Cheng has been admitted as a chartered fellow of the Chartered Institute of Logistics and Transport since February 2013, a fellow of the Hong Kong Institution of Engineers since November 2016, and a fellow of the Hong Kong Academy of Engineering Science since December 2018. He was awarded the Education Leadership Award in the 5th Asia’s Education Excellence Award in August 2014 in Singapore.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chan Kin Kan (陳健勤), aged 62, was appointed as an Independent Non-executive Director of the Company on 30 May 2025 and he serves as a member of our Nomination Committee, Audit Committee and Remuneration Committee. Mr. Chan has over 25 years of experience in the environmental service industry, particularly in business development and waste management. He has worked for several multinational companies including Deloitte, Keppel Seghers, and Covanta Energy.

Mr. Chan has retired from his professional career in March 2023 and is currently pursuing academic research as a PhD candidate at the Shanghai University of Finance and Economics. He holds a Bachelor of Business Administration degree from California State University of Fullerton and a Master of Business Administration degree from the University of Hong Kong. Mr. Chan has been a member of the American Institute of Certified Public Accountants since 1994. In 2024, he was awarded the Hong Kong Institute of Directors' Elite Diploma in Corporate Governance and Sustainability Directorship.

Mr. Chan has been serving the community and has taken on multiple voluntary positions. For instance, he served as an executive committee member of the Hong Kong Green Strategy Alliance for over ten years; he was appointed and served as the president of green business committee under the French Chamber of Commerce and Industry in Hong Kong for three years; and he acted as a member of the executive committee for the Hong Kong Metal and Machinery Council to promote the development of the metal and machinery industries in Hong Kong.

SENIOR MANAGEMENT

Mr. Chan Chor Fai (陳楚輝), aged 53, was appointed as the Chief Financial Officer and Company Secretary in 2025. He oversees the Group's financial reporting, planning & analysis, treasury, legal, compliance, procurement and sustainability functions.

Mr. Chan Chor Fai has over 30 years of experience in auditing, finance, and accounting. Prior to joining the Group, he served as the finance director and company secretary of another issuer listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan graduated from The University of Hong Kong with a Bachelor's degree in Business Administration and holds a Bachelor's degree in Law from the University of London. He has also completed the Executive Programme held by the Stanford Center for Professional Development, Stanford University.

Chow Kam Hung Ronnie (周榆桐), aged 52, was appointed as Chief Strategy Officer in November 2021. He oversees the Group's strategy, corporate development, M&A, strategic partnerships, investment, investor and media relations, policy advocacy, innovation, and the incubation of new business ventures, including green technology and marine cleaning.

Mr. Chow has over 30 years of experience in financial markets, M&A, investment, strategy and management. He has participated in numerous large-scale international M&A transactions, strategic consulting engagements, cross-border financing exercises, and major bank restructuring and advisory transactions. He has extensive management experience and has held positions at various international conglomerates, including HSBC Group, AXA Group and Accenture.

Mr. Chow graduated from the University of Hong Kong with a First Class Honours degree. He has completed the Master of Studies in Sustainability Leadership from the University of Cambridge and is also a graduate of the Business & Sustainability Programme of the same university. He holds a number of professional qualifications, including Chartered Financial Analyst (CFA), Certified Environmental, Social and Governance Analyst (CESGA), Fellow, Life Management Institute (FLMI), and Associate of the Hong Kong Institute of Bankers (AHKIB).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ho Sing Fai (何成輝), aged 46, was appointed as Head of Human Resources in August 2020. He currently oversees the administration department and the full spectrum of human resources functions including resourcing and staffing, talent management, compensations and benefit, performance management, employee relations and reward management.

Mr. Ho has over 20 years of experience in service industry, customer relations, learning & development, culture change and human resources management.

Mr. Ho was awarded a Master degree of Science in Strategic Human Resources Management from the Hong Kong Baptist University.

Wong Yat Ming (黃一鳴), age 54, was appointed as General Manager – Cleaning in May 2023. Mr. Wong is responsible for the full spectrum of cleaning operations, including facilities management, operational cost control, and stakeholder relations. Mr. Wong has more than 25 years of experience in civil construction, infrastructure project management, and major in public facility operation, logistic, cleaning, and catering services.

Mr. Wong was awarded a Bachelor degree in Civil Engineering from Monash University and a bachelor of science in health & Safety from Curtin University. Mr. Wong is a Chartered Member of Institute of Occupational Safety & Health, National Profession Engineers Register, Australia, Charter Professional Engineer of the Institution of Engineers, Australia-Civil and member of Institution of Engineers, Australia in Civil College.

Ng Kim Fan Rex (吳劍凡), aged 58, was appointed as General Manager – Recycling in August 2025. Mr. Ng oversees the waste management and recycling businesses of the Group, including food wastes, animal waste, yard waste, glass, plastic bottles and papers in Hong Kong.

Prior to joining Baguio, Mr. Ng was the Head of Operation of Lee & Man Paper Malaysia from 2019 to 2024, where he participated the set up and subsequently the running of a paper mill in Malaysia. Mr. Ng graduated from the University of Hong Kong with a Bachelor Degree in Mechanical Engineering and further achieved a Master of Business Administration from the Chinese University of Hong Kong.

Lui Po Yi (呂寶儀), aged 59, was appointed as Assistant General Manager – Landscaping in October 2018. Ms. Lui is responsible for the overall management of Baguio Landscaping Services Limited and Tak Tai Enviroscope Limited.

Ms. Lui has over 25 years of experience in operations management, including business and sales operations, procurement and vendor management, governance and compliance in public listed companies. Ms. Lui has a solid background in project management, quality assurance and business process improvement.

Ms. Lui was awarded a Bachelor degree in Social Science (Honors), Anthropology & Economics from The Chinese University of Hong Kong. She completed the IMS Internal Auditor Course for ISO 9001:2015 and ISO 14001:2015 and ISO 45001:2018 held by the British Standards Institution.

Kwan Hoi Hong (關海航), aged 57, was appointed as Assistant General Manager – Cleaning in April 2021. Mr. Kwan oversees the full spectrum of cleaning operations, including facilities management, operational cost control, and stakeholder relations. Mr. Kwan graduated from The University of California, Davis with a Bachelor degree of Science in Managerial Economics. Mr. Kwan has extensive experience in the manufacturing industry and factory management, especially in process improvement, quality control and system implementation between Hong Kong and Chinese Mainland.

Wong Lut Yin Brenda (黃律言), aged 44, was appointed as Assistant General Manager – Recycling in March 2025. Ms. Wong is responsible for the recycling operations of glass container, food waste, animal waste and yard waste, including operation control, stakeholder relations and facilities management. She has over 20 years of cross-sector experience in environmental management, spanning from private industry to government and NGO sectors.

Ms. Wong holds a Bachelor of Science degree in Environmental Life Science from the University of Hong Kong and also a Postgraduate Diploma in Green Building with Management from its School of Professional and Continuing Education. She further obtained a Master of Science degree in Environmental Science from the Hong Kong University of Science and Technology and completed the ISO14064-1 Lead Verifier Course by the British Standards Institution. Ms. Wong is also a Certified ESG Planner (CEP®) authorised by the International Chamber of Sustainable Development.

REPORT OF THE DIRECTORS

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 2025.

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 16 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 24 to 39 of this annual report. The Group firmly believes that sustainability plays an important role in its development and is actively applying its ideas to every detail of the business operations and devoted to delivering a better future for the society and the Company as well. The Group will publish an independent sustainability report according to Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on the websites of the Stock Exchange and the Company in April 2026.

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 2025 is set out in note 4 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 44 of this annual report. The Directors recommended the payment of a final dividend of HK7.0 cents per ordinary share, totalling approximately HK\$29.1 million, to be paid on or around Wednesday, 8 July 2026, to the Shareholders whose names appear on the register of members of the Company on Friday, 5 June 2026.

The Board considers sustainable returns to the 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 the Shareholders from time to time.

5. DIVIDEND POLICY

Dividend Policy aims to set out the approach to achieve the intention of the Company to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet the working capital requirement and capturing future growth opportunities.

The Board may propose/declare the payment of dividend(s) after taking into account the following matter 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;

REPORT OF THE DIRECTORS

- 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.

The Board will review the Dividend Policy from time to time to ensure the effectiveness of the Dividend Policy. The Board will update, amend and/or modify the Dividend Policy at any time in the interest of the Company and the Shareholders.

6. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity on page 46 respectively.

7. SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 31 to the consolidated financial statements.

8. DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK\$101.0 million, of which approximately HK\$29.1 million has been proposed be paid to the Shareholders as a final dividend for the Year. Under the laws of Cayman Islands, the share premium account is distributable to the Shareholders 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.

9. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

10. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2025 are set out in the note 27 to the consolidated financial statements.

11. DONATIONS

During the year, charitable donations made by the Group amounted to HK\$789,000 (2024:HK\$100,000).

12. 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.

13. 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.

14. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2025 and of the assets and liabilities of the Group as at 31 December 2025 and for the previous four financial years are set out on page 108 of this annual report.

REPORT OF THE DIRECTORS

15. 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*)

Ms. Leung Shuk Ping

Independent Non-executive Directors:

Mr. Sin Ho Chiu

Mr. Lau Chi Yin Thomas

Professor Cheng Edwin Tai Chiu

Mr. Chan Kin Kan (appointed with effect from 30 May 2025)

Pursuant to Article 84(1) of the Articles of Association of the Company, Mr. Ng Wing Hong, Mr. Lau Chi Yin Thomas and Professor Cheng Edwin Tai Chiu are subject to retirement by rotation at the 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 Listing Rules from each of the Independent Non-executive Directors and, as at the date of this report, still considers them to be independent.

16. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as of the date of publication of this report are set out on pages 12 to 15 of this annual report.

17. 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 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).

18. 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.

19. 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 20 to 21 in this report of the Directors and note 37 to the consolidated financial statements.

REPORT OF THE DIRECTORS

20. 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.

21. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2025, 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 <i>(Note 1)</i>	279,256,000	67.29
Chan Shuk Kuen	Family interest <i>(Note 2)</i>	279,256,000	67.29
Ng Yuk Kwan Phyllis	Beneficial owner <i>(Note 3)</i>	26,736,000	6.44
Mak Che Fai Lawrence	Family interest <i>(Note 4)</i>	26,736,000	6.44
Baguio Green (Holding) Limited	Beneficial owner <i>(Note 1)</i>	275,000,000	66.27
David Michael Webb	Interest of controlled corporation <i>(Note 5 and 6)</i>	24,868,000	5.99
Karen Anne Webb	Interest of controlled corporation <i>(Note 5 and 6)</i>	24,868,000	5.99
Preferable Situation Assets Limited ("PSA")	Beneficial owner <i>(Note 5)</i>	14,356,800	3.46
Member One Limited ("MO")	Beneficial owner <i>(Note 6)</i>	10,511,200	2.53

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 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.
- (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.

REPORT OF THE DIRECTORS

- (5) The entire issued share capital of PSA is jointly owned by Mr. David Michael Webb and Ms. Karen Anne Webb. Therefore, Mr. David Michael Webb and Ms. Karen Anne Webb are deemed to be interested in all the 14,356,800 Shares held by PSA.
- (6) The entire issued share capital of MO is jointly owned by Mr. David Michael Webb and Ms. Karen Anne Webb. Therefore, Mr. David Michael Webb and Ms. Karen Anne Webb are deemed to be interested in all the 10,511,200 Shares held by MO.

Save as disclosed above, as at 31 December 2025, 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.

22. DIRECTORS' INTERESTS DISCLOSEABLE UNDER THE SFO

As at 31 December 2025, the shareholding interests of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interest" above. 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.

23. 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

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, 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, and further entered into a second supplemental IT Agreement on 2 January 2020 to extend three years up to and including 31 December 2022, and further entered into a third supplemental IT Agreement on 3 January 2023 to extend three years up to and including 31 December 2025. Details are set out in the announcement of the Company dated 3 January 2023.

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\$2,076,000, which did not exceed the HK\$6,000,000 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 as a whole.

REPORT OF THE DIRECTORS

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.

Other related party transactions as disclosed in note 37(c) (ii), (iii), (iv) and (v) to the consolidated financial statements in respect of purchase of cleaning equipment and materials, IT maintenance, rental expenses, other services fee and donation together with sale of materials also constitute continuing connected transactions under the Listing Rules and are regarded as de minimis transaction category pursuant to Rule 14A.76(1) of the Listing Rules.

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

24. 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.

25. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the Year under review, sales to the Group's five largest customers accounted for 70.4% (2024: 76.6%) of the total sales for the year and sales to the largest customer included therein amounted to 43.8% (2024: 50.2%). Purchases from the Group's five largest suppliers accounted for 37.6% (2024: 39.4%) of the total purchases for the Year and purchases from the largest supplier included therein amounted to 13.3% (2024: 15.1%).

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.

26. 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.

27. 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.

28. 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 12 to the consolidated financial statements.

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

REPORT OF THE DIRECTORS

29. SHARE AWARD PLAN

The Company adopted a share award plan (the “Share Award Plan”) on 12 December 2017. Details of which were disclosed in the announcements dated 12 December 2017 and 15 January 2018. The purposes of the plan is to recognise and reward the contribution of certain eligible participants, to give incentives to eligible participants 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.

A summary of the Share Award Plan of the Company is as follows:

Eligible participants

Eligible participants include any individual, being an employee, director, officer, consultant or adviser of any member of the Group or any other person whom the Board of Directors of the Company or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group.

Total number of shares available for issue

The total number of shares which may be awarded for each financial year under the Share Award Plan and any other share option scheme(s) of the Company shall not exceed 10% of the total number of shares of the Company in issue at the beginning of such financial year.

As at the date of this report, the total number of share available for issue under the Share Award Plan is 41,500,000, representing 10% of the total number of issued shares (excluding treasury shares).

Maximum entitlement of each participant

The total number of shares issued and to be issued under the Share Award Plan and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue as at the date of grant.

Any further grant in excess of this 1% limit must be separately approved by shareholders with such grantee and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

Vesting period of awarded shares

The Board may from time to time while the Share Award Plan is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested.

Subject to the terms and conditions of the Share Award Plan and the fulfilment of all vesting conditions to the vesting of the awarded shares of the Company on such selected participant, the respective awarded shares of the Company shall vest in such selected participant.

Payment on acceptance of award

None.

Basis of determining the purchase price of shares awarded

Not applicable as there is no purchase price under the Share Award Plan.

Remaining life of the Share Award Plan

Subject to any early termination determined by the board in accordance with the rules of the Share Award Plan, the Share Award Plan is valid and effective for a term of 10 years commencing on its adoption date (i.e. 12 December 2017 to 11 December 2027).

The Company has not granted any share awards under the Share Award Plan since its adoption date.

REPORT OF THE DIRECTORS

30. 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, 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.

31. EVENTS AFTER THE REPORTING PERIOD

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

32. 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 both Part 1 and Part 2 Appendix C1 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 24 to 39 of this annual report.

33. CHANGE OF DIRECTOR'S INFORMATION

During the Year, the change in information of Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of changes
Mr. Chan Kin Kan	Appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company with effect from 30 May 2025

34. 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.

35. 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.

36. AUDITORS

KPMG will retire and, being eligible, will offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the Annual General Meeting of the Company.

On behalf of the Board

Mr. Ng Wing Hong
Chairman

Hong Kong, 24 March 2026

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report for the year ended 31 December 2025.

1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The board of directors (the “Board”) of the Company believes that good governance is essential to achieving the Group’s objectives of maximizing shareholders’ value and safeguarding the interests of the shareholders. During the Year, the Company has complied with all code provisions as set out in the Corporate Governance Code (the “Code”) contained in both Part 1 and Part 2 of Appendix C1 of the Listing Rules.

2. CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group’s corporate culture with the core principles of integrity and accountability to guide the behaviours of its employees and ensure that the Company’s purpose, values and business strategies are aligned to it.

3. 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 C3 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 2025.

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.

4. BOARD OF DIRECTORS

The Board currently comprises a total of seven members, with three executive Directors, and four independent non-executive Directors:

Executive Directors:

Mr. Ng Wing Hong (*Chairman*)

Ms. Ng Yuk Kwan Phyllis (*Chief Executive Officer and Compliance Officer*)

Ms. Leung Shuk Ping

Independent Non-executive Directors:

Mr. Sin Ho Chiu

Mr. Lau Chi Yin Thomas

Professor Cheng Edwin Tai Chiu

Mr. Chan Kin Kan (appointed with effect from 30 May 2025)

Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis are siblings.

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 and Senior Management” on pages 12 to 15 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-half 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 Annual General Meeting in accordance with the Articles of Association the Company.

Mr. Chan Kin Kan, the newly appointed Independent Non-executive Director, confirmed that he has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as an Independent Non-executive Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Chan Kin Kan has confirmed that he understood his obligations as Independent Non-executive Director.

Board Independence

The Company recognises that board independence is critical to good corporate governance and board effectiveness. The participation of Independent Non-executive Directors in the Board brings independent and objective judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all Shareholders have been duly considered. To ensure independent views and input are available to the Board, the following mechanisms are established by the Board:

- Four out of the seven directors are independent non-executive directors which represents more than one-half of the Board. The chairman of remuneration committee, nomination committee, and audit committee are independent non-executive directors. All independent non-executive directors continue to devote adequate time contribution to the Company;
- All independent non-executive directors share their views and opinions through regular quarterly Board/Committee meetings;
- The Chairman meets with all independent non-executive directors at least annually without the presence of other directors which provides a platform for the Chairman to listen to independent views on various issues concerning the Group;
- External independent professional advice would be provided to independent non-executive directors upon reasonable request to assist them to perform their duties to the Company;
- Directors are provided with monthly reports covering highlights of the Company's major business and financial updates to keep abreast of the Group's business performance and enable them to bring informed decisions in the best interest of the Company and the Shareholders;

CORPORATE GOVERNANCE REPORT

- The Nomination Committee will continue to assess the continued independence of existing independent non-executive directors on an annual basis. All independent non-executive directors are required to confirm in writing annually their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules; and
- The independent non-executive directors whom had served more than 9 years should be on further appointment subject to a separate resolution to be approved by the Shareholders. The Company shall disclose the length of tenure of each such independent non-executive director in the circular to the Shareholders.

During the Year, the Board reviewed the implementation and effectiveness of the abovementioned mechanisms and considered that such mechanisms remain effective.

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 as well as the updated corporate governance policies and also directors' duties and responsibilities. The following shows the training of each of the directors received during the Year:

	Attending seminars/webinars	Reading materials
Executive Directors		
Mr. Ng Wing Hong	✓	✓
Ms. Ng Yuk Kwan Phyllis	✓	✓
Ms. Leung Shuk Ping	✓	✓
Independent Non-executive Directors		
Mr. Sin Ho Chiu	✓	✓
Mr. Lau Chi Yin Thomas	✓	✓
Professor Cheng Edwin Tai Chiu	✓	✓
Mr. Chan Kin Kan	✓	✓

CORPORATE GOVERNANCE REPORT

5. DIVERSITY AND WORKFORCE

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Board takes 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.

In addition, the Board promotes the importance of gender diversity, the current composition of the Board consists of 5 males and 2 females. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board.

The following table sets out the gender ratio in the workforce of the Group as at December 31, 2025:

	Male (%)	Female (%)
Senior management	63.6%	36.4%
Other employees	43.4%	56.6%
Overall workforce	43.4%	56.6%

As to senior management, our Assistant General Manager in Landscaping Segment and Recycling Segment are also female. Although the Company does not currently have a specific diversity policy on hiring employees or appointing senior management, as an equal opportunity employer, the Company applies the principle of "Fairness, Openness and Impartiality" to all employment practices, as mentioned in the paragraphs of **Upholding Our Employees** from pages 32 to 39 of the Sustainability Report. The Board is satisfied that the Company has achieved gender diversity in its workforce.

6. BOARD COMMITTEES

The Board has established a remuneration committee, a nomination committee, an audit committee and climate 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. No director should be involved in deciding that director's own remuneration.

The committee consults the Chairman and the Chief Executive Officer about remuneration proposals for other executive Directors.

CORPORATE GOVERNANCE REPORT

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*)
Professor Cheng Edwin Tai Chiu (*Independent non-executive director*)
Mr. Chan Kin Kan (*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.

Details of emoluments of the Directors and five highest paid individuals are set out in note 12 to the consolidated financial statements.

The remuneration paid to members of senior management by band during the year is set out below:

	Number of employee	
	2025	2024
Less than HK\$1,000,001	4	–
HK\$1,000,001 – HK\$1,500,000	5	5
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	1

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, 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.

CORPORATE GOVERNANCE REPORT

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 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 B.3.1 under Part 2 of Appendix C1;
- 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:

Professor Cheng Edwin Tai Chiu (*Independent non-executive director*) (*Chairman*)
Mr. Sin Ho Chiu (*Independent non-executive director*)
Mr. Lau Chi Yin Thomas (*Independent non-executive director*)
Mr. Chan Kin Kan (*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.

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, 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*)

Professor Cheng Edwin Tai Chiu (*Independent non-executive director*)

Mr. Chan Kin Kan (*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 2025 and for the year ended 31 December 2025, 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 2025, considering the annual results of the Company for the year ended 31 December 2024, considering the interim results of the Company for the six months ended 30 June 2025 respectively.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to the Shareholders' approval at the Annual General Meeting, KPMG be re-appointed as the Company's external auditors for 2026.

Climate Committee

Our climate committee was established during the Year to oversee and guide the Company's strategies, policies and measures in climate risk management processes, and ensure alignment with environmental, social and governance objectives. The committee also supervises other sustainability matters to maintain consistency with the overall strategies of the Group.

The committee shall assist the Board and is responsible for (i) the oversight of the Company's strategy, decisions on major transactions, and its risk management processes and related policies; (ii) the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; and (iii) the oversight of climate-related risks and opportunities, review and recommend the Company's climate-related policies, strategies and goals.

Members of the Climate Committee are:

Ms. Ng Yuk Kwan Phyllis (*Executive director*) (*Chairman*)

Ms. Leung Shuk Ping (*Executive director*)

Mr. Sin Ho Chiu (*Independent Non-executive director*)

Mr. Lau Chi Yin Thomas (*Independent Non-executive director*)

Professor Cheng Tai Chiu (*Independent Non-executive director*)

Mr. Chan Kin Kan (*Independent Non-executive director*)

The Committee shall meet at least twice per year. Additional meetings shall be held as the work of the Committee demands.

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

During the Year, the Climate Committee had held two meetings to devise and to review the Company's direction and strategy.

CORPORATE GOVERNANCE REPORT

7. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the Year, a total of four board meetings were held. The attendance of each Director at the board meetings and general meetings during the Year is set out below:

	Number of meetings held during the year Attended/Eligible to attend					Annual General Meeting
	Board Meeting	Remuneration Committee	Nomination Committee	Audit Committee	Climate Committee	
Executive Directors						
Mr. Ng Wing Hong	4/4	1/1	1/1	1/3		1/1
Ms. Ng Yuk Kwan Phyllis	4/4	1/1	1/1	1/3	2/2	1/1
Ms. Leung Shuk Ping	4/4				2/2	1/1
Independent non-executive directors						
Mr. Sin Ho Chiu	4/4	1/1	1/1	3/3	2/2	1/1
Mr. Lau Chi Yin Thomas	4/4	1/1	1/1	3/3	2/2	1/1
Professor Cheng Edwin Tai Chiu	3/4	1/1	1/1	2/3	1/2	1/1
Mr. Chan Kin Kan ⁽¹⁾	2/4			2/3	2/2	1/1

Notes:

(1) Appointed as Independent non-executive director with effect from 30 May 2025

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.

8. CORPORATE GOVERNANCE FUNCTIONS

The Board has the following responsibilities:

- 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;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuous professional development of the directors and senior management; and
- to develop, review and monitor the code of conduct applicable to the directors and employees.

9. 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.

CORPORATE GOVERNANCE REPORT

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 40 to 43 of this annual report.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Overview of Risk Management Framework

Our risk management framework is designed to systematically identify, assess, and mitigate risks across all operational areas. Established in 2016, the framework follows the COSO Enterprise Risk Management-Integrated Framework, which aims to manage risks associated with achieving business objectives and provide reasonable assurance against material misstatement or loss.

Our framework aligns with the latest HKEx Corporate Governance recommendations by integrating best practices in corporate governance and risk management. This alignment ensures transparency and accountability throughout the organization, fostering a robust risk management culture.

The key objectives of our risk management framework include safeguarding assets, ensuring compliance with regulatory requirements, enhancing decision-making processes, and promoting a culture of risk awareness. These objectives support the company's strategic goals by enabling us to pursue growth opportunities while effectively managing potential risks.

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.

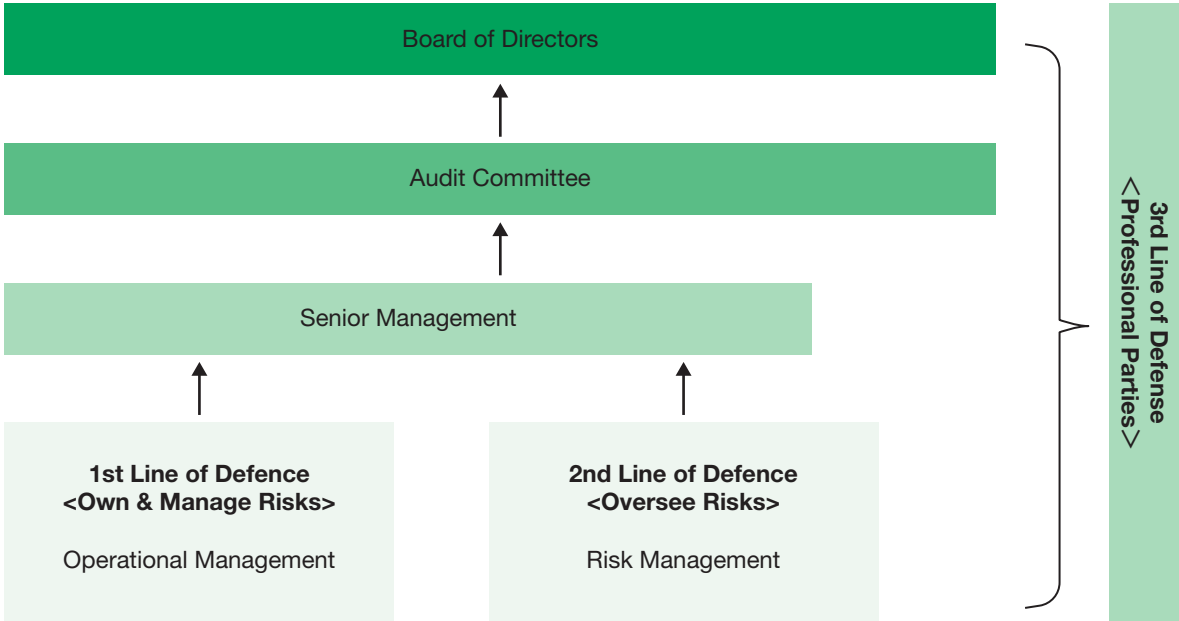
During the Year, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal controls and financial reporting functions as well as those relating to the Company's ESG performance and reporting. In this respect, the Audit Committee communicates any material issues to the Board. The Board is of the view that the risk management and internal control systems of the Group are effective and adequate.

Governance Structure

Our governance structure follows a "Three Lines of Defense" model:

- **First Line of Defense:** Operational management is responsible for identifying, assessing, and managing risks through the implementation of appropriate policies and procedures. They own and manage risks as part of their daily operations.
- **Second Line of Defense:** Our risk management team, comprising department heads and risk owners (as nominated by department heads), supports operational management by monitoring and improving the effectiveness of risk controls. The Senior Finance Manager convenes the team's meetings. The team is responsible for maintaining a risk register, conducting annual reviews of the Group's risk profile, and assisting departments in developing processes to effectively manage risks.
- **Third Line of Defense:** We rely on professional parties as our third line of defense. Our external auditors play a crucial role in providing assurance on the accuracy of our financial statements. They also offer valuable recommendations for enhancing our risk management and internal control systems. Started in FY2025, we engaged an independent professional firm to further enhance our internal control review process based on risks identified by the Audit Committee. This firm reports directly to the Audit Committee on their findings.

CORPORATE GOVERNANCE REPORT



The Board engages with management through regular meetings where management presents updates on risk management and internal control matters. These discussions facilitate a comprehensive dialogue on current risks, control effectiveness, and any necessary actions to address identified issues. The Audit Committee plays a crucial role in overseeing these processes and communicates any significant findings or concerns to the Board.

The Board also acknowledges its responsibility for ongoing oversight of risk management and internal control systems. During the past year, through the Audit Committee, a thorough review was conducted on system effectiveness, including resource adequacy and staff qualifications. The Audit Committee communicates any material issues to the Board. While we currently do not have an internal audit department due to resource constraints, this need is assessed annually.

Risk Assessment Process

Risks are identified through a combination of top-down and bottom-up approaches that allow us to comprehensively assess and prioritize risks across various operational areas. Emerging risks identified include:

- Stronger focus on Health and Safety
- Rise of automation and smart cleaning technologies – investing in new technologies to stay competitive
- Environmental awareness – more eco-friendly use of chemicals and waste disposal
- Labor shortages – rising labor costs and difficulties in hiring and retaining workers
- Climate change – extreme weather conditions can jeopardize worker safety and lead to higher labor costs, such as additional pay for services during typhoons

CORPORATE GOVERNANCE REPORT

We maintain a central risk register that tracks major identified risks and provides a holistic overview for the Board and senior management. Major risks identified and mitigation measures include the following:

Risk Category	Risk	Mitigation Measures
Strategic	Customer Concentration	We continuously diversify our customer base to reduce reliance on a few key customers. We actively target new markets or develop new services to appeal to a broader audience. The Group continuously looks for M&A opportunity to expand our business portfolio.
	Investment	We conduct thorough risk assessments before making significant investments. We set aside contingency funds to address unexpected financial challenges.
	Reputation	We implement a proactive communication strategy to address negative public opinion or perception.
Operational	Fleet Management	We implement regular maintenance schedules and safety checks for vehicles. We monitor vehicle performance and driver behavior to identify and address potential issues promptly.
	Workplace Injury	We enforce safety protocols and provide regular safety training to employees. We also conduct risk assessments to identify potential hazards and implement control measures.
	Third-Party Liability	We secure comprehensive insurance coverage to transfer the risk of financial losses due to unforeseen incidents causing damage or injury to third parties. We ensure contracts with third parties include clauses addressing liability and indemnification.
	Disruption of IT System	We implement redundant systems and backup plans to minimize the impact of technological failures. We also develop and regularly test disaster recovery plans to ensure business continuity.
	Cyber-attacks	We implement strong cybersecurity measures, including firewalls, intrusion detection systems, and data encryption. We also regularly update security software and provide cybersecurity awareness training to employees.
	Labor Cost	We continuously improve workforce management practices to reduce labor costs. We perform wage analyses regularly to monitor budget.
	Fraud	We continuously review our work procedures for proper internal control. Whistleblower policy is in place to allow reporting of improper practices within the organisation. Relevant training and internal communication are used to update on fraud prevention technique.

CORPORATE GOVERNANCE REPORT

Risk Category	Risk	Mitigation Measures
Financial	Market, Credit, and Liquidity	Please refer to Note 34 to the consolidated financial statements “Financial Instruments” for further discussion.
Compliance	Change of Listing Rules and Relevant Company Regulations and Ordinances	We stay informed about changes in regulations and update internal policies and procedures accordingly. We engage legal counsel to ensure compliance with all applicable laws and regulations.
	Failure to Comply with Contract Terms	We implement contract management processes to ensure all parties meet their obligations.
	Non-Compliance with Ordinances Related to Employment, Occupational Safety, and Health	We provide training to employees on relevant ordinances and safety procedures. We also conduct regular inspections to ensure compliance with safety standards. Please refer to our Sustainability Report for further details.
	Information Leakage	We implement data loss prevention measures to protect sensitive information. We also train employees on data security best practices and enforce strict access controls.
	Climate Change	We conduct risk assessments to identify potential climate-related risks and opportunities. We also implement measures to reduce greenhouse gas emissions and adapt to the impacts of climate change. Please refer to our Sustainability Report for further details.

Existing and new risks, including operational disruptions stemming from supply chain issues and regulatory compliance challenges, were actively monitored. These risks are prioritized based on their likelihood of occurrence, potential impact on our strategic goals, and resource availability, with high-impact, high-likelihood risks receiving the highest priority. ESG risks are integrated through dedicated assessments that evaluate environmental impacts alongside social responsibilities. We continuously refine our practices to align with current ESG reporting standards.

The Audit Committee relies on the risk assessment work conducted by the risk management team to evaluate the effectiveness of the organization’s risk management systems. This involves a systematic review of significant risks identified and assessed through established processes, including:

- Examining reports from management that provide insights into how key risks are being managed and mitigated.
- Reviewing the risk register, which reflects a comprehensive profile of key risks across the organization.
- Assessing whether appropriate policies, procedures, and controls are in place to address these risks effectively.
- Discussing any significant control failings or weaknesses identified and the actions taken to rectify them.

CORPORATE GOVERNANCE REPORT

Recent assessments have highlighted areas for improvement in the organization's internal control processes, prompting management to implement necessary remediations to enhance overall risk management effectiveness. Specifically, the Board wishes to enhance the internal control processes in the following areas:

- Risk management, fraud detection and prevention, and the whistleblowing system
- Financial authority and delegation
- IT investment decision-making process, IT vendor selection and tendering, and IT project management
- Vendor selection

To support these enhancements, we have sought professional advice from external consultants to assist with the assessment and remediation process in the areas identified above.

Control Activities

To mitigate environmental-related risks, the Group implements comprehensive compliance checks for environmental regulations to ensure adherence to legal standards. We have also established extensive employee training programs focused on safety protocols to enhance staff awareness of occupational health and safety, especially during extreme weather events.

For mitigation of operational risks, we have developed specific mitigation measures for each of the significant operational risks identified. Please refer to "Risk Assessment Process" above for further details.

We ensure that control activities are consistently applied across all departments through a centralized control framework that mandates adherence to established procedures. This framework is supported by regular training sessions to reinforce the importance of these controls and ensure uniform implementation.

In response to past assessments and audits, we have made several enhancements to our control activities. These include improvements in waste management practices and regulatory compliance. These changes were made to address areas for improvement highlighted by audits and ensure that our control activities remain effective and up-to-date.

Information and Communication

Information regarding risk management is communicated throughout the organization via newsletters, training sessions, and dedicated intranet resources that detail policies and updates. To ensure all employees understand their roles in relation to risk management, comprehensive training programs are provided alongside clear documentation that outlines individual responsibilities within our risk management framework. Feedback on the effectiveness of our risk management strategies is gathered through surveys and focus groups, encouraging employees to share their insights. Our risk management team regularly evaluates the effectiveness of these measures.

Monitoring and Review

Continuous monitoring of the effectiveness of our risk management and internal control systems is conducted through periodic manual reviews by senior management. The Audit Committee undertakes annual reviews of the Group's risk management and internal controls. Recent findings highlighted the need to enhance our financial planning and analysis process. Following these monitoring activities, several adjustments have been made to our practices. These adjustments aim to enhance financial oversight, improve decision-making, and strengthen strategic planning.

CORPORATE GOVERNANCE REPORT

The Audit Committee has direct channels to inquire and communicate with the Executive Director and Chief Finance Officer, ensuring transparency and timely responses to critical financial matters. The benefits of these adjustments include improved decision-making through proactive identification of risks and opportunities, enhanced financial performance through swift corrective actions, and better strategic planning by aligning financial resources with strategic objectives.

Commitment to Improvement

The Group demonstrates its commitment to continuous improvement in risk management practices by actively seeking external audits and incorporating feedback into our practices. We foster a culture of continuous learning among staff members through ongoing training programs tailored to different levels within the organization, enhancing their understanding of both risk management principles and internal controls. Looking ahead, we have planned future initiatives to further strengthen our risk management framework, particularly concerning climate-related risks. These initiatives include developing a comprehensive climate strategy aligned with international standards and investing in technology to improve data analytics related to climate impacts.

11. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, 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.

12. AUDITORS’ REMUNERATION

For the Year, KPMG charged the Group approximately HK\$1.7 million for the audit services and HK\$0.4 million for non-audit services (including services in connection with a potential major acquisition).

13. WHISTLEBLOWING POLICY AND ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Board has adopted the Whistleblowing Policy and system in accordance with the principles set out in the corporate governance code D.2.6 for employees and those who deal with the Group to raise concern, in confidence and anonymity, if required and appropriate, with the Audit Committee of the Company about possible improprieties in any matter related to the Group. The Board has also adopted the Anti-Bribery and Anti-Corruption Policy setting out responsibilities of the Group’s employees to identify and prevent bribery and corruption incidents in order to protect the integrity and reputation of the Group.

14. COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Chor Fai, is the Chief Finance Officer of the Company. The biographical details of Mr. Chan are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Chan 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. He reports to the Chairman and is responsible for advising the Board on governance matters.

15. 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.

16. 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.

CORPORATE GOVERNANCE REPORT

The Board reviews the Shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regards to the requirements of Part 2 of Appendix C1 in the Corporate Governance Code. The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy during its meetings, and is of the view that the Shareholders' communication policy has been effectively implemented based on the measures adopted above.

17. 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025



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 44 to 107, which comprise the consolidated statement of financial position as at 31 December 2025, 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, comprising material accounting policy information and other explanatory information.

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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("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") as 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

Valuation of defined benefit obligations

Refer to note 35 to the consolidated financial statements and the accounting policies on note 2(i).

The key audit matter

How the matter was addressed in our audit

The Group has a large number of staff, the costs of which (comprising salaries and other benefits including long service payments, severance payments and gratuity payments) 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.

The Group's defined benefit obligations, comprising provisions for long service payments, severance payments and gratuity payments amounted to HK\$125,376,000 as at 31 December 2025 are assessed by the directors based on an valuation prepared by a qualified external actuary using the projected unit credit method in accordance with the recognised industry standards. The assessment of defined benefit obligations is dependent upon significant estimates determined by management with the assistance of the external actuary.

We identified defined benefit obligations as a key audit matter because the Group's business model is labour-intensive and the significant management estimates involved in the calculation of the obligations.

Our audit procedures to assess defined employment benefit obligations included the following:

- obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to defined benefit obligations;
- Assessing competence, capabilities and objectivity of the external actuary;
- With the assistance of our internal actuarial specialist, evaluating the appropriateness of the valuation methodology with reference to the requirements of the prevailing accounting standards and the reasonableness of the key assumptions applied by the external actuary; developing an independent expectation and comparing with the valuation of defined benefit obligations of the Group; and
- Considering the reasonableness of the disclosures in the consolidated financial statements in respect of the defined benefit obligations 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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

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 HKFRS Accounting Standards as 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

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 Cheng Pui Ngar (practising certificate number: P05280).

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

24 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

(Expressed in Hong Kong Dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	5	2,424,634	2,603,087
Cost of services		(2,194,039)	(2,414,722)
Gross profit		230,595	188,365
Other income, gains and losses	6	23,689	9,583
Selling and marketing expenses		(2,467)	(2,228)
Administrative expenses		(132,445)	(119,323)
Profit from operations		119,372	76,397
Finance costs	7	(5,118)	(10,571)
Profit before taxation	8	114,254	65,826
Income tax	9	(17,150)	(9,367)
Profit for the year		97,104	56,459
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries, net of nil tax		104	(55)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		(1,526)	1,687
Other comprehensive income		(1,422)	1,632
Total comprehensive income for the year		95,682	58,091
Profit for the year attributable to:			
Equity shareholders of the Company		97,279	53,856
Non-controlling interests		(175)	2,603
		97,104	56,459
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		95,857	55,488
Non-controlling interests		(175)	2,603
		95,682	58,091
Earnings per share			
Basic and diluted (HK cents)	11	23.44	12.98

The notes on pages 48 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

(Expressed in Hong Kong Dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	13	173,133	198,575
Right-of-use assets	14	30,889	33,768
Intangible assets		8,200	8,200
Financial assets at fair value through profit or loss	17	16,259	15,181
Prepayments, deposits and other receivables	18	28,407	28,191
Deferred tax assets	30	1,964	2,098
		258,852	286,013
Current assets			
Inventories	19	2,250	2,347
Contract assets	20	9,593	7,765
Trade receivables	21	454,337	554,451
Prepayments, deposits and other receivables	18	22,658	24,791
Tax recoverable		–	795
Pledged bank deposits	22	7,449	7,338
Cash and cash equivalents	23	244,293	128,054
		740,580	725,541
Current liabilities			
Trade payables	24	43,312	42,279
Contract liabilities	25	2,138	4,002
Accruals, deposits received and other payables	26	342,515	401,150
Bank borrowings	27	50,699	80,810
Lease liabilities	28	10,959	11,950
Tax payable		7,594	2,853
		457,217	543,044
Net current assets		283,363	182,497
Total assets less current liabilities		542,215	468,510
Non-current liabilities			
Other payables	26	–	324
Lease liabilities	28	24,320	26,138
Provision	29	12,321	11,852
Deferred tax liabilities	30	12,980	16,514
		49,621	54,828
Net assets		492,594	413,682
Capital and reserves			
Share capital	31	4,150	4,150
Reserves	32	487,506	407,419
Total equity attributable to equity shareholders of the Company		491,656	411,569
Non-controlling interests		938	2,113
Total equity		492,594	413,682

Approved by the Board of Directors on 24 March 2026 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

The notes on pages 48 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025
(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital	Share premium	Other reserve	Share option reserve	Translation reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2024	4,150	100,850	18,330	1,165	(270)	245,966	370,191	(490)	369,701
Profit for the year	-	-	-	-	-	53,856	53,856	2,603	56,459
Other comprehensive income for the year	-	-	-	-	(55)	1,687	1,632	-	1,632
Total comprehensive income for the year	-	-	-	-	(55)	55,543	55,488	2,603	58,091
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	(14,110)	(14,110)	-	(14,110)
Share options lapsed	-	-	-	(1,165)	-	1,165	-	-	-
As at 31 December 2024 and 1 January 2025	4,150	100,850	18,330	-	(325)	288,564	411,569	2,113	413,682
Profit for the year	-	-	-	-	-	97,279	97,279	(175)	97,104
Other comprehensive income for the year	-	-	-	-	104	(1,526)	(1,422)	-	(1,422)
Total comprehensive income for the year	-	-	-	-	104	95,753	95,857	(175)	95,682
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	(15,770)	(15,770)	-	(15,770)
Dividends declared in respect of the current year	-	-	-	-	-	-	-	(1,000)	(1,000)
As at 31 December 2025	4,150	100,850	18,330	-	(221)	368,547	491,656	938	492,594

The notes on pages 48 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025
(Expressed in Hong Kong Dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Profit before taxation		114,254	65,826
Adjustments for:			
Depreciation	8	72,762	87,154
Recognition of credit losses on trade receivables	8	193	683
Recognition of credit losses on other receivables	8	197	198
Gain on disposal of right-of-use assets	6	–	(2,491)
(Gain)/loss on disposal of property, plant and equipment	6	(14,963)	722
Change in fair value of investments in life insurance	17	(1,078)	(138)
Interest income	6	(2,789)	(1,878)
Finance costs	7	5,118	10,571
Changes in working capital:			
Decrease in inventories		97	406
Decrease in biological assets		–	259
(Increase)/decrease in contract assets		(1,828)	969
Decrease in trade receivables		99,921	44,482
Decrease/(increase) in prepayments, deposits and other receivables		2,710	(1,819)
Increase/(decrease) in trade payables		1,033	(5,841)
(Decrease)/increase in contract liabilities		(1,864)	373
(Decrease)/increase in accruals, deposits received and other payables		(60,053)	85,008
Cash generated from operations		213,710	284,484
Income tax paid		(15,014)	(22,043)
Net cash generated from operating activities		198,696	262,441
Investing activities			
Interest received		2,592	1,680
Increase in pledged bank deposits		(111)	(127)
Proceeds from disposal of property, plant and equipment		27,326	1,281
Payment for the purchase of property, plant and equipment		(47,114)	(34,982)
Net cash used in investing activities		(17,307)	(32,148)
Financing activities			
Proceeds from new bank borrowings	23(a)	1,052,155	1,728,273
Repayments of bank borrowings	23(a)	(1,082,266)	(1,830,127)
Interest paid for bank borrowings and overdrafts	23(a)	(3,533)	(8,765)
Capital element of lease rentals paid	23(a)	(13,252)	(12,384)
Interest element of lease rentals paid	23(a)	(1,585)	(1,734)
Dividend paid to equity shareholders of the Company	10(b)	(15,770)	(14,110)
Dividend paid to a non-controlling shareholder of a subsidiary		(1,000)	–
Repayment of loan from a non-controlling shareholder of a subsidiary	23(a)	–	(4,695)
Other interest paid		–	(72)
Net cash used in financing activities		(65,251)	(143,614)
Net increase in cash and cash equivalents		116,138	86,679
Cash and cash equivalents at 1 January		128,054	41,425
Effect of foreign exchange rate changes		101	(50)
Cash and cash equivalents at 31 December	23	244,293	128,054

The notes on pages 48 to 107 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 (“BVI”). 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 and goods.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate 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. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (“CO”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) 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 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 HKFRS Accounting Standards 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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL 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) Changes in accounting policies

The Group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of Exchangeability*, issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) 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.

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(r).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

An investment in an associate is accounted for using 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 associate 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(n)(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 profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in an associate, 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 associate, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associate 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 significant influence over an associate, 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 significant influence or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Revenue and other income

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

Revenue is recognised when control over a service or product 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 when the services are rendered.

Revenue from sales of goods is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

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(n)(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) 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

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(m) and 2(n)(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 lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(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(f).

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(g)(i), then the Group classifies the sub-lease as an operating lease.

(h) 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.

(i) 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.

(ii) Defined benefit obligations

The Group has obligations for severance payment ("SP") and long severance payment ("LSP") under the Hong Kong Employment Ordinance. Certain employees of the Group are entitled to gratuity payments as stipulated in the Group's service contracts with the Government of the Hong Kong Special Administrative Region.

The Group's net obligation in respect of defined benefit obligations is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For SP and LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements arising from defined benefit obligations, which comprise actuarial gains and losses, and the effect of any asset ceiling (excluding interest), are recognised immediately in other comprehensive income. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligations at the beginning of the reporting period to the then net defined benefit obligations liability, taking into account any changes in the net defined benefit obligations liability during the period. Net interest expense and other expenses related to defined benefit obligations are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Employee benefits *(Continued)*

(iii) 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. 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).

(j) 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(n)(i).

(k) Taxation

Income tax for the year comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Taxation *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to reverse and settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(l) Investment property

Investment properties are land and/or building which are owned or held under a leasehold interest (see note 2(g)) 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(n)(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.

(m) 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(g)), are stated in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses (see note 2(n)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(h)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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
Furniture and fixtures	1 to 10 years
Motor vehicles	3 to 10 years
Vessels	3 years
Equipment and machinery	1 to 10 years
Leasehold improvements	Over the shorter of term of lease or 12 years

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.

(n) 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(p)).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Credit losses from financial guarantees issued *(Continued)*

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(n)(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.

(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 of impairment:

- property, plant and equipment, including right-of-use assets;
- interest in an associate (see note 2(e)); and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(f)) 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(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(r)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(f)). 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(r)).

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

(q) Provisions, contingent liabilities and onerous contracts

(i) 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 an outflow of economic benefit, will be required to settle the obligation and a reliable estimate can be made.

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(r) 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

Investments in life insurance is classified as fair value through profit or loss ("FVPL"), if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("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 and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) 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(n)(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 invoice amounts.

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(h)).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

2. MATERIAL 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

3. ACCOUNTING ESTIMATES

Note 34 contain information about the assumptions and their risk factors relating to fair value of financial instruments. 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) Estimation of defined benefit obligations

The value of defined benefit obligations depends on a number of factors that are determined on an actuarial basis using certain assumptions. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Details of key assumptions and impact of possible changes in key assumptions are disclosed in note 35.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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, selling and marketing expenses and administrative expenses and exclude other income, gains and losses. The following is an analysis of the Group's revenue and results by reportable segments.

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
For the year ended 31 December 2025					
Disaggregated by timing of revenue recognition					
– over time	1,896,509	277,031	195,563	54,809	2,423,912
– point in time	–	722	–	–	722
Revenue from external customers	1,896,509	277,753	195,563	54,809	2,424,634
Inter-segment revenue	852	2,404	215	754	4,225
Reportable segment revenue	1,897,361	280,157	195,778	55,563	2,428,859
Segment results	144,508	41,927	37,215	6,945	230,595
Other income, gains and losses					23,689
Selling and marketing expenses					(2,467)
Administrative expenses					(132,445)
Finance costs					(5,118)
Profit before taxation					114,254

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
For the year ended 31 December 2024					
Disaggregated by timing of revenue recognition					
– over time	2,086,742	282,924	160,240	70,289	2,600,195
– point in time	–	2,892	–	–	2,892
Revenue from external customers	2,086,742	285,816	160,240	70,289	2,603,087
Inter-segment revenue	617	2,628	428	813	4,486
Reportable segment revenue	2,087,359	288,444	160,668	71,102	2,607,573
Segment results	126,662	33,479	24,899	3,325	188,365
Other income, gains and losses					9,583
Selling and marketing expenses					(2,228)
Administrative expenses					(119,323)
Finance costs					(10,571)
Profit before taxation					65,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
As at 31 December 2025					
Segment assets	683,731	171,966	90,457	41,941	988,095
Unallocated					11,337
Total assets					999,432
Segment liabilities	342,601	84,657	48,019	29,103	504,380
Unallocated					2,458
Total liabilities					506,838

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
As at 31 December 2024					
Segment assets	725,880	158,915	79,772	34,001	998,568
Unallocated					12,986
Total assets					1,011,554
Segment liabilities	434,234	87,527	37,587	34,541	593,889
Unallocated					3,983
Total liabilities					597,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Other segment information

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2025						
Depreciation	49,761	15,790	4,043	2,417	751	72,762
Additions to non-current assets	34,201	19,897	3,369	77	59	57,603
Gain on disposal of property, plant and equipment	(12,370)	(1,848)	(405)	(340)	-	(14,963)

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2024						
Depreciation	59,388	20,664	3,783	2,503	816	87,154
Additions to non-current assets	26,236	20,024	4,727	320	1,481	52,788
(Gain)/loss on disposal of property, plant and equipment	(270)	1,150	5	(171)	8	722

Geographical information

The following sets out information about the geographical region of the Group's revenue from external customers, which is based on the location to which the services and goods are delivered.

	2025 HK\$'000	2024 HK\$'000
Hong Kong	2,424,634	2,601,342
Southeast Asia	-	1,745
	2,424,634	2,603,087

All of the Group's non-current assets are either based in Hong Kong or related to the Group's operations in Hong Kong as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

4. SEGMENT INFORMATION *(Continued)*

Information about major customers

For the year ended 31 December 2025, the Group's revenue of HK\$1,314,551,000 (2024: HK\$1,608,884,000) from various segments was derived from two customers (2024: two customers) each of whom has individually accounted for over 10% of the Group's total revenue, which is disclosed as follows:

	2025 HK\$'000	2024 HK\$'000
Customer A	1,061,195	1,307,145
Customer B	253,356	301,739

5. REVENUE

(a) Disaggregation of revenue

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

	2025 HK\$'000	2024 HK\$'000
Cleaning services business	1,896,509	2,086,742
Waste management and recycling business	277,031	282,924
Landscaping services business	195,563	160,240
Pest management business	54,809	70,289
Sales of recycling materials	722	2,892
	2,424,634	2,603,087

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and geographic information of revenue is disclosed in note 4.

(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 business HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Pest management services HK\$'000	Total HK\$'000
As at 31 December 2025					
Expected to be recognised within one year	1,180,899	204,114	143,361	31,736	1,560,110
Expected to be recognised after one year	625,712	200,993	98,800	49,988	975,493
	1,806,611	405,107	242,161	81,724	2,535,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

5. REVENUE (Continued)

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

	Cleaning services business HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Pest management services HK\$'000	Total HK\$'000
As at 31 December 2024					
Expected to be recognised within one year	1,884,507	218,651	137,460	47,996	2,288,614
Expected to be recognised after one year	1,266,220	217,392	114,886	358	1,598,856
	3,150,727	436,043	252,346	48,354	3,887,470

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 55 months (2024: next 12 to 58 months).

6. OTHER INCOME, GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Change in fair value of investments in life insurance	1,078	138
Gain/(loss) on disposal of property, plant and equipment	14,963	(722)
Gain on disposal of right-of-use assets	–	2,491
Government grants*	960	1,545
Income relating to right-of-use assets	3,686	3,686
Interest income	2,789	1,878
Others	213	567
Total	23,689	9,583

* During the year ended 31 December 2025, the Group recognised the government grants as follows:

- (i) Urban Forestry Support Fund of Development Bureau of the Government of HK\$375,000 (2024: HK\$241,000);
- (ii) subsidies for phasing out certain diesel commercial vehicles by the Group of HK\$275,000 (2024: HK\$530,000);
- (iii) Recycling Fund of the Government, which aims to support the sustainable development of the recycling industry, of HK\$196,000 (2024: HK\$554,000); and
- (iv) other subsidies of HK\$114,000 (2024: HK\$220,000)

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 CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

7. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on:		
Bank borrowings and overdrafts	3,533	8,765
Lease liabilities	1,585	1,734
Others	–	72
	5,118	10,571

8. PROFIT BEFORE TAXATION

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

	2025 HK\$'000	2024 HK\$'000
Auditors' remuneration:		
Audit services	1,703	1,680
Other services	390	–
Cost of consumable goods	64,668	69,638
Depreciation:		
Owned property, plant and equipment	59,440	74,431
Right-of-use assets	13,322	12,723
Recognition of credit losses on trade receivables	193	683
Recognition of credit losses on other receivables	197	198
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	1,767,360	1,945,564
Defined benefit obligations	65,056	105,956
Provision for untaken paid leave	16,818	19,536
Contributions to defined contribution retirement scheme	50,484	55,756
	1,899,718	2,126,812
Short-term lease payments not included in the measurement of lease liabilities:		
Machinery, vessels and motor vehicles	73,663	66,186
Land and buildings	3,791	3,610
	77,454	69,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

9. INCOME TAX

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

	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	20,007	14,330
Under-provision in respect of prior years	543	74
	20,550	14,404
Current tax – Chinese Mainland		
Enterprise Income Tax		
Over-provision in respect of prior years	–	(4)
	20,550	14,400
Deferred tax		
Origination and reversal of temporary differences (<i>note 30</i>)	(3,400)	(5,033)
	17,150	9,367

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 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 2024.

The provision for Hong Kong Profits Tax for 2025 has also taken into account a reduction granted by the Hong Kong SAR Government for the year of assessment 2024/25. The Group is eligible for the maximum reduction of HK\$1,500 (2024: a maximum reduction of HK\$3,000 was granted for the year of assessment 2023/24 and was taken into account in calculating the provision for 2024) for each of the Hong Kong subsidiaries of the Group.

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

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

	2025 HK\$'000	2024 HK\$'000
Profit before taxation	114,254	65,826
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	18,650	10,666
Tax effect of non-taxable income	(606)	(717)
Tax effect of non-deductible expenses	1,142	1,714
Utilisation of tax losses not recognised in prior years	(3,469)	(2,657)
Tax effect of tax losses not recognised	1,245	2,131
Under-provision in respect of prior years in Hong Kong	543	74
Over-provision in respect of prior years in Chinese Mainland	–	(4)
Others	(355)	(1,840)
Income tax expense	17,150	9,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

10. DIVIDENDS

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

	2025 HK\$'000	2024 HK\$'000
Final dividend proposed after the end of the reporting period of 7.0 cents (2024: HK3.8 cents) per ordinary share	29,050	15,770

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

	2025 HK\$'000	2024 HK\$'000
Final dividend in respect of the previous financial year, was approved and paid during the year, of HK3.8 cents (2024: HK3.4 cents) per ordinary share	15,770	14,110

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2025 is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK\$97,279,000 (2024: HK\$53,856,000) and the weighted average number of 415,000,000 (2024: 415,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2025 and 2024 are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

12. 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 2025					
Executive Directors:					
Mr. Ng Wing Hong	-	2,557	800	-	3,357
Ms. Ng Yuk Kwan Phyllis	180	2,573	1,450	321	4,524
Ms. Leung Shuk Ping	180	1,568	850	18	2,616
Independent Non-executive Directors:					
Mr. Sin Ho Chiu	234	-	-	-	234
Mr. Lau Chi Yin Thomas	234	-	-	-	234
Professor Cheng Edwin Tai Chiu	234	-	-	-	234
Mr. Chan Kin Kan (appointed with effect from 30 May 2025)	145	-	-	-	145
	1,207	6,698	3,100	339	11,344

	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 2024					
Executive Directors:					
Mr. Ng Wing Hong	-	2,483	680	-	3,163
Ms. Ng Yuk Kwan Phyllis	180	2,499	1,150	313	4,142
Ms. Leung Shuk Ping	180	1,514	680	18	2,392
Independent Non-executive Directors:					
Mr. Sin Ho Chiu	234	-	-	-	234
Mr. Lau Chi Yin Thomas	234	-	-	-	234
Professor Cheng Edwin Tai Chiu	234	-	-	-	234
	1,062	6,496	2,510	331	10,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

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

Five highest paid individuals

The five highest paid individuals in the Group during the year included three directors (2024: three) whose emoluments are disclosed above. The emoluments of the remaining two (2024: two) individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Wages, salaries and other benefit	4,001	4,193
Contributions to defined contribution retirement scheme	33	36
	4,034	4,229

The emoluments were within the following band:

	Number of individuals	
	2025	2024
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors or the five highest paid individuals 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 2025 and 2024.

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(Expressed in Hong Kong Dollars unless otherwise indicated)

13. 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	Vessels HK\$'000	Total HK\$'000
Cost							
As at 1 January 2024	81,688	44,057	56,277	296,722	10,834	–	489,578
Additions	–	3,349	4,589	21,987	410	–	30,335
Disposals	–	(490)	(14,094)	(12,500)	(6,549)	–	(33,633)
Exchange adjustments	–	(7)	–	(8)	–	–	(15)
As at 31 December 2024 and 1 January 2025	81,688	46,909	46,772	306,201	4,695	–	486,265
Additions	19,501	2,894	5,393	12,031	302	6,237	46,358
Disposals	–	(2,106)	(3,802)	(76,709)	(156)	–	(82,773)
Exchange adjustments	–	9	–	7	–	–	16
As at 31 December 2025	101,189	47,706	48,363	241,530	4,841	6,237	449,866
Accumulated depreciation and impairment losses							
As at 1 January 2024	19,276	35,194	46,534	135,760	8,137	–	244,901
Charge for the year	2,662	4,933	6,678	58,835	1,323	–	74,431
Written back on disposals	–	(476)	(13,866)	(12,124)	(5,164)	–	(31,630)
Exchange adjustments	–	(7)	–	(5)	–	–	(12)
As at 31 December 2024 and 1 January 2025	21,938	39,644	39,346	182,466	4,296	–	287,690
Charge for the year	2,960	4,524	6,153	44,810	473	520	59,440
Written back on disposals	–	(1,747)	(3,753)	(64,754)	(156)	–	(70,410)
Exchange adjustments	–	9	–	4	–	–	13
As at 31 December 2025	24,898	42,430	41,746	162,526	4,613	520	276,733
Net book value							
As at 31 December 2025	76,291	5,276	6,617	79,004	228	5,717	173,133
As at 31 December 2024	59,750	7,265	7,426	123,735	399	–	198,575

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

As at 31 December 2025, the land and buildings with carrying amount of HK\$57,088,000 (2024: HK\$59,750,000) were mortgaged for banking facilities granted to the Group.

Additions of property, plant and equipment were net of government grants of HK\$1,050,000 (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

14. RIGHT-OF-USE ASSETS

	Leasehold investment properties HK\$'000	Properties leased for own use HK\$'000	Total HK\$'000
As at 1 January 2024	18,067	14,573	32,640
Additions	–	17,806	17,806
Lease modification	–	(3,955)	(3,955)
Depreciation charge for the year	(1,211)	(11,512)	(12,723)
As at 31 December 2024 and 1 January 2025	16,856	16,912	33,768
Additions	–	10,489	10,489
Lease modification	–	(46)	(46)
Depreciation charge for the year	(1,211)	(12,111)	(13,322)
As at 31 December 2025	15,645	15,244	30,889

The analysis of income and expense items in relation to leases charged/(credited) to profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Income relating to right-of-use assets	(3,686)	(3,686)
Depreciation charge of right-of-use assets	13,322	12,723
Interest on lease liabilities (<i>note 7</i>)	1,585	1,734
Short-term lease payments not included in the measurement of lease liabilities	77,454	69,796

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(Expressed in Hong Kong Dollars unless otherwise indicated)

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

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases not recognised as lease liabilities at the end of the reporting period are set out in notes 23(b), 28 and 36 respectively.

(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 its associate, 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 a 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 2025 is HK\$18,413,000 (2024: HK\$19,401,000).

The undiscounted future payments receivable from NLP under the above-mentioned subcontracting agreement is as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	4,330	4,330
After one year but within five years	17,319	17,319
After five years	34,252	38,582
Total	55,901	60,231

(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 5 years (2024: 2 to 5 years).

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15. INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate, is as follows:

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

Note: NLP is engaged in the business of 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.

The interest in NLP is accounted for using the equity method in accordance with the accounting policy set out in note 2(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of NLP and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2025 HK\$'000	2024 HK\$'000
Gross amounts of NLP's		
Current assets	7,898	10,444
Current liabilities	(2,699)	(2,962)
Non-current liabilities	(467,850)	(431,693)
Equity	(462,651)	(424,211)
Included in the above assets and liabilities:		
Cash and cash equivalents	1,566	5,111
Current financial liabilities (excluding trade and other payables and provisions)	(38)	(39)
Non-current financial liabilities (excluding trade and other payables and provisions)	(455,529)	(419,841)
Revenue	19,805	13,622
Loss for the year	(38,440)	(279,970)
Total comprehensive income	(38,440)	(279,970)
Group's share of losses of an associate <i>(Note)</i>	-	-
Included in the above loss:		
Interest expense	21,254	20,916
Reconciled to the Group's interest in NLP		
Gross amounts of NLP's net liabilities	(462,651)	(424,211)
Group's effective interest	33.33%	33.33%
Group's share of NLP's net assets and carrying amount of the Group's interest <i>(Note)</i>	-	-

Note: The Group has discontinued the recognition of its share of losses of an associate because the share of losses of an associate exceeded the Group's interest in an associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of an associate for the current year and cumulatively were HK\$12,813,000 (2024: HK\$93,323,000) and HK\$154,217,000 (2024: HK\$141,404,000) respectively.

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16. PARTICULARS OF SUBSIDIARIES

As at 31 December 2025, 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				Principal activities
			2025		2024		
			Direct	Indirect	Direct	Indirect	
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 iRecycle Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of recycling services
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 rPapers Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of paper recycling services
Baguio rPlastic Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of source, collect and sort waste plastics bottles
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%	-	100%	Provision of glass recycling services
Eco cleaning Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of cleaning services
Modern Automobile Company Limited	Hong Kong	HK\$10,000	-	100%	-	100%	Provision of automobile repair services
Organic Tech Limited	Hong Kong	HK\$2,000,100	-	60%	-	60%	Provision of bioconversion of organic waste services
Tak Tai Enviroscope Limited	Hong Kong	HK\$33,000,000	-	100%	-	100%	Provision of plant nursing, landscaping and related services
碧瑤綠色科技(深圳)有限公司 [#]	Chinese Mainland	RMB2,490,821	-	100%	-	100%	Development and exploration of environmental and recycling business

[#] Registered as a wholly-foreign owned enterprise in Chinese Mainland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$'000	2024 HK\$'000
Financial assets at fair value through profit and loss		
Investments in life insurance	16,259	15,181

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.

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 2025, a fair value gain of HK\$1,078,000 (2024: HK\$138,000) was recognised and credited to profit or loss.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Prepayments	18,721	22,444
Deposits	10,020	7,915
Other receivables	22,324	22,623
	51,065	52,982
Less: Non-current prepayments	(5,648)	(5,323)
Non-current deposits	(2,777)	(2,712)
Non-current receivable from an associate	(19,982)	(20,156)
Non-current portion	(28,407)	(28,191)
Current portion	22,658	24,791

Included in non-current portion of deposits as at 31 December 2025 are performance deposits of HK\$1,153,000 (2024: HK\$1,088,000) and rental deposits of HK\$1,624,000 (2024: HK\$1,624,000), 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.

Non-current receivable includes a receivable from an associate represents the right to receive payment from the associate 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 an associate.

Included in other receivables as at 31 December 2025 is an amount due from an associate of HK\$8,304,000 (2024: HK\$8,947,000) which is unsecured, interest free and expected to be recovered the majority portion after one year.

All of the remaining current portion of prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

19. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Consumable goods	2,250	2,347

20. CONTRACT ASSETS

	2025 HK\$'000	2024 HK\$'000
Arising from performance under waste management and recycling contracts	4,358	4,472
Arising from performance under landscaping contracts	5,235	3,293
	9,593	7,765

The service fees under waste management and recycling contracts are received after the processed recycling materials 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 2025, contract assets of HK\$4,402,000 (2024: HK\$2,507,000) are expected to be recovered after one year.

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(Expressed in Hong Kong Dollars unless otherwise indicated)

21. TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables, net of loss allowance	454,337	554,451

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

	2025 HK\$'000	2024 HK\$'000
Within 60 days	336,770	427,502
Over 60 days but within 120 days	85,097	85,520
Over 120 days but within 365 days	32,375	40,973
Over 365 days	95	456
	454,337	554,451

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 2025, 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\$29,794,000 (2024: HK\$34,473,000) with the following ageing analysis:

	2025 HK\$'000	2024 HK\$'000
Overdue by:		
Within 60 days	21,228	22,008
Over 60 days but within 120 days	5,489	8,308
Over 120 days but within 365 days	2,916	3,713
Over 365 days	161	444
	29,794	34,473

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 34(b).

The Group's trade receivables of HK\$79,463,000 (2024: HK\$132,923,000) as at 31 December 2025 were pledged for certain banking facilities granted to the Group.

As at 31 December 2025, included in the trade receivables is an amount due from an associate of HK\$13,000 (2024: HK\$185,000) which is unsecured, interest free and recoverable in accordance with payment terms as set out in the service agreement entered into with the an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. PLEDGED BANK DEPOSITS

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

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2025 HK\$'000	2024 HK\$'000
Cash and bank balances other than time deposits	55,115	38,054
Time deposits with maturity less than 3 months when placed	189,178	90,000
	244,293	128,054

The carrying amount of cash and bank balances were denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HK\$	227,936	126,490
USD	15,678	–
RMB	679	1,564
	244,293	128,054

As at 31 December 2025, the balances that were placed with banks or on hand in Chinese Mainland and included in the cash and bank balances amounted to HK\$641,000 (2024: HK\$1,529,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

The Group's cash and cash equivalents of HK\$31,000 (2024: HK\$2,393,000) as at 31 December 2025 were pledged for certain banking facilities granted to the Group.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(a) Reconciliation of liabilities arising from financing activities *(Continued)*

	Payable to a non-controlling shareholder HK\$'000	Bank borrowings HK\$'000 <i>(note 27)</i>	Lease liabilities HK\$'000 <i>(note 28)</i>	Total HK\$'000
As at 1 January 2024	4,695	182,664	36,621	223,980
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	1,728,273	–	1,728,273
Repayments of bank borrowings	–	(1,830,127)	–	(1,830,127)
Interest paid for bank borrowings and overdrafts	–	(8,765)	–	(8,765)
Capital element of lease rentals paid	–	–	(12,384)	(12,384)
Interest element of lease rentals paid	–	–	(1,734)	(1,734)
Repayment of loan from a non-controlling shareholder	(4,695)	–	–	(4,695)
Other interest paid	(72)	–	–	(72)
Total changes from financing cash flows	(4,767)	(110,619)	(14,118)	(129,504)
Other changes:				
Increase in lease liabilities from entering into new leases	–	–	17,806	17,806
Lease modification	–	–	(3,955)	(3,955)
Interest expenses <i>(note 7)</i>	72	8,765	1,734	10,571
Total other changes	72	8,765	15,585	24,422
As at 31 December 2024 and 1 January 2025	–	80,810	38,088	118,898
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	1,052,155	–	1,052,155
Repayments of bank borrowings	–	(1,082,266)	–	(1,082,266)
Interest paid for bank borrowings	–	(3,533)	–	(3,533)
Capital element of lease rentals paid	–	–	(13,252)	(13,252)
Interest element of lease rentals paid	–	–	(1,585)	(1,585)
Total changes from financing cash flows	–	(33,644)	(14,837)	(48,481)
Other changes:				
Increase in lease liabilities from entering into new leases	–	–	10,489	10,489
Lease modification	–	–	(46)	(46)
Interest expenses <i>(note 7)</i>	–	3,533	1,585	5,118
Total other changes	–	3,533	12,028	15,561
As at 31 December 2025	–	50,699	35,279	85,978

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23. 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:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	77,454	69,796
Within financing cash flows	14,837	14,118
	92,291	83,914

These amounts of HK\$92,291,000 (2024: HK\$83,914,000) relate to lease rentals paid.

24. TRADE PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	43,312	42,279

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

	2025 HK\$'000	2024 HK\$'000
Within 30 days	24,124	24,523
Over 30 days but within 60 days	6,182	4,495
Over 60 days but within 90 days	1,587	1,700
Over 90 days	11,419	11,561
	43,312	42,279

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

25. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Billings in advance of performance under recycling contracts	2,138	4,002

The Group receives advances from customers when they enter into the service agreements. These advances are recognised as contract liabilities until performance obligations of the relevant services are completed.

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25. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities

	2025 HK\$'000	2024 HK\$'000
Balance as at 1 January	4,002	3,629
Increase in contract liabilities as a result of billing in advance of recycling activities	3,463	7,414
Decrease in contract liabilities as a result of recognising revenue during the year	(5,327)	(7,041)
Balance as at 31 December	2,138	4,002

As at 31 December 2025 and 2024, the billings in advance of performance expected to be recognised as income within one year.

26. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Accruals of wages, salaries and other benefits	184,958	228,573
Defined benefit obligations (note 35)	125,376	146,508
Deposits received	1,791	579
Other accrued expenses and payables	30,390	25,814
	342,515	401,474
Less: Non-current other payables	–	(324)
	342,515	401,150

Non-current other payables are unsecured, interest free and repayable after one year.

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

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27. BANK BORROWINGS

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

	2025 HK\$'000	2024 HK\$'000
Current liabilities		
Current portion of term loans from banks	27,081	29,982
Non-current portion of term loans from banks with repayable on demand clause	23,618	50,828
	50,699	80,810

At the end of the reporting period all bank borrowings were secured.

The secured bank loans of the Group as at 31 December 2025 were secured by:

- (i) bank deposits of HK\$7,449,000 (2024: HK\$7,338,000);
- (ii) cash and cash equivalents of HK\$31,000 (2024: HK\$2,393,000);
- (iii) land and buildings of HK\$57,088,000 (2024: HK\$59,750,000); and
- (iv) trade receivables of HK\$79,463,000 (2024: HK\$132,923,000).

As at 31 December 2025, the bank borrowings of the Group of HK\$50,699,000 (2024: HK\$80,810,000) bear interest ranging from 2.75% to 5.85% (2024: 2.75% to 7.09%) per annum and are denominated in Hong Kong Dollar.

As at 31 December 2025, banking facilities granted for bank borrowings of HK\$367,866,000 (2024: HK\$322,057,000) 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 2025, such facilities were utilised to the extent of HK\$36,866,000 (2024: HK\$21,094,000). The Group regularly monitors its compliance with these covenants. As at 31 December 2025, none of the covenants relating to the drawn down facilities had been breached (2024: Nil). Further details of the Group's management of liquidity risk are set out in note 34(b).

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28. LEASE LIABILITIES

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

	2025 HK\$'000	2024 HK\$'000
Minimum lease payments		
– within one year	12,173	13,385
– after one year but within five years	13,789	14,399
– after five years	15,245	17,174
	29,034	31,573
Less: Future interest expenses	41,207 (5,928)	44,958 (6,870)
Present value of lease liabilities	35,279	38,088
Present value of minimum lease payments		
– within one year	10,959	11,950
– after one year but within five years	11,151	11,575
– after five years	13,169	14,563
	24,320	26,138
	35,279	38,088

29. PROVISION

	2025 HK\$'000	2024 HK\$'000
Provision for reinstatement costs of leasehold land		
Balance as at 1 January	11,852	14,802
Additional/(reversal) provision made	469	(2,491)
Provision utilised	–	(459)
Balance as at 31 December	12,321	11,852

Under the tenancy agreement of the leasehold land 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 costs, based on the best estimate of the expected reinstatement costs 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.

As at 31 December 2025, the Group had recognised the receivable of HK\$12,321,000 (2024: HK\$11,852,000) for the right to receive payment from the associate in respect of the reinstatement costs, which is disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

30. 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	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2024	21,906	(2,457)	19,449
Charged/(credited) to profit or loss (<i>note 9</i>)	(5,392)	359	(5,033)
As at 31 December 2024 and 1 January 2025	16,514	(2,098)	14,416
Charged/(credited) to profit or loss (<i>note 9</i>)	(3,534)	134	(3,400)
As at 31 December 2025	12,980	(1,964)	11,016

Reconciliation to the consolidated statement of financial position is as follows:

	2025	2024
	HK\$'000	HK\$'000
Net deferred tax assets recognised	(1,964)	(2,098)
Net deferred tax liabilities recognised	12,980	16,514
	11,016	14,416

Deferred tax assets not recognised

As at 31 December 2025, the Group has not recognised deferred tax assets in respect of the estimated unused tax losses of HK\$56,043,000 (2024: HK\$69,523,000) 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\$1,483,000 (2024: HK\$814,000) which will expire at various dates up to 2030 (2024: up to 2029). Other losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

31. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised: <i>Ordinary shares of HK\$0.01 each</i> As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,000,000	10,000
Issued and fully paid: <i>Ordinary shares of HK\$0.01 each</i> As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	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.

32. 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 41 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(i)(iii).

(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 operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

33. 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 manages 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 27 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 as at 31 December 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Total borrowings (<i>Note</i>)	85,978	118,898
Total equity	492,594	413,682
Gearing ratio	17%	29%

Note: Total borrowings included bank borrowings and lease liabilities as disclosed in notes 27 and 28 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's 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 pledged bank deposits) at the end of the reporting period.

	2025		2024	
	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
Net fixed rate borrowings				
Lease liabilities	3.85%-6.34%	35,279	3.85%-6.34%	38,088
Less: Pledged bank deposits	0.15%-1.25%	(7,449)	0.43%-3.25%	(7,338)
		27,830		30,750
Variable rate borrowings				
Bank borrowings	2.75%-5.85%	50,699	2.75%-7.09%	80,810
Total net borrowings		78,529		111,560

Sensitivity analysis

As at 31 December 2025, it is estimated that a general increase/decrease of 50 basis point in interest rate, with all other variables were held constant, would have decreased/increased the Group's profit after taxation and retained earnings by approximately HK\$212,000 (2024: HK\$337,000).

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 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. 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 credit 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 27% (2024: 40%) and 65% (2024: 74%) 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 2025. 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 allowances for trade receivables at an amount equal to lifetime ECLs. The ECLs as at 31 December 2025 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 4.16% (2024: 0.01% to 3.13%) were applied to such trade receivables for cleaning services, landscaping services and waste management and recycling businesses. As there was no history of default from customers for pest management businesses, the Group considers the credit risk of such customers to be insignificant and no loss allowance was recognised as at 31 December 2025 (2024: Nil).

Expected loss rates are based on actual loss experience over the past 5 (2024: 5) 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.

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	2025 HK\$'000	2024 HK\$'000
Balance as at 1 January	1,093	422
Amounts written off	(43)	(12)
Recognition of credit losses	193	683
Balance as at 31 December	1,243	1,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. 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 2025, the Group had unutilised banking facilities granted for bank borrowings of HK\$466,000,000 (2024: HK\$434,478,000).

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.

	Contractual undiscounted cash flow				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	After 1 year but within 5 years HK\$'000	After 5 years HK\$'000	Total HK\$'000	
As at 31 December 2025					
Trade payables	43,312	–	–	43,312	43,312
Accruals, deposits received and other payables	217,139	–	–	217,139	217,139
Bank borrowings	28,635	22,191	2,421	53,247	50,699
Lease liabilities	12,173	13,789	15,245	41,207	35,279
	301,259	35,980	17,666	354,905	346,429
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	22,064	(22,191)	(2,421)	(2,548)	
	323,323	13,789	15,245	352,357	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Liquidity risk *(Continued)*

	Contractual undiscounted cash flow				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	After 1 year but within 5 years HK\$'000	After 5 years HK\$'000	Total HK\$'000	
As at 31 December 2024					
Trade payables	42,279	–	–	42,279	42,279
Accruals, deposits received and other payables	254,642	324	–	254,966	254,966
Bank borrowings	33,673	50,730	3,306	87,709	80,810
Lease liabilities	13,385	14,399	17,174	44,958	38,088
	343,979	65,453	20,480	429,912	416,143
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	47,137	(50,730)	(3,306)	(6,899)	
	391,116	14,723	17,174	423,013	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. 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 2025			
	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	–	–	16,259	16,259

	As at 31 December 2024			
	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	–	–	15,181	15,181

During the years ended 31 December 2025 and 2024, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

34. 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

	2025 HK\$'000	2024 HK\$'000
Investments in life insurance		
Balance as at 1 January	15,181	15,043
Gains recognised in profit or loss	1,078	138
Balance as at 31 December	16,259	15,181

(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 2025 and 2024.

35. POST-EMPLOYMENT BENEFITS

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\$50,484,000 (2024: HK\$55,756,000) for the year ended 31 December 2025.

Defined benefit obligations

The Group's defined benefit obligations comprise gratuity payments, severance payments ("SP") and long service payments ("LSP").

Gratuity payments

Certain employees of the Group are entitled to gratuity payments calculated as a percentage of the employees' remuneration as stipulated in the Group's service contracts with the Government of the Hong Kong Special Administrative Region when the employees completed required service periods, which generally range from one to three years. The gratuity payments are made when the relevant service contracts are expired. The gratuity payments could offset the relevant employees' SP and LSP payable.

SP and LSP

Hong Kong employees that have been employed continuously for at least two years and are dismissed by reason of redundancy are entitled to SP in accordance with the Hong Kong Employment Ordinance under certain circumstances. The Hong Kong employees are instead entitled to LSP if they have been employed for more than five years. The amount of SP and LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its SP and LSP obligations.

Starting from 1 May 2025, the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance") came into effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy ("Subsidy") for employers' costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

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35. POST-EMPLOYMENT BENEFITS (Continued)

Defined benefit obligations (Continued)

SP and LSP (Continued)

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP and SP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP and SP in respect of the employee's service up to that date; in addition, the LSP and SP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note 2(i)(ii) and the Subsidy as government grants in accordance with note 2(f).

The Group has determined that the 2022 Amendment Ordinance primarily impacts the Group's SP and LSP liability with respect to Hong Kong employees. The Group was entitled to Subsidy amounted HK\$8,000 during the year ended 31 December 2025.

The defined benefit obligations were valued by Valtech Valuation Advisory Limited, an independent valuer with its core valuation programme reviewed by a qualified actuary, using the projected unit credit method.

The present value of unfunded obligations and its movements are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January:	146,508	79,910
Benefits paid	(87,714)	(37,671)
Remeasurements recognised in other comprehensive income:		
Actuarial losses/(gains) arising from changes in financial assumptions	1,526	(1,687)
Expenses recognised in profit or loss:		
Service cost	62,745	103,037
Interest cost	2,311	2,919
	65,056	105,956
At 31 December	125,376	146,508

The weighted average duration of the defined benefit obligations is 2.5 years (2024: 2.6 years).

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(Expressed in Hong Kong Dollars unless otherwise indicated)

35. POST-EMPLOYMENT BENEFITS (Continued)

Defined benefit obligations (Continued)

The above expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2025 HK\$'000	2024 HK\$'000
Cost of services	64,301	105,672
Administrative expenses	755	284
	65,056	105,956

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2025	2024
Discount rate	3.0%	3.7%
Staff turnover rate	25.6%	26.2%

The below analysis shows how the defined benefit obligations would have increased/decreased as a result of change in the significant actuarial assumptions as follow:

	Changes in assumptions	Increase in assumption 2025 HK\$'000	Decrease in assumption 2025 HK\$'000
Discount rate	0.5%	(1,024)	1,062
Staff turnover rate	5%	(798)	2,843

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

36. LEASE COMMITMENT

As at 31 December 2025, the Group had total future minimum lease payments under non-cancellable leases payable not included in the lease liabilities as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	1,451	1,399

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(Expressed in Hong Kong Dollars unless otherwise indicated)

37. 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 as detailed in note 12.

	2025 HK\$'000	2024 HK\$'000
Short term employee benefits	11,005	10,068
Retirement scheme contributions	339	331
	11,344	10,399

(b) Transactions with an associate

	2025 HK\$'000	2024 HK\$'000
Income relating to right-of-use assets	3,686	3,686
Interest income	197	198
Sourcing, collection and sorting waste plastics services income	414	1,015

(c) Transactions with related parties

Nature of related party relationship	Nature of transaction	Interested director	2025 HK\$'000	2024 HK\$'000
(i) Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	2,076	3,199
(ii) The company owned by close family member of a director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	1,780	1,022
(iii) Common director and shareholder	IT maintenance and other services	Mr. Ng Wing Hong	1,214	-
(iv) The company owned by close family member of a director and shareholder	Rental expenses and other services fee	Mr. Ng Wing Hong	347	381
	Sale of materials		886	348
(v) The charitable company limited by guarantee controlled by close family member of a director and shareholder	Donation	Mr. Ng Wing Hong	700	-

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of information technology service fee as disclosed in note 37(c) (i) 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" in the Directors' Report.

In addition, the other related party transactions as disclosed in note 37(c)(ii), (iii), (iv) and (v) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempt from the disclosure requirements in Chapter 14A of the Listing Rules, as they fall under the de minimis transaction category pursuant to Rule 14A.76(1) of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

38. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE FINANCIAL STATEMENTS

	2025 HK\$'000	2024 HK\$'000
Capital expenditure in respect of the additions of property, plant and equipment		
– Contracted for within one year	5,707	7,290

39. CONTINGENT LIABILITY

As at 31 December 2025, performance bonds of approximately HK\$360,097,000 (2024: HK\$454,992,000) were given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work. As at 31 December 2025, the Group had unutilised banking facilities granted for performance bonds of approximately HK\$409,903,000 (2024: HK\$235,008,000).

At the end of the reporting period, the directors do not consider it is probable that such claim will be made against the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Investments in subsidiaries	1,283	1,283
Intangible assets	8,200	8,200
	9,483	9,483
Current assets		
Prepayments and other receivables	243	246
Amounts due from subsidiaries	174,596	184,645
Cash and cash equivalents	279	169
	175,118	185,060
Current liabilities		
Accruals and other payables	79	79
Amounts due to subsidiaries	79,335	88,994
	79,414	89,073
Net current assets	95,704	95,987
Net assets	105,187	105,470
Capital and reserves		
Share capital	4,150	4,150
Reserves	101,037	101,320
Total equity	105,187	105,470

Approved by the Board of Directors on 24 March 2026 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan Phyllis
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

41. CHANGES IN EQUITY OF THE COMPANY

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Retained earning HK\$'000	Total HK\$'000
As at 1 January 2024	4,150	100,850	1,165	183	106,348
Profit and total comprehensive income for the year	-	-	-	13,232	13,232
Dividend approved in respect of the previous year (<i>note 10(b)</i>)	-	-	-	(14,110)	(14,110)
Share options lapsed	-	-	(1,165)	1,165	-
As at 31 December 2024 and 1 January 2025	4,150	100,850	-	470	105,470
Profit and total comprehensive income for the year	-	-	-	15,487	15,487
Dividend approved in respect of the previous year (<i>note 10(b)</i>)	-	-	-	(15,770)	(15,770)
As at 31 December 2025	4,150	100,850	-	187	105,187

As at 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to HK\$101,037,000 (2024: HK\$101,320,000).

42. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2025, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 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 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures. Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: Disclosures</i>	1 January 2027

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 financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, income taxes and discontinued operations categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2026.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Results					
Revenue	2,424,634	2,603,087	2,327,489	1,793,121	1,273,809
Profit before taxation	114,254	65,826	62,552	65,158	21,726
Income tax expense	(17,150)	(9,367)	(14,424)	(13,753)	(8,882)
Profit for the year	97,104	56,459	48,128	51,405	12,844
Attributable to:					
Equity shareholders of the Company	97,279	53,856	47,111	53,709	12,847
Non-controlling interests	(175)	2,603	1,017	(2,304)	(3)
Profit for the year	97,104	56,459	48,128	51,405	12,844

	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Assets and liabilities					
Total assets	999,432	1,011,554	1,011,393	896,168	660,943
Total liabilities	(506,838)	(597,872)	(641,692)	(560,057)	(374,362)
	492,594	413,682	369,701	336,111	286,581
Attributable to:					
Equity shareholders of the Company	491,656	411,569	370,191	337,618	286,584
Non-controlling interests	938	2,113	(490)	(1,507)	(3)
Total equity	492,594	413,682	369,701	336,111	286,581

碧瑤綠色集團有限公司
Baguio Green Group Limited