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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Ms. Cheung Siu Chun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Siu Chun (HKICPA)

LEGAL ADVISERS

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

AUDITORS

HLB Hodgson Impey Cheng Limited

COMPLIANCE ADVISER

Guotai Junan Capital Limited
28/F, Grand Millennium Plaza
181 Queen's Road
Central
Hong Kong

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
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Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE ADDRESS

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

STOCK CODE

1397

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Baguio Green Group Limited (the "Company", and together with its subsidiaries, the "Group" or "Baguio"), I am pleased to present the consolidated audited annual results of the Group for the year ended 31 December 2014 (the "Year").

2014 was a year of leap forward for Baguio. We are proud of our successful listing on the Main Board of the Hong Kong Stock Exchange in May. Our transformation into a listed company has built a solid capital foundation for the Group and elevated the Baguio brand to a whole new level. Pursuant to our listing, we have made significant moves to tap into waste management and recycling business in Hong Kong. While we strove to accomplish our vision of developing a one-stop waste management and recycling platform during the Year, we achieved satisfactory growth in our existing businesses at the same time. I am delighted to report that all four business segments of Baguio delivered encouraging results during the Year.

BUILDING A ONE-STOP WASTE MANAGEMENT AND RECYCLING PLATFORM

Baguio recognises that wasteloads from households, industrial and commercial operations in Hong Kong have been increasing incrementally. However, with the shortage of landfill space in Hong Kong, actions to tackle the rising wasteloads are imperative. In view of this opportunity, Baguio aspired to build a one-stop waste management and recycling service platform incorporating waste collection, sorting and processing. In August 2014, we successfully set up a waste management and recycling center in Fanling to provide waste sorting, glass bottle recycling, as well as confidential material destruction services. We will continue to mound on this foundation and expand our scope of service to offer a complete range of services in the waste management and recycling sectors. The sorting and processing volume conducted by the Group is gradually ramping up and we believe this will soon be a revenue contributor for Baguio. Since the commencement of the Group's operation, the waste management and recycling center has attracted attention from government officials, existing and potential customers as well as business partners. The concept of a one-stop waste management and recycling center was well-received by visitors of the Fanling site, making it a demonstration site to display the potential of the recycling industry in Hong Kong.

FORTIFYING EXISTING BUSINESS SEGMENTS

The Group's established businesses of cleaning, landscaping, pest management and waste management and recycling registered stable growth for the Year. During the Year, we have continued to utilize our cross-selling platform to increase market penetration. The Group has successfully acquired new contracts from existing and new customers across all sectors. The winning of these contracts represents the customers' recognition of our quality service complying with their stringent requirements and it further expands Baguio's footprint in Hong Kong. Going forward, we will establish closer ties with our existing and potential customers to secure large-scale projects in other sectors.

While striving to explore further business opportunities and maximise our market share in all of the four business segments, we believe that implementing rigid internal control to enhance operational efficiency and financial position are equally important. During the Year, the Group has started to upgrade the Group's Enterprise Resources Planning System ("ERP") to provide scientific analysis and streamline operation processes. The Group also arranged continuous training on work safety, operational and supervisory skills for its senior management and staff to enhance operational efficiency.

PROSPECTS

In 2014, we have made considerable progress towards our goal of becoming an integrated environmental services provider. In view of the imminent landfill depletion problems in Hong Kong and Government's committed efforts to raise the recycling target and to build new infrastructure for recycling, the Group believes that a culture of waste recycling will be fostered in Hong Kong and we are well-positioned to seize the abundant opportunities as a first mover in Hong Kong's waste management and recycling industry. Looking ahead, we aim to extend our services to the collection of liquid waste for the Group's waste management and recycling businesses. We also plan to invest in the development of green technologies and production of environmentally friendly materials and products. For the Group's existing business segments, we plan to maximize our market share in each service and customer segment while enhancing our operational efficiency to maintain long-term and sustainable growth.

With a solid business foundation, established services and sound management, the Group also targets to expand outside Hong Kong and penetrate into the environmental industry of China. We are actively exploring business opportunities in China, targeting the Pearl River Delta region as a starting point, and will plan for further expansion to other parts of China. We have initiated preliminary discussions with local players in China regarding possible joint ventures, mergers and acquisitions opportunities. In addition, to raise Baguio's profile in the China markets, the Group will conduct extensive promotion campaigns including participating in the environmental trade exhibitions in China. After years of economic development and rapid urbanisation, the government of the People's Republic of China has set out a state policy in its "12th Five Year Plan" to tackle environmental problems. In consideration of the enormous demand and potential in China's environmental market, we will seek the business opportunities in China as a long-term development plan for Baguio.

APPRECIATION

I would like to express my heartfelt gratitude to everyone at Baguio for their dedication and hard work. Baguio would not have made it this far without your contributions. I would also like to sincerely thank our shareholders and business partners for their continued support and confidence in the Group.

Ng Wing Hong

Chairman of the Board

Hong Kong
30 March 2015

BUSINESS REVIEW

Baguio's business focuses on professional cleaning, waste management and recycling, landscaping and pest management. With years of experience and established reputation, a seasoned management team and comprehensive resources, Baguio is currently one of the industry leaders in terms of revenue in Hong Kong. As a key player in the environmental services industry, the Group considers that it has competitive advantages in gaining contracts and projects across different sectors including government departments, semi-government entities, public utility companies as well as private non-governmental organizations (NGOs) and private companies.

Over the years, Baguio has been serving the Hong Kong community by providing comprehensive quality services diverging from cleaning, landscaping, pest management to waste management and recycling to both public and private institutes. With extensive networks, trained personnel and specialised fleets, the Group has been and will continue to be in an advantageous position to benefit from the increasing industry demands and favorable government policies.

Market overview

After experiencing various communicable disease outbreaks in the past decades, public hygiene awareness in Hong Kong has increased noticeably. Coupled with the increase of living standard and continuous urban development, the Group considers that the demand for professional cleaning has been growing steadily. In addition, the Hong Kong Government (the "Government") has devoted enormous efforts in promoting environmental protection, greening as well as waste management and recycling. In the "Blueprint for Sustainable Use of Resources 2013–2022", the Government has set a target to raise the recycling rate for municipal solid waste from 48% in 2011 to 55% by 2022. The Group viewed that the Government has been committed to fostering a recycling habit in the community and to improve the recycling infrastructure. It is expected that the Government may impose charging schemes for municipal solid waste, glass container bottles and plastic bags. The Legislative Council has passed the bill to build a food waste treatment plant in Lantau Island, a waste electronic and electrical equipment ("WEEE") treatment plant in Hong Kong EcoPark, as well as a waste incineration plant in Shek Kwu Chau. It has planned to launch a HK\$1 billion recycling fund to help the private sector to build recycling facilities, and a HK\$400 million fund to establish "Community Green Stations" in each of the 18 districts in Hong Kong. With all these Government policies and measures in place or expected to be in place, the Group believes that there will be rapidly expanding demands on collection, sorting and recycling facilities and services in the years ahead. The Group is well prepared for these upcoming opportunities.

Results

For the Year, the Group has successfully gained scalable governmental cleaning projects and which has been a strong revenue contributor for the Group, driving the overall revenue of the Group to surge by approximately 25.3% year-on-year to approximately HK\$1,028.7 million as compared with approximately HK\$821.3 million in 2013. Cost of services increased by approximately 26.2% to approximately HK\$930.5 million (full year "FY" 2013: approximately HK\$737.4 million) while gross profit for the Year increased by approximately 17.1% to approximately HK\$98.2 million (FY2013: approximately HK\$83.9 million). Gross profit margin was at approximately 9.5% (FY2013: approximately 10.2%).

Profit for the Year attributable to owners of the Company recorded a decrease of approximately 71.7% to approximately HK\$17.7 million during the Year. This was mainly due to the non-recurring listing expenses of HK\$13.2 million and the higher comparison base in 2013 with the one-off gain of HK\$27.4 million from disposal of investment properties. Moreover, to cope with the growing demand in the cleaning and waste management and recycling businesses, the Group has enlarged its work force during the Year. The number of operational employees of the Group increased by 32.7% to 8,934 (as at 31 December 2013: 6,732). Therefore, the administrative expenses incurred by the Group during the Year increased by approximately 55.6% to approximately HK\$53.5 million from HK\$34.4 million in 2013. Coupled with the increase in selling and marketing expenses, the net profit margin of the Group recorded a drop of 5.9% to 1.7%. After netting off the non-recurring listing expenses, the adjusted net profit of the Group would be approximately 30.9 million with adjusted profit margin of approximately 3.0%. Earnings per share for the Year was HK\$0.05 (FY2013: HK\$0.20). Dividends per share recommended by the Board for the Year was HK\$0.013 (FY2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Breakdown of Major Business Segments

	For the year ended 31 December 2013		For the year ended 31 December 2014		Change
	Revenue (HK\$ Million)	% of total revenue	Revenue (HK\$ Million)	% of total revenue	
Cleaning	551.7	67.2%	734.6	71.4%	+33.2%
Landscaping	138.2	16.8%	143.5	14.0%	+3.9%
Pest management	74.7	9.1%	84.2	8.2%	+12.7%
Waste management and recycling	56.7	6.9%	66.4	6.4%	+17.1%
Total	821.3	100.0%	1,028.7	100.0%	+25.3%

Gross Profit Margin of Major Business Segments

	For the year ended 31 December 2013	For the year ended 31 December 2014	Change
	Gross profit margin	Gross profit margin	
Cleaning	8.3%	8.1%	-0.2p.p.
Landscaping	17.0%	17.3%	+0.3p.p.
Pest management	8.1%	8.5%	+0.4p.p.
Waste management and recycling	14.9%	10.4%	-4.5p.p.
Total	10.2%	9.5%	-0.7p.p.

Cleaning Services

The Group's cleaning service segment has always been a stable and a major revenue contributor for the Group. For the Year, the Group's cleaning services recorded continuous growth with revenue increased to approximately HK\$734.6 million from approximately HK\$551.7 million in 2013, representing a growth of approximately 33.2%. This was mainly driven by the surge in the number of contracts acquired during the Year. Moreover, the Group has succeeded in obtaining new contracts with the Government for the business of providing support and cleaning services to clinics in Hong Kong. Gross profit margin of the segment for the Group maintained at approximately 8.1% (FY2013: approximately 8.3%).

Contract on-hand for the cleaning service segment as at 31 December 2014 worth approximately HK\$1,254.6 million and contract value of approximately HK\$803.2 million will be completed in 2015.

Landscaping Services

Revenue from the Group's landscaping service segment for the Year increased by approximately 3.9% to approximately HK\$143.5 million (FY2013: approximately HK\$138.2 million). During the Year, the cost of landscaping services recorded substantial increase, especially from the Group's purchase of plants and greeneries for its landscaping services. Thus, during the Year, the Group adopted a prudent approach on this business segment by selecting projects with higher gross profit margins. As a result, the Group was able to maintain the gross profit margin of this segment at approximately 17.3% (FY2013: approximately 17.0%).

Contract on-hand for this segment as at 31 December 2014 worth approximately HK\$209.0 million and contract value of approximately HK\$134.4 million will be recognised in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Pest Management Services

During the Year, the Group's pest management services segment has recorded a revenue growth of approximately 12.7% from HK\$74.7 million in 2013 to approximately HK\$84.2 million in 2014. Gross profit margin of this segment maintained at a stable level at approximately 8.5% (FY2013: approximately 8.1%).

As at 31 December 2014, contract on-hand for this segment worth approximately HK\$61.8 million while approximately HK\$55.8 million will be recognised in 2015.

Waste Management and Recycling Services

During the Year, the Group obtained a 2-year contract with the Government where the Group provided services to collect recyclable plastics, papers and metal from approximately 3,000 three-colored recycling bins in 18 districts in Hong Kong. The service officially commenced on 1 August 2014. The Group considers that having won the said contract was a successful step into the Hong Kong recycling industry. In August 2014, the Group also established a recyclable sorting and processing centre in Fanling to enhance its position in the recycling business in Hong Kong. As a result of these achievements, the revenue generated from the waste management and recycling service business recorded satisfactory growth of approximately 17.1% year-on-year to approximately HK\$66.4 million (FY2013: approximately HK\$56.7 million). Gross profit margin decreased by approximately 4.5% to approximately 10.4%. This was mainly attributable to the depreciation of plant and equipment as well as operating expenses incurred from the Fanling centre.

Contract on-hand for the waste management and recycling segment of the Group as at 31 December 2014 was approximately HK\$127.9 million and contract value of approximately HK\$67.5 million will be completed in 2015.

New Contracts Gained/Renewed and Contract On-Hand

	Backlog contract value (HK\$ Million)	Contract value to be recognised by 31 December 2015 (HK\$ Million)	Contract value to be recognised by 31 December 2016 (HK\$ Million)	Contract value to be recognised in 2017 and beyond (HK\$ Million)
Cleaning services	1,254.6	803.2	331.3	120.1
Landscaping services	209.0	134.4	47.8	26.8
Pest management services	61.8	55.8	5.7	0.3
Waste management and recycling services	127.9	67.5	47.2	13.2
Total	1,653.3	1,060.9	432.0	160.4

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS

During the Year, the Group has been recognised by many renowned institutes for its professional and quality services. The following awards have been granted to the Group:

Month	Issuer of Award	Award
Feb 2014	The Hong Kong Council of Social Service	Caring Company Award
Apr 2014	Employees Retraining Board	Manpower Developer Award
May 2014	The Society of Rehabilitation and Crime Prevention, Hong Kong	Benevolent Employers of Rehabilitated Offenders
Jun 2014	Environmental Protection Association of China, Hong Kong, Taiwan and Macau	*Green China 2014 Environmental Achievement Award — Green China Outstanding Listed Company for Environmental Protection (第四屆「綠色中國2014環保成就獎 — 傑出環保上市公司獎」)
Jun 2014	MetroBox magazine	Prime Awards for Eco Business 2014
Aug 2014	World Green Organisation (WGO)	Green Office Awards Labelling Scheme 2014 (GOALS)
Oct 2014	Metro Prosperity	Prime Awards for Brand Excellence 2014
Oct 2014	Hong Kong Confederation of Trade Unions	2014 Outstanding Partner Award
Nov 2014	Hong Kong Chamber of Small and Medium Business	Partner Employer Award 2014/15
Nov 2014	Mediastone Group	Hong Kong's Most Valuable Companies Awards 2015
Dec 2014	GS1 Hong Kong	HK Internet of Things (IoT) Awards 2014 — Certificate of Merits
Dec 2014	Green Council	Environmental, Health & Safety Award — Bronze

* This award name has been translated into English. If there is any inconsistency or ambiguity between the English version and the Chinese version, the Chinese version of the award name shall prevail.

INTELLECTUAL PROPERTY RIGHTS

The Group is pleased to announce that the trademark  had been approved in 4 December 2014 and registered with the Trade Marks Registry of the Intellectual Property Department in Hong Kong as at 6 December 2013.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Apart from improving the hygiene and helping to build a pleasant environment around Hong Kong with its services, Baguio has devoted time and efforts to give back to the Hong Kong community. The following are some of the social activities carried out by staffs of the Group during the Year:

Month	Activity
Jan 2014	Sponsorship for the 2014 Neighborhood Reunion Lunch by Hong Kong Federation of Youth Groups
Feb 2014	Red Pocket Reuse & Recycle Program
Mar 2014	Beach Clean-up Activity
Jun 2014	Elder Home Visit Activity
Sep 2014	Mid-autumn Festival Moon-cake Donation & Home Visit Activity
Oct 2014	Support Rehab Power Day 2014
Oct 2014	Support Work-life Balance Week

PROSPECTS

In 2014, the Group has made significant progress in its waste management and recycling business by winning the Government contracts to collect recyclables for all 18 districts of Hong Kong and establishing its waste management and recycling centre site in Fanling. Looking forward, the development of this business segment will remain as the Group's strategic focus. The Group will expand to provide other waste management services such as collection of food waste and liquid waste and increase the processing volume of the recycling centre of Fanling. Also, the Group will invest in the development of green technologies and production of environmentally friendly products. Apart from that, as an international financial and commercial hub, Hong Kong is in great demand for the destruction of confidential materials. However, the Group considers that the market providing such services remains underdeveloped and we view that as an opportunity for the Group to pursue. In August 2014, the Group has introduced confidential materials destruction and recycling services in the Fanling plant with initial capacity of 20 tonnes per day. The Group is confident that with our capability and capacity, we are ready to further explore the enormous potential in Hong Kong and possibly China's waste management and recycling industry.

According to the "12th Five-year Plan of the People's Republic of China", China has laid out its blueprint for pollution and environmental conservation, which includes the building of liquid and solid waste treatment and the enforcement of recycling services. The Group believes such emphasis on environmental services will continue in the upcoming 13th Five-year Plan to be released in 2016. Coupled with the continuous economic development and rising in living standard in China, China has seen increasing demand on cleaning and landscaping services. The Group believes that China's environmental services industry will continue to be a lucrative market with plenty of potentials. Implemented with a systematic and scientific management platform running on ERP, the Group is able to monitor and analyze its operational data and allocate labor and other resources precisely. Together with an experienced management team with over 30 years of experience in the environmental services industry equipped with industry knowledge, the Group enjoys unparalleled advantages to venture into the China market. Our first aim is to introduce professional cleaning and landscaping services to the Pearl River Delta Region. The Group intends to focus on collaborating with real estate developers and provide services to large-scale residential and commercial complexes. Preliminary discussion has been started with potential business partners and we will carefully monitor upcoming opportunities for the Group's long-term development.

The Government is devoting to increase resources on greening through active planting, proper maintenance and preservation of trees together with other vegetation. Together with continuous urban planning and increasing number of residential projects, the Group expects that the demand for professional landscaping service will rise. In December 2014, Baguio has set up a plant nursery in Mainland China. This was part of the Group's cost saving strategy to build a more competitive operation model. Not only the Group expected that the nursery will enable the Group to cut cost from purchasing from external vendors, it is expected to provide more competitive pricing when tendering projects and it will also allow the Group to better control the variety and quality of the vegetation used for its landscaping services. The plant nursery has been supplying plants to the Group's landscaping projects since early 2015. Compounding with the Group's expertise in landscaping and supporting by the Group's professional team of certified arborists, the Group expected that Baguio will seize more business opportunities in the landscaping segment in the upcoming future.

The Group believes that there are still huge potentials to be unleashed from the cleaning and pest management industries. The recent flu outbreaks as well as the decrease in seasonality of pest-borne infections such as Dengue Fever have raised public awareness on creating a clean environment. In 2015, the Group will continue to expand into private sectors for the cleaning and pest management segments. The Group targets to increase its presence in the private sector by participating in more tenders. Via series of marketing initiatives in 2014, the Group has already laid a foundation to exploring new opportunities in the private sector.

On the promising outlook of the environmental industry in Hong Kong and China for the Group, coupled with the Group's network, advanced operating systems as well as its trusted brand image, the Group has great potential and absolute advantages for future business developments. With concrete expansion blueprint and execution plans, the Group is confident to capture upcoming development opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the year ended 31 December 2013 and 2014 was approximately HK\$821.3 million and approximately HK\$1,028.7 million, respectively, representing an increase of approximately 25.3% as compared with the corresponding year of 2013. The increase was mainly due to overall increase in revenue of all of our four services segments of cleaning, landscaping, pest management and waste management and recycling with increase in numbers of contracts and orders during the year.

More details of the Company's performance for the year by business segments is set out in note 6 to the consolidated financial statements.

Cost of Services

For each of the year ended 31 December 2013 and 2014, the cost of services of the Group amounted to approximately HK\$737.4 million and approximately HK\$930.5 million, respectively, representing approximately 89.8% and approximately 90.5% of the Group's revenue for the corresponding years, respectively. Our cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue slightly increased by 0.7%, primary due to the increase in operation cost incurred in the recycling plant which was only set up in August 2014.

Gross Profit

The Group's gross profit for the year was approximately HK\$98.2 million, representing an increase of approximately 17.1% from approximately HK\$83.9 million of the corresponding year of 2013. The increase was mainly due to increase of overall revenue of the Group.

Gross Profit Margin

The gross profit margins of the Group for the Year was approximately 9.5%, representing a slight decrease by approximately 0.7% to the corresponding year of 2013. The slight decrease was mainly attributable to the depreciation of plant and equipment as well as operating expenses incurred from the Fanling centre which was only set up in August 2014. Nevertheless, the profit margins for provision of the Group's other existing services are relatively stable compared to the corresponding year of 2013.

Gain on Disposal of Investment properties

For the Year, the gain on disposal of investment properties dropped by 100%, or approximately by HK\$27.4 million compared to the corresponding year of 2013. This was primarily due to the relevant one-off disposal gain in 2013.

Selling and Marketing Expenses

Selling and marketing expenses incurred by the Group for the Year increased by approximately HK\$1.3 million, or approximately 376.5%, from approximately HK\$0.4 million in 2013 to approximately HK\$1.7 million in 2014. This was mainly due to increase in marketing activities for penetrating our business in private sector and promoting the new business in the recycling sector. In additions, increased marketing cost was incurred in promoting activities in various communication channels, public and investors' relations after listing.

Administrative Expenses

The administrative expenses incurred by the Group for the Year and the corresponding year in 2013 were approximately HK\$53.5 million and approximately HK\$34.4 million respectively, representing approximately 5.2% and approximately 4.2% of the respective years' revenue. The change was mainly due to increase in the number of administrative staff and directors with the further development of the existing business and new development in recycling services after listing. In additions, adjustment of the administrative staff's remunerations were made to reflect market level which include an one-off discretionary bonus amounted to a total of approximately HK\$1.2 million and approximately HK\$1.4 million for our directors. The remunerations had been paid in the first quarter of 2014. Increased professional fees after listing and office related expenses after expansion also contributed to the increase.

Finance Costs

The finance costs of the Group amounted to approximately HK\$8.3 million and approximately HK\$8.4 million for the year ended 2013 and 2014 respectively, representing approximately 1.0% and approximately 0.8% of the Company's revenue in the respective years.

Profit for the Year Attributable to Owners of The Company

Our profit attributable to equity shareholders of the Company decreased by approximately HK\$44.8 million to approximately HK\$17.7 million for the Year from approximately HK\$62.5 million. The significant decline was primarily attributable to the non-recurring listing expenses of approximately HK\$13.2 million in connection with the listing of the Company during year 2014 and the drop in the one off gain in disposal of investment properties approximately of HK\$27.4 million in year ended 2013. If the above two factors are excluded from calculation, the net profit attributable to owners of the Company for the Year would represent a decrease of approximately HK\$6.4 million from the year 2013. The decrease was mainly due to the increase in selling and marketing expenses, and administrative expenses with the factors described above.

FOREIGN CURRENCY RISK

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

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 32 (share capital) and note 33 (reserve) to the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering comprehensive range of environmental services. For the Year, we had net cash generated from operating activities of approximately HK\$20.7 million (2013: approximately HK\$6.3 million). The Group had available cash and bank balances amounting to approximately HK\$61.4 million (31 December 2013: approximately HK\$36.5 million), representing an increase of approximately 68.2% from 31 December 2013. All cash and bank balances were denominated in Hong Kong dollar.

As at 31 December 2014, the Group's total current assets and current liabilities were approximately HK\$326.0 million (31 December 2013: approximately HK\$246.3 million) and approximately HK\$257.3 million (31 December 2013: approximately HK\$230.0 million) respectively, while the current ratio was approximately 1.3 times (31 December 2013: approximately 1.1 times).

As at 31 December 2014, the Group's finance lease payables were approximately HK\$80.0 million (31 December 2013: approximately HK\$72.3 million) for financing the acquisition of motor vehicles for operation use. During the year, no financial instruments were used for hedging purposes (2013: nil).

The gearing ratio of the Group was approximately 1.0 times as at 31 December 2014 (31 December 2013: approximately 2.0 times), which was calculated based on the total interest-bearing bank borrowings and obligations under finance leases over equity attributable to owners of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

For the Year, our capital expenditures mainly included additions in motor vehicles, plant and equipment amount to approximately HK\$58.7 million (2013: approximately HK\$43.9 million). These capital expenditures were funded by borrowings from bank and finance companies, funds generated from our operating activities and capital contributions from our shareholders through the initial public offering of the Company.

As at 31 December 2014, the Group had capital commitment of approximately HK\$3.7 million in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements (31 December 2013: approximately HK\$2.8 million).

CONTINGENT LIABILITIES

As at 31 December 2013 and 31 December 2014, the Group did not have any material contingent liabilities.

USE OF PROCEEDS

The Company was listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 May 2014 and raised net proceeds of approximately HK\$90.0 million. The future plans as stated in the prospectus of the Company dated 12 May 2014 (the "Prospectus") were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus and as at the date of this annual report, the Group does not anticipate any changes to the use of proceeds stated in the Prospectus. During the period between the date of the listing of the Company and 31 December 2014 (the "Period"), the net proceeds were used for the following purposes:

Summary of use of proceeds

	Available (HK\$ Million)	Utilised (HK\$ Million)	Unutilised (HK\$ Million)
Acquisition of vehicles and equipment for expanding and broadening for existing services	25.4	14.8	10.6
Development and expansion of waste management and recycling services	17.9	5.7	12.2
Enhancing operation efficiency and quality services	11.7	1.5	10.2
Working capital and other general purposes	35.0	31.6	3.4
	<u>90.0</u>	<u>53.6</u>	<u>36.4</u>

As at 31 December 2014, the unused proceeds were deposited in licensed banks in Hong Kong.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2014, the amounts payable under finance leases within one year was approximately HK\$24.2 million (31 December 2013: approximately HK\$21.3 million), and in the second to fifth year inclusive was approximately HK\$55.8 million (31 December 2013: approximately HK\$51.0 million).

As at 31 December 2014, the obligations under finance leases of the Group were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

In addition, we have (i) pledged bank deposit with carrying amounts of approximately HK\$7.2 million (31 December 2013: approximately HK\$0.1 million) as at 31 December 2014; (ii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18.3 million (31 December 2013: approximately HK\$18.8 million) as at 31 December 2014; (iii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12.5 million (31 December 2013: approximately HK\$12.2 million) as at 31 December 2014; and (iv) pledge of the Group's trade receivables with aggregate values of approximately HK\$103.4 million (31 December 2013: approximately HK\$77.2 million) as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

HUMAN RESOURCES

As at 31 December 2014, the Group employed 8,934 employees, including both full time and part time (31 December 2013: 6,732). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ng Wing Hong (吳永康), aged 60, is one of the founders and Controlling Shareholders of our Group and was appointed as an executive Director and our Chairman on 23 January 2014. Mr. Ng has over 34 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 which started off as a cleaning service provider in Hong Kong.

Mr. Ng graduated from the University of Hong Kong in October 1977 with a Bachelor of Science degree. He also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983, a Bachelor of Laws degree from the University of London (external degree) in August 1990 and a Postgraduate Certificate in Laws from the University of Hong Kong in September 1991. Mr. Ng was admitted as an associated member of the Association of Chartered Certified Accountants in September 1988 and became a fellow of the Association of Chartered Certified Accountants in September 1993. He was also a fellow member of the Hong Kong Institute of Certified Public Accounts in March 2000. He was admitted as an associate member of the Institute of Chartered Secretaries and Administrators in March 1988 and an associate member of the Hong Kong Institute of Company Secretaries in August 1994. He was awarded a Certificate of Competence in Safe Handling of Clinical Waste by the Occupational Safety & Health Council in December 2013. He was also certified as a certified arborist and a certified tree risk assessor by the International Society of Arboriculture in April 2007 and April 2011 respectively. He became a fellow member of the Hong Kong Institute of Chartered Secretaries in March 2014 and he was also admitted as a fellow of the Hong Kong Institute of Directors in May 2014. Mr. Ng is one of our Controlling Shareholders. Mr. Ng is also the husband of Ms. Chan Shuk Kuen and the brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan, Phyllis.

Ng Yuk Kwan, Phyllis (吳玉群), aged 46, was appointed as an executive Director, chief executive officer and compliance officer on 23 January 2014. Ms. Ng has over 19 years of experience in the environmental service industry and is primarily responsible for the overall management of our Group and for overseeing the corporate development department and corporate communication department. She joined our Group as an assistant general manager in November 1995 and has been promoted to general manager in February 2000. Prior to joining our Group, Ms. Ng served at ELM Computer Technologies Limited, a IT solution and services provider, as an executive from February 1995 to October 1995 and as account executive from September 1993 to August 1994, where she was responsible for the marketing of the company's products. She served as an assistant registration officer at the Law Society of Hong Kong between September 1992 and September 1993 and as an assistant merchandiser at the Famous House Garment Factory Limited between July 1991 and June 1992.

She 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. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by the Hong Kong Polytechnic University in June 2009, the ISO 9000:2000 Series Internal Quality Auditor Training Course co-organised by the Hong Kong Productivity Council and SGS International Certification Services in November 2002 and the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She was certified as a certified arborist by the International Society of Arboriculture in September 2012. She was admitted as a fellow of the Hong Kong Institute of Directors in May 2014 and she has achieved Professional Diploma in Corporate Governance & Directorship jointly awarded by Hong Kong Institute of Directors and Hong Kong Productivity Council in June 2014. Ms. Ng is the sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen as well as the sister-in-law of Ms. Chan Shuk Kuen.

Ng Wing Chuen (吳永全), aged 64, is our executive Director. He was appointed as an executive Director on 23 January 2014. He is currently in charge of the overall management and strategic planning of our Group. He joined our Group in 1982 as one of Baguio Cleaning Services Company Limited's directors. Outside of his experience with the Group, Mr. Ng had served at various banks and other financial institutions, including Hong Kong Chinese Bank Limited, with his last position as manager of the marketing and credit collection department from June 1981 to July 1988, Seng Heng Bank, now known as Industrial and Commercial Bank of China (Macau), as member of the supervisory board from June 1987 to May 1988, Henlink Securities Company as manager from January 1981 to June 1981, Hanrich Finance & Investment Company Limited as assistant manager from January 1980 to December 1980, The Chase Manhattan Bank, N.A., with his last position as operations supervisor from September 1974 to January 1980, and Dah Sing Bank, Limited as a clerk from September 1971 to September 1974.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Leung Shuk Ping (梁淑萍), aged 42, is our executive Director. She was appointed as an executive Director on 23 January 2014. Ms. Leung has 15 years of experience in administration and business management. She joined our Group in August 1997 as a secretary and resigned in October 2010 with her then last position as senior administration manager. She rejoined our Group as operation Director in June 2012. She currently oversees the operation department, administration department, IT department, SHEQ department and fleet management department. Prior to joining our group, she served S.F. Express (Hong Kong) Limited, a company that provides domestic and international express delivery solutions, as senior manager in the administration department between November 2010 and June 2012, where she was responsible for supervising the administration department. Between April 1989 and August 1996, Ms. Leung worked at Bunn's Diving Equipment Corporation Limited, a company that sells diving and water sports gear, and the last position she held was assistant shop manager.

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

Chan Shuk Kuen (陳淑娟), aged 46, is our executive Director. She was appointed as an executive Director on 23 January 2014. Ms. Chan joined our Group in May 2006 as human resources manager and was promoted as senior human resources manager in December 2008 and as human resources Director in July 2012. Ms. Chan oversees the full spectrum of human resources functions including compensation management, employee relations, recruitment, performance management, training and development. Prior to joining our Group, Ms. Chan worked in HK Art's Group, whose business is retails of optical products, as general manager between May 1992 and August 1997, where she was responsible for setting the group's development strategy as well as managing the daily operations of the 14 optical retail shops of the group.

Ms. Chan was awarded Bachelor of Business Administration from the Open University of Hong Kong in December 2000 and a Professional Diploma in Human Resources Management from the School of Continuing Education of Hong Kong Baptist University in May 2013. She was admitted as an associate of The Hong Kong Institute of Directors in May 2014. Ms. Chan is the wife of Mr. Ng Wing Hong and the sister-in-law of Ms. Ng Yuk Kwan, Phyllis and Mr. Ng Wing Chuen.

Cheung Siu Chun (張笑珍), aged 50, was appointed as an executive Director, chief financial officer and our Company's company secretary on 23 January 2014. Ms. Cheung currently oversees the Group's finance department, purchasing department and logistics department and is responsible for the Group's accounting, cost control, corporate finance and cash management affairs. Ms. Cheung joined our Group in November 1999 as financial controller and resigned in November 2004. She rejoined our Group in August 2005 and in July 2012 was our finance director. Prior to joining our Group, Ms. Cheung served Legend Holdings Limited, now known as Lenovo Group Limited, as assistant manager at the group internal audit department between August 1997 and March 1999 and as assistant manager at the corporate business development department between April 1999 and October 1999, where she supervised a team of professional staff in monitoring the business performance of various subsidiary companies. Prior to that, she worked in David M.K. Yeung & Co., CPA as audit supervisor from July 1991 to December 1995 and as audit assistant manager from January 1996 to July 1997, Wong Brothers & Co., CPA, as accountant from September 1989 to May 1991 and David M.K. Yeung & Co., CPA, with her last position as audit semi-senior, from April 1987 to August 1989.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sin Ho Chiu (冼浩釗), aged 59, is an independent non-executive Director. He was appointed to the Board on 24 April 2014. He has been the legal representative of Shanghai GrafTech Trading Company Limited since February 2011 and the sales director and general manager of GrafTech Hong Kong Limited since May 2011. From October 2001 to April 2011, Mr. Sin served and was promoted as the business director-Asia Pacific in GrafTech International Trading Inc.. Between September 1999 and September 2001, Mr. Sin served as the treasurer and controller of Union Carbide Asia Pacific Inc.. Between September 1987 and August 1999, Mr. Sin served as the finance manager of Union Carbide Asia Limited.

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

Dr. Law Ka Hung (羅家熊), aged 59, is our independent non-executive Director. He was appointed to the Board on 24 April 2014. He has been an independent non-executive director of HKC International Holdings Limited (stock code: 248) since December 2012. From September 2012 to now, Dr. Law worked as a visiting lecturer (part-time) in the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University.

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

Lau Chi Yin, Thomas (劉志賢) aged 56, is our independent non-executive Director. He was appointed to the Board on 24 April 2014. Mr. Lau has been the executive director and responsible officer of Jolmo Capital Limited, a licenced corporation of the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities, corporate finance and asset management, since January 2008 and March 2005 respectively. He has been serving as a member of the Disciplinary Committee Panel of the Social Workers Registration Board since January 2008. Between April 2008 and September 2011, Mr. Lau was appointed as a director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司) (Shenzhen stock code: 300094). Between April 2008 and December 2011, Mr. Lau was appointed as the supervisor of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. (珠海恒基達鑫國際化工倉儲股份有限公司) (Shenzhen stock code: 002492).

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

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 2014.

1. PRINCIPAL ACTIVITIES

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

2. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's revenue and non-current assets by reportable segments of operations for the year ended 31 December 2014 is set out in note 6 to the consolidated financial statements. No geographical information is represented as all of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers was generated in Hong Kong during the Year.

3. RESULTS AND FINAL 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 34. The Directors recommended the payment of a final dividend of HK1.3 cents per share, totalling approximately HK\$5,395,000, to be paid on or around 19 June 2015, to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 3 June 2015.

4. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

5. SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the note 32 to the consolidated financial statements.

6. DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK\$86.7 million, of which approximately HK\$5.4 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 of the Company provided that immediately following the date on which the dividend is proposed to be 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.

7. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

8. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2014 are set out in the note 29 to the consolidated financial statements.

9. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under 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.

10. 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 from the date of listing up to 31 December 2014.

11. FINANCIAL SUMMARY

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2014 and for the previous three financial years are set out on page 94.

12. DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Ng Wing Hong (<i>Chairman</i>)	(appointed on 23 January 2014)
Ms. Ng Yuk Kwan, Phyllis (<i>Chief Executive Officer and Compliance Officer</i>)	(appointed on 23 January 2014)
Mr. Ng Wing Chuen	(appointed on 23 January 2014)
Ms. Leung Shuk Ping	(appointed on 23 January 2014)
Ms. Chan Shuk Kuen	(appointed on 23 January 2014)
Ms. Cheung Siu Chun (<i>Chief Financial Officer and Company Secretary</i>)	(appointed on 23 January 2014)

Independent Non-executive Directors:

Mr. Sin Ho Chiu	(appointed on 24 April 2014)
Dr. Law Ka Hung	(appointed on 24 April 2014)
Mr. Lau Chi Yin, Thomas	(appointed on 24 April 2014)

Pursuant to Article 84(1) of the Articles of Association of the Company, Mr. Ng Wing Hong, Ms. Ng Yuk Kwan, Phyllis and Mr. Ng Wing Chuen are subject to retirement by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

13. BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as of the date of publication of this report are set out on page 14 to 16.

14. DIRECTORS' SERVICE CONTRACTS

Each of executive directors has entered into a service contract for an initial term of three years commencing from 23 January 2014 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 for an initial term of three years commencing on 24 April 2014 and is subject to termination by either party giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

15. 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, whether 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" in this report of the Directors and note 38 to the consolidated financial statements.

16. 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

17. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2014, as far as is known to the Director or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of 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 (%)
Mr. Ng Wing Hong	Interest of controlled corporation (Note 1)	300,000,000	72.29
Ms. Chan Shuk Kuen	Family interest (Note 2)	300,000,000	72.29
Baguio Green (Holding) Limited	Beneficial owner (Note 1)	300,000,000	72.29
Rays Capital Partners Limited	Investment manager/Beneficial Owner/ interest of controlled corporation (Note 4)	39,108,000	9.42
Ruan David Ching Chi	Interest of controlled corporation (Note 3)	39,108,000	9.42
Yip Yok Tak Amy	Interest of controlled corporation (Note 3)	39,108,000	9.42
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner (Note 4)	32,344,000	7.79

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 shares of our 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 of our Company.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director of our Company.
- (3) The shares in Rays Capital Partners Limited are equally held by Ruan David Ching Chi and Yip Yok Tak Amy. Therefore, they are deemed interested in all the shares in the Company held by Rays Capital Partners Limited.
- (4) Asian Equity Special Opportunities Portfolio Master Fund Limited ("Asian Equity") is wholly-owned by Rays Capital Partners Limited. Therefore, Rays Capital Partners Limited is deemed to be interested in all the Shares of our Company held by Asian Equity.

18. DIRECTORS' INTERESTS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, none of the Directors and chief executives of the Company or any of their respective associates, other than Mr. Ng Wing Hong and Ms. Chan Shuk Kuen, whose interests are set out in the section "Substantial Shareholders' Interest" above, 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.

19. 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 exempt from reporting, announcement and independent shareholders' approval requirements

- (A) On 28 January 2014, Baguio Cleaning Services Company Limited ("Baguio Cleaning") and Nexus Solutions Limited ("NSL") (which is owned as to approximately 87% by Mr. Ng Wing Hong ("Mr. Ng"), a Controlling Shareholder of the Company and an executive director, and as to approximately 0.14% through his wholly-owned Company, IT Holdings Limited), entered into an IT service agreement (the "IT Agreement") pursuant to which NSL has agreed to provide information technology services to our Group. Pursuant to the IT Agreement, NSL shall provide our Group with hardware and networking support for a period of three years commencing from 28 January 2014 and expiring on 27 January 2017.

During the Year, we procured similar IT product and services from a related party and the historical transaction amounts for the Year was approximately HK\$984,000.

The total amount payable under the IT Agreement by Baguio Cleaning to NSL for the Year was less than HK\$1,000,000 per annum by reference to the above historical figures and the percentage ratios mentioned in Rule 14.07 of the Listing Rules is less than 5%. Accordingly, the total fees payable under the IT Agreement fell below the de minimis threshold under Rule 14A.31(2)(c) of the Listing Rules and thus is not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual caps for the transaction for the years ending 31 December 2015 and 2016, respectively have been revised to HK\$6,000,000 and HK\$2,500,000, respectively per annum. Please refer to the Company's announcement dated 1 April 2015 for further details.

- (B) On 11 October 2013, Baguio Cleaning and Mr. Ng entered into a lease agreement (the "Lease Agreement") pursuant to which Mr. Ng (as landlord) agreed to lease the premises situated at Room 5C, Block 19, Baguio Villa, Hong Kong with a total gross floor area of approximately 1,580 sq.ft. to Baguio Cleaning (as tenant), for a period commencing from 1 August 2013 and expiring on 30 September 2015, at a total annual rent of HK\$576,000. The premises is used as staff quarter for Ms. Ng Yuk Kwan Phyllis, one of our executive Directors.

Our annual rent under our Lease Agreement was determined on an arm's length basis between Mr. Ng and Baguio Cleaning by reference to the prevailing market rate for the lease of properties of similar standard in the neighbouring areas of the premises and the terms of the previous lease agreement.

During the Year, the approximate total amount of rent paid was approximately HK\$576,000.

It is estimated that the total amount of rent payable under the Lease Agreement by Mr. Ng to Baguio Cleaning for each of the financial year ending 31 December 2015 will be less than HK\$1,000,000 per annum by reference to the above historical figures and the percentage ratios mentioned in Rule 14.07 of the Listing Rules is less than 5%. Accordingly, the total rent payable under the Lease Agreement falls below the de minimis threshold under Rule 14A.31(2)(c) of the Listing Rules and thus is not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

- (C) On 27 January 2014, Baguio Cleaning and Cleanic Cleaning Equipment Limited ("CCE") (which is owned as to approximately 74% by Mr. Ng Wing Sun, the brother of Mr. Ng), entered into a supply agreement (the "Supply Agreement") pursuant to which CCE has agreed to supply cleaning equipment and materials to our Group for use in our ordinary course of business for a period of three years commencing from 27 January 2014 and expiring on 26 January 2017.

For the Year, the approximate total amount of purchases was approximately HK\$3,038,000.

The annual amount of purchases under the Supply Agreement for the year ended 2014 did not exceed HK\$3,500,000 ("Annual Cap"). Such amount was determined on an arm's length basis between Baguio Cleaning and CCE by reference to the amount of purchases made between these parties for each year during the years ended 31 December 2011, 2012 and 2013 plus an approximate 8% expected increase and the new contracts obtained in respect of the Company's cleaning services subsequent to 31 December 2013.

Given the annual amount payable by Baguio Cleaning under the Supply Agreement, the Supply Agreement constitutes a continuing connected transaction of our Company and fell within the ambit of Rule 14A.34 of the Listing Rules and was subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) and was exempt from the independent shareholders' approval requirements.

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

The Company's auditors were engaged to report on the Group's continuing connected transactions mentioned in paragraphs 19(A), (B) and (C) in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in note 38 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.

20. 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.

21. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group’s five largest customers accounted for 78.8% of the total sales for the year and sales to the largest customer included therein amounted to 38.9%. Purchases from the Group’s five largest suppliers accounted for 28.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to 6.6%.

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

22. COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the Year.

23. 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.

24. EMOLUMENT AND REMUNERATION POLICY

A remuneration committee was set up 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.

25. 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 16 to the consolidated financial statements.

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

26. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) which became effective on 24 April 2014. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimise their performance efficiently for the benefit of the Group; and (ii) attract and retain or maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the Shares of the Company at an exercise price and subject to other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the Shares first commence on the Stock Exchange. Please refer to the Group’s Prospectus for a summary of the terms of the Share Option Scheme.

The Directors confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at the date of this report, no option had been granted by the Company under the Share Option Scheme.

27. RIGHTS TO ACQUIRE COMPANY’S SECURITIES

Save as otherwise disclosed in this report, at no time between the date of listing of the Company and 31 December 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

28. EVENTS AFTER THE REPORTING PERIOD

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

29. CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules between the date of listing and 31 December 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 32 of this annual report.

REPORT OF THE DIRECTORS

30. 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.

31. AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors.

The audit committee has reviewed the consolidated audited annual results with the management of the Company.

32. AUDITOR

The financial statements have been audited by HLB Hodgson Impey Cheng Limited who will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Ng Wing Hong

Chairman

Hong Kong, 30 March 2015

The board of directors of the Company is pleased to present this Corporate Governance Report in the Annual Report for the year ended 31 December 2014.

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. For the period after the Company's listing date up to 31 December 2014, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code between the date of listing of the Company and 31 December 2014.

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

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

3. BOARD OF DIRECTORS

The Board currently comprises a total of 9 members, with six executive directors, and three independent non-executive directors:

Executive Directors:

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

Independent Non-executive Directors:

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

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

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

The biography details of the directors of the Company are set out under the section headed "Biographical Details of Directors" in 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 Company in all aspects effectively.

Independent non-executive Directors

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management 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.

Directors' Continuous Professional Development

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

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

4. BOARD DIVERSITY POLICY

Pursuant to the code provision A.5.6 of the CG Code, the Board has adopted the board diversity policy in April 2015 which sets out the approach to achieve diversity on the Board.

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

5. BOARD COMMITTEES

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

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

Remuneration Committee

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

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

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

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

Members of the committee are:

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

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

As the shares of the Company were listed on the Stock Exchange on 22 May 2014, no Remuneration Committee meeting was held between the Company's listing date and 31 December 2014. From 2015 onwards, the Remuneration Committee will conduct meeting at least once per year.

Details of directors' remuneration are set out in note 16 to the consolidated financial statements.

Nomination Committee

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

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

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

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

Members of the committee are:

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

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

As the shares of the Company were listed on the Stock Exchange on 22 May 2014, no Nomination Committee meeting was held between the Company's listing date and 31 December 2014. From 2015 onwards, the Remuneration Committee will conduct meeting at least once per year.

Audit Committee

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

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

The committee reports to the Board any suspected fraud and irregularities, 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 committee are:

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

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

The Audit Committee reviewed, together with senior management and the external auditors, the financial statements for the six months ended 30 June 2014 and for the year ended 31 December 2014, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, 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.

The Audit Committee had held one meeting during period from the listing date 22 May 2014 to 31 December 2014 for considering the interim results of the Company for the six months ended 30 June 2014. All members of the Audit committee have attended the above meeting.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the Company's forthcoming annual general meeting, HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditors for 2015.

6. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings held during the year			
	Board	Remuneration Committee	Nomination Committee	Audit Committee
Executive Directors				
Mr. Ng Wing Hong	2/2	0/0	0/0	0/0
Ms. Ng Yuk Kwan, Phyllis	2/2	0/0	0/0	0/0
Mr. Ng Wing Chuen	1/2	0/0	0/0	0/0
Ms. Leung Shuk Ping	2/2	0/0	0/0	0/0
Ms. Chan Shuk Kuen	2/2	0/0	0/0	0/0
Ms. Cheung Siu Chun	2/2	0/0	0/0	0/0
Independent non-executive directors				
Mr. Sin Ho Chiu	2/2	0/0	0/0	1/1
Dr. Law Ka Hung	2/2	0/0	0/0	1/1
Mr. Lau Chi Yin, Thomas	2/2	0/0	0/0	1/1

Prior to the listing of the Company, the Board had held meetings to approve the matters of the Company, in particular, those relating to the listing of the Company and the Global Offering (as defined in the Prospectus). During the period between the date of the Listing and the date of this annual report, which covered a short period of less than 12 months, only two board meetings were held and attended by each of the Directors (except for Mr. Ng Wing Chuen who was only able to attend one of the board meetings). Prior notices of the board meetings were despatched to the Directors setting out the matters to be discussed at the meetings. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary was responsible for keeping minutes of the meetings of the Board and Board Committees.

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

7. CORPORATE GOVERNANCE FUNCTIONS

The board has the following responsibilities:

- (a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;
- (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) to review and monitor the training and continuous professional development of the directors and senior management; and
- (d) to develop, review and monitor the code of conduct applicable to the directors and employees.

8. FINANCIAL REPORTING

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

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

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

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

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

The statement by the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 33 of this annual report.

9. INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective internal control system for the Company and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Company's assets.

The internal control system (the "System") is designed to provide reasonable, but not absolute, assurance. The System aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The Audit Committee oversees the internal control system of the Company and communicates any material issues to the Board.

10. AUDITORS' REMUNERATION

For the Year, HLB Hodgson Impey Cheng Limited charged the Group approximately HK\$0.8 million for the provision of audit services, and approximately HK\$0.2 million for other non-audit services respectively. HLB Hodgson Impey Cheng Limited charged the Group for the reporting accountant services in respect of the initial public offering exercise of the Company approximately HK\$3.5 million.

11. COMPANY SECRETARY

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

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

12. 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.

13. 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 the conference.

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.

14. 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. Details of the deed of non-competition are set out in the paragraph "Deed of Non-competition" under the section headed "Relationship with Our Controlling Shareholders" of the Prospectus of the Company.

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 Shareholder 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.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAGUIO GREEN GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Baguio Green Group Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 34 to 93, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	9	1,028,711	821,259
Cost of services		(930,491)	(737,394)
Gross profit		98,220	83,865
Other income and gain, net	10	3,507	4,230
Gain on disposal of investment properties		–	27,410
Change in fair value less costs to sell of biological assets		50	82
Listing expenses		(13,202)	(2,193)
Selling and marketing expenses		(1,701)	(357)
Administrative expenses		(53,490)	(34,380)
Profit from operations		33,384	78,657
Finance costs	11	(8,372)	(8,291)
Profit before taxation	12	25,012	70,366
Income tax expenses	13	(7,331)	(7,865)
Profit for the year attributable to owners of the Company		17,681	62,501
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets		337	390
Total other comprehensive income for the year		337	390
Total comprehensive income for the year attributable to owners of the Company		18,018	62,891
Earnings per share:			
Basic and diluted (HK\$)	15	0.05	0.20

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	17	171,777	135,054
Available-for-sale financial assets	20	12,539	12,202
Pledged bank deposit	21	7,237	137
		191,553	147,393
Current assets			
Inventories	22	3,669	3,742
Trade receivables	23	244,795	194,190
Prepayments, deposits and other receivables	24	14,518	11,165
Biological assets	25	463	428
Tax recoverable		1,184	293
Cash and cash equivalents	26	61,365	36,491
		325,994	246,309
Current liabilities			
Trade payables	27	16,964	16,463
Accruals, deposits received and other payables	28	105,479	77,041
Bank borrowings	29	109,741	112,472
Obligations under finance leases	30	24,183	21,291
Income tax payable		939	2,776
		257,306	230,043
Net current assets		68,688	16,266
Total assets less current liabilities		260,241	163,659
Non-current liabilities			
Bank borrowings	29	6,609	9,035
Obligations under finance leases	30	55,820	50,987
Deferred tax liabilities	31	10,111	6,954
		72,540	66,976
Net assets		187,701	96,683
Capital and reserves			
Share capital	32	4,150	18,330
Reserves	33	183,551	78,353
Total equity		187,701	96,683

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan, Phyllis
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Current assets			
Prepayments	24	96	–
Amount due from subsidiaries	19	92,119	–
Cash and cash equivalents	26	682	–
		92,897	–
Current liabilities			
Accruals and other payables	28	1,707	–
Amount due to a subsidiary	19	303	50
		2,010	50
Net current assets/(liabilities)		90,887	(50)
Net assets/(liabilities)		90,887	(50)
Capital and reserves			
Share capital	32	4,150	–
Reserves	33	86,737	(50)
Total equity		90,887	(50)

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Ng Wing Hong
Director

Ng Yuk Kwan, Phyllis
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013	18,330	–	–	(1,867)	21,329	37,792
Profit for the year	–	–	–	–	62,501	62,501
Other comprehensive income for the year	–	–	–	390	–	390
Total comprehensive income for the year	–	–	–	390	62,501	62,891
Dividend paid (<i>Note 14</i>)	–	–	–	–	(4,000)	(4,000)
At 31 December 2013	18,330	–	–	(1,477)	79,830	96,683
At 1 January 2014	18,330	–	–	(1,477)	79,830	96,683
Profit for the year	–	–	–	–	17,681	17,681
Other comprehensive income for the year	–	–	–	337	–	337
Total comprehensive income for the year	–	–	–	337	17,681	18,018
Dividend paid	–	–	–	–	(32,000)	(32,000)
Effect of reorganisation (<i>Note (a)</i>)	(18,330)	–	18,330	–	–	–
Issue of shares under the capitalisation Issue	3,200	(3,200)	–	–	–	–
Issue of shares under the global offering	950	113,050	–	–	–	114,000
Transaction costs attributable to issue of shares	–	(9,000)	–	–	–	(9,000)
At 31 December 2014	4,150	100,850	18,330	(1,140)	65,511	187,701

Notes:

- a. Effect of reorganisation represented the difference between the nominal amount of shares issued by the Company under the group reorganisation in preparation of the global offering and the aggregate amount of share capital of the Company and its subsidiaries acquired under common control pursuant to the reorganisation.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Operating activities			
Profit before taxation		25,012	70,366
Adjustments for:			
Depreciation on property, plant and equipment		18,982	13,669
Depreciation on investment properties		–	54
Loss/(gain) on disposal of property, plant and equipment		191	(2,092)
Gain on disposal of investment properties		–	(27,410)
Change in fair value less costs to sell of biological assets		50	(82)
Impairment losses recognised on trade receivables		101	140
Interest income		(11)	(6)
Finance costs		8,372	8,291
Operating profit before movements in working capital		52,697	62,930
Decrease/(increase) in inventories		73	(966)
Increase in biological assets		(85)	(19)
Increase in trade receivables		(50,706)	(70,375)
Increase in prepayments, deposits and other receivables		(3,353)	(747)
Increase in trade payables		501	7,876
Increase in accruals, deposits and other payables		28,438	16,244
Decrease in amounts due to related companies		–	(47)
Cash generated from operations		27,565	14,896
Income tax paid		(6,902)	(8,634)
Net cash generated from operating activities		20,663	6,262
Investing activities			
Interest received		11	6
Increase in pledged bank deposit		(7,100)	–
Proceeds from disposal of property, plant and equipment		2,828	6,688
Proceeds from disposal of investment properties		–	34,488
Purchase of property, plant and equipment		(24,757)	(6,672)
Net cash (used in)/generated from investing activities		(29,018)	34,510
Financing activities			
Proceeds from new bank borrowings		801,023	627,768
Repayments of bank borrowings		(806,180)	(597,077)
Repayment to directors		–	(4,912)
Interest paid		(5,523)	(5,851)
Dividend paid		(32,000)	–
Proceeds from listing		105,000	–
Interest element of finance leases payments		(2,849)	(2,440)
Repayment of obligation under finance leases		(26,242)	(18,998)
Net cash generated from/(used in) financing activities		33,229	(1,510)
Net increase in cash and cash equivalents		24,874	39,262
Cash and cash equivalents at the beginning of the year		36,491	(2,771)
Cash and cash equivalents at the end of the year	26	61,365	36,491
Analysis of the balances of the cash and cash equivalents			
Cash and bank balances		61,365	36,491

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

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

The Company had its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited on 22 May 2014.

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

The consolidated financial statements 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. REORGANISATION

In the preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange on 22 May 2014 (“Listing”), the Group underwent series of corporate reorganisation (“Reorganisation”), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(i) Incorporation of the Company

On 8 November 2013, the Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 8 November 2013, one share was allotted and issued to Sharon Pierson as the initial subscriber, which was transferred to Mr. Ng Wing Hong on the same date. On 9 April 2014, Mr. Ng Wing Hong transferred the initial subscriber share to Baguio Green (Holding) Limited (“Baguio Green Holding (BVI)”) for nominal consideration.

(ii) Incorporation of Baguio (Holding) Limited (“Baguio Holding (BVI)”)

On 22 November 2013, Baguio Holding (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to the Company as the initial subscriber.

(iii) Incorporation of Baguio Cleaning Services Company (Holding) Limited (“Baguio Cleaning (BVI)”)

On 22 November 2013, Baguio Cleaning (BVI) was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued for cash at par to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(iv) Incorporation of Baguio Pest Management (Holding) Limited (“Baguio Pest (BVI)”)

On 22 November 2013, Baguio Pest (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(v) Incorporation of Baguio Waste Management & Recycling (Holding) Limited (“Baguio Waste (BVI)”)

On 22 November 2013, Baguio Waste (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. REORGANISATION *(Continued)*

(vi) Incorporation of Tak Tai Enviroscap (Holding) Limited (“Tak Tai (BVI)”)

On 22 November 2013, Tak Tai (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(vii) Incorporation of Baguio Landscaping Services (Holding) Limited (“Baguio Landscaping (BVI)”)

On 22 November 2013, Baguio Landscaping (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber, which was transferred to Baguio Holding (BVI) on 24 April 2014.

(viii) Incorporation of Baguio Green Holding (BVI)

On 22 November 2013, Baguio Green Holding (BVI) was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. On 22 November 2013, one share was allotted and issued to Mr. Ng Wing Hong as the initial subscriber.

(ix) Transfer of the Company to Baguio Green Holding (BVI)

On 9 April 2014, Mr. Ng Wing Hong transferred his entire issued share capital of our Company to Baguio Green Holding (BVI) for nominal consideration.

(x) Transfer of Baguio Green Technology Limited (“Baguio Green Technology”) to Baguio Green Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Holding (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Baguio Green Technology to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Baguio Green Technology has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xi) Transfer of Baguio Cleaning Services Company Limited (“Baguio Cleaning”) to Baguio Cleaning (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong, Baguio Group Limited and Baguio Cleaning (BVI), Mr. Ng Wing Hong and Baguio Group Limited transferred 7,000,000 shares and 3,000,000 shares in Baguio Cleaning respectively, representing the entire issued share capital of Baguio Cleaning, to Baguio Cleaning (BVI) for nominal consideration. Upon completion of the transfer, Baguio Cleaning has become a wholly-owned subsidiary of Baguio Cleaning (BVI).

(xii) Transfer of Baguio Landscaping Services Limited (“Baguio Landscaping”) to Baguio Landscaping (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong, Baguio Cleaning and Baguio Landscaping (BVI), Mr. Ng Wing Hong and Baguio Cleaning transferred 2 shares and 1,999,998 shares in Baguio Landscaping respectively, representing the entire issued share capital of Baguio Landscaping, to Baguio Landscaping (BVI) for nominal consideration. Upon completion of the transfer, Baguio Landscaping has become a wholly-owned subsidiary of Baguio Landscaping (BVI).

(xiii) Transfer of Baguio Pest Management Limited (“Baguio Pest”) to Baguio Pest (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Pest (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Baguio Pest to Baguio Pest (BVI) for nominal consideration. Upon completion of the transfer, Baguio Pest has become a wholly-owned subsidiary of Baguio Pest (BVI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. REORGANISATION *(Continued)*

(xiv) Transfer of Baguio Waste Management & Recycling Limited (“Baguio Waste”) to Baguio Waste (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Waste (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Baguio Waste to Baguio Waste (BVI) for nominal consideration. Upon completion of the transfer, Baguio Waste has become a wholly-owned subsidiary of Baguio Waste (BVI).

(xv) Transfer of Modern Automobile Company Limited (“Modern Automobile”) to Baguio Holding (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between Mr. Ng Wing Hong and Baguio Holding (BVI), Mr. Ng Wing Hong transferred his entire issued share capital of Modern Automobile to Baguio Holding (BVI) for nominal consideration. Upon completion of the transfer, Modern Automobile has become a wholly-owned subsidiary of Baguio Holding (BVI).

(xvi) Transfer of Tak Tai Enviroscape Limited (“Tak Tai”) to Tak Tai (BVI)

On 9 April 2014, pursuant to a sale and purchase agreement entered into between World Creation Enterprises Limited (“World Creation”), Composil (Hong Kong) Limited (“Composil”) and Tak Tai (BVI), World Creation and Composil transferred 607,500 shares and 202,500 shares in Tak Tai respectively, representing the entire issued share capital of Tak Tai, to Tak Tai (BVI) for nominal consideration. Upon completion of the transfer, Tak Tai has become a wholly-owned subsidiary of Tak Tai (BVI).

(xvii) Transfer of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai(BVI)and Baguio Landscaping (BVI) to Baguio Holding (BVI)

On 24 April 2014, pursuant to a reorganisation agreement entered into between our Company and Mr. Ng Wing Hong, Mr. Ng Wing Hong transferred the entire issued share capital of Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) to Baguio Holding (BVI) in consideration of the allotment and issue of 99 Shares by our Company to Baguio Green Holding (BVI) credited as fully paid. Upon completion of the transfer, Baguio Cleaning (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI) and Baguio Landscaping (BVI) have become wholly-owned subsidiaries of Baguio Holding (BVI).

Upon the completion of Reorganisation on 24 April 2014, the Company became the holding company of the companies now comprising the Group.

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the Group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in section 76 to 87 of Schedule 11 to that Ordinance.

(b) Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Hong Kong Accounting Standard (“HKAS”) 17, 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 included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

(c) Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners 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.

(d) Merger accounting for common control combination

The consolidated financial statements incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Merger accounting for common control combination *(Continued)*

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discount.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

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

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

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

The Group as lessee *(Continued)*

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

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

(g) Borrowing costs

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

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

(h) Retirement benefit costs

The Group's contribution to the defined contribution retirement benefit plans are charged to consolidated statements of profit or loss and other comprehensive income in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(i) Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current or deferred tax is charged or credited to other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

(k) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and any impairment losses.

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

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

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

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, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over the lease term and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statements of profit or loss and other comprehensive income in the period which the property is derecognised.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The estimated useful lives for the investment properties are over the shorter of term of lease or 50 years.

(m) Impairment of tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

(n) Inventories

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

Cost represents the invoiced cost of inventories. Cost is assigned to individual items on the weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

(o) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provisions and contingent liabilities *(Continued)*

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 the cost of services to fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

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

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

(p) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 the consolidated statements of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into the following two categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets ("AFS financial assets") *(Continued)*

Listed equity instruments by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 20. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see above), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in consolidated statements of profit or loss and other comprehensive income. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale assets revaluation reserve is reclassified to consolidated statements of profit or loss and other comprehensive income.

Dividends on AFS financial assets are recognised in consolidated statements of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of each reporting period. The foreign exchange gains and losses that are recognised in consolidated statements of profit or loss and other comprehensive income are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses for the years.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, deposits, other receivables, pledged bank deposit and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty; or
- (b) breach of contract, such as default or delinquency in interest or principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including trade payables, deposits received and other payables, obligations under finance leases, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial Guarantee Contracts *(Continued)*

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(q) Biological assets

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

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statement, 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.

(s) 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 fellow 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

(ii) *(Continued)*

- (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).

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

4. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial period beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for return from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 11 (Amendments)	Accounting for Acquisition of Interest in Joint Operations ⁵
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁵
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ⁴
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁵
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ⁵
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle ⁶
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle ⁴
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Annual Improvements to HKFRSs 2010–2012 Cycle *(Continued)*

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

Annual Improvements to HKFRSs 2012–2014 Cycle *(Continued)*

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(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. 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 or sold.

(b) Impairment losses in respect of trade receivables

The policy for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(c) Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

(d) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(e) Fair values of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The management and independent firms of qualified valuer review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Note 25.

6. 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's operating and reportable segments under HKFRS 8 are therefore as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
For the year ended 31 December 2014					
Segment revenue	734,592	143,555	84,210	66,354	1,028,711
Segment results	58,407	24,683	6,720	6,709	96,519
Other income and gain					3,507
Change in fair value less costs to sell of biological assets	-	50	-	-	50
Listing expenses					(13,202)
Central administrative costs					(53,490)
Finance costs					(8,372)
Profit before taxation					25,012

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
For the year ended 31 December 2013					
Segment revenue	551,694	138,193	74,696	56,676	821,259
Segment results	45,501	23,552	6,014	8,441	83,508
Other income and gain					4,230
Gain on disposal of investment properties					27,410
Change in fair value less costs to sell of biological assets	-	82	-	-	82
Listing expenses					(2,193)
Central administrative costs					(34,380)
Finance costs					(8,291)
Profit before taxation					70,366

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administrative costs including directors' emoluments, other income and gain, gain on disposal of investment properties, change in fair value less costs to sell of biological assets, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The segment assets and liabilities at the end of the reporting period by reportable segments are as follows:

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 2014					
Segment assets	286,656	55,382	56,625	85,619	484,282
Unallocated					33,265
Total assets					517,547
Segment liabilities	112,409	17,621	30,294	40,422	200,746
Unallocated					129,100
Total liabilities					329,846

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 2013					
Segment assets	210,096	49,257	43,505	58,193	361,051
Unallocated					32,651
Total assets					393,702
Segment liabilities	85,744	19,350	26,511	35,256	166,861
Unallocated					130,158
Total liabilities					297,019

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, leasehold properties and other assets for corporate use.
- all liabilities are allocated to reportable segments other than bank borrowings, deferred tax liabilities and other liabilities for corporate use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. SEGMENT INFORMATION (Continued)

Other segment information

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2014						
Additions to non-current assets	28,700	1,955	4,269	23,732	68	58,724
Depreciation of property, plant and equipment	8,688	879	2,724	6,609	82	18,982
Gain/(loss) on disposal of property, plant and equipment	254	(307)	(171)	33	–	(191)
Impairment loss recognised on trade receivables	75	26	–	–	–	101

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2013						
Additions to non-current assets	16,332	612	23,542	3,242	133	43,861
Depreciation of property, plant and equipment	6,055	721	1,424	5,405	64	13,669
Depreciation of investment properties	–	–	–	–	54	54
Gain on disposal of property, plant and equipment	967	49	780	296	–	2,092
Gain on disposal of investment properties	–	–	–	–	27,410	27,410
Impairment loss recognised on trade receivables	140	–	–	–	–	140

Geographical information

No geographical information is presented as all of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

For the year ended 31 December 2014, of approximately HK\$753,083,000 (2013: HK\$572,166,000) of the Group's revenue arose from various segment by the Group's two customers (2013: two). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2014 (2013: Nil).

Revenue from major customers amounted to 10% or more of the Group's revenue, are set out below:

	2014 HK\$'000	2013 HK\$'000
Customer A	400,145	330,173
Customer B	352,938	241,993
	753,083	572,166

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Available-for-sale financial assets	12,539	12,202
Loans and receivables		
– Pledged bank deposit	7,237	137
– Trade receivables	244,795	194,190
– Deposits	3,392	3,241
– Other receivables	3,290	2,871
– Cash and bank balances	61,365	36,491

	2014 HK\$'000	2013 HK\$'000
Financial liabilities		
Amortised cost		
– Trade payables	16,694	16,463
– Deposits received and other payables	1,306	2,071
– Bank borrowings	116,350	121,507
– Obligations under finance leases	80,003	72,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. FINANCIAL INSTRUMENTS (Continued)

(a) Categories of financial instruments (Continued)

The Company

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables		
— Amounts due from subsidiaries	92,119	—
— Cash and bank balances	682	—

	2014 HK\$'000	2013 HK\$'000
Financial liabilities		
Financial guarantee contract	547	—
Amortised cost		
— Other payables	356	—
— Amount due to a subsidiary	303	50

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

(i) Foreign currency risk

The Group has no foreign current risk as all bank balances of the Group are denominated in Hong Kong Dollar.

(ii) Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section below. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Standard Bills Rate and Hong Kong Dollar Prime Lending Rate/Best Lending Rate arising from the Group's Hong Kong Dollar denominated borrowings. The exposures to the interest rate risk are monitored on an ongoing basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings and bank overdrafts. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2014 would decrease/increase by approximately HK\$582,000 (2013: approximately HK\$608,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to bank deposits, trade 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, the management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is adequately managed and mitigated.

The Group had certain concentration of credit risk as 79% (2013: 76%) of the total trade receivables of the Group were due from 5 largest customers as at 31 December 2014 considered the credit risks is limited since 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. In addition, the credit risks on liquid funds including bank deposit and bank balances is limited because the counterparties are banks with good reputation.

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 2014, the Group had unutilised banking facilities of approximately HK\$281,315,000 (2013: approximately HK\$126,518,000).

Specifically, for secured term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities are as follows:

The Group

	Effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 December 2014						
Trade payables	-	16,964	-	-	16,964	16,964
Deposits received and other payables	-	1,306	-	-	1,306	1,306
Obligations under finance leases	3.63	26,652	58,657	-	85,309	80,003
Bank borrowings	3.98	101,535	13,385	1,430	116,350	116,350
		146,457	72,042	1,430	219,929	214,623

	Effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 December 2013						
Trade payables	-	16,463	-	-	16,463	16,463
Deposits received and other payables	-	2,071	-	-	2,071	2,071
Obligations under finance leases	3.86	23,661	53,848	-	77,509	72,278
Bank borrowings	4.00	112,472	7,560	1,475	121,507	121,507
		154,667	61,408	1,475	217,550	212,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The Company

	Effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 December 2014						
Other payables	-	356	-	-	356	356
Amount due to a subsidiary	-	303	-	-	303	303
		659	-	-	659	659

	Effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 December 2013						
Amount due to a subsidiary	-	50	-	-	50	50

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and trade in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

	As at 31 December 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Unlisted equity investment	–	–	12,539	12,539

	As at 31 December 2013			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets				
Unlisted equity investment	–	–	12,202	12,202

There were no transfers between Levels 1 and 2 during the years.

Reconciliation of Level 3 fair value measurements

	2014 Unlisted equity investment HK\$'000
Opening balance	12,202
Gains recognised in other comprehensive income	337
Closing balance	12,539

	2013 Unlisted equity investment HK\$'000
Opening balance	11,812
Gains recognised in other comprehensive income	390
Closing balance	12,202

8. CAPITAL RISK MANAGEMENT

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

The Group actively and regularly reviews and manage its capital structure to maximise the returns to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain new bank borrowings and new bank overdrafts. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

8. CAPITAL RISK MANAGEMENT *(Continued)*

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

The gearing ratio at 31 December 2014 and 2013 were as follows:

	2014 HK\$'000	2013 HK\$'000
Total borrowings <i>(note (i))</i>	196,353	193,785
Total equity <i>(note (ii))</i>	187,701	96,683
Gearing ratio	105%	200%

Notes:

- (i) Total borrowings included bank borrowings and obligations under finance leases are as detailed in Notes 29 and 30;
- (ii) Total equity includes all share capital and reserves as at 31 December 2014 and 2013.

9. REVENUE

The principal activity of the Group is environmental and related service. The amount of each significant category of revenue recognised during the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Cleaning services	734,592	551,694
Landscaping services	143,555	138,193
Pest management income	84,210	74,696
Waste management and recycling income	66,354	56,676
	1,028,711	821,259

10. OTHER INCOME AND GAIN, NET

	2014 HK\$'000	2013 HK\$'000
Other income:		
Rental income	–	1,241
Government subsidies	2,265	513
Interest income	11	6
Sundry income	1,231	378
	3,507	2,138
Other gain, net:		
Gain on disposal of property, plant and equipment, net	–	2,092
	3,507	4,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

11. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank overdrafts	246	327
Bank loans wholly repayable within five years	4,970	4,841
Bank loans wholly repayable beyond five years	307	683
Obligations under finance leases	2,849	2,440
	8,372	8,291

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Auditors' remuneration:		
audit service	800	530
other service	160	–
Depreciation of property, plant and equipment:		
Owned by the Group	7,844	5,727
Held under finance lease obligation	11,138	7,942
Depreciation of investment properties	–	54
Impairment losses recognised on trade receivables	101	140
Cost of consumables goods	46,909	47,174
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	780,253	594,204
Provision for long services payment	3,916	1,181
Provision for untaken paid leave	8,567	5,910
Contribution to retirement schemes	28,216	23,336
	820,952	624,631
Operating lease rentals: minimum lease payments		
Hire of machinery and motor vehicles	13,649	13,211
Land and buildings	2,965	2,196
	16,614	15,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. INCOME TAX EXPENSES

The income tax expenses for the year represent Hong Kong Profits Tax which is calculated at 16.5% on the estimated assessable profit of the Group.

The income tax expenses comprise:

	2014 HK\$'000	2013 HK\$'000
Current tax:		
Hong Kong Profits Tax	4,174	5,850
Under-provision in prior years	–	102
Deferred tax:		
Current year expenses	3,157	1,913
	7,331	7,865

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	25,012	70,366
Notional tax on profit before taxation, calculated at Hong Kong Profits Tax rate at 16.5%	4,127	11,610
Tax effect of non-taxable income	(9)	(4,442)
Tax effect of non-deductible expenses	2,280	453
Tax effect of temporary difference not recognised	790	142
Tax loss not recognised	223	–
Under-provision of tax in prior years	–	102
Tax reduction	(80)	–
	7,331	7,865

14. DIVIDENDS

No dividend has been paid by the Company since its incorporation.

A dividend in respect of the year ended 31 December 2014 of HK1.3 cents per share, amounting to a total dividend of HK\$5,395,000, was recommended by the Board on 30 March 2015 and the recommendation is to be approved by the shareholders in the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payables.

	2014 HK\$'000	2013 HK\$'000
Proposed final dividend of HK1.3 cents (2013: HK\$ nil) per ordinary share	5,395	–
Dividend paid by a subsidiary to shareholders	32,000	4,000
	37,395	4,000

Prior to the Group's Reorganisation, the Company's subsidiaries had declared and paid dividends in aggregate amounts of HK\$4,000,000 to their shareholders during the year ended 31 December 2013.

On 24 January 2014, a subsidiary of the Company had proposed to declare final dividend of HK\$32,000,000 to its shareholders for the year ended 31 December 2013. Such dividend has been fully paid in April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$17,681,000 (2013: HK\$62,501,000) and the weighted average number of ordinary shares in issue of approximately 378,561,644 (2013: 320,000,000), and on the assumption that the 320,000,000 ordinary shares in issue, comprising 100 shares in issue upon completion of the Reorganisation and 319,999,900 shares in issue pursuant to the Capitalisation Issue (as defined in the Prospectus), were outstanding throughout the year.

Diluted earnings per share for the year ended 31 December 2014 and 2013 were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the year.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The emoluments paid or payable to each of the directors during the year ended 31 December 2014 and 2013 were as follows:

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Directors' quarter HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement scheme HK\$'000	Total HK\$'000
For the year ended 31 December 2014						
Executive director:						
Mr. Ng Wing Hong (notes (i) and (ii))	-	1,850	-	-	17	1,867
Ms. Ng Yuk Kwan, Phyllis (notes (i) and (iii))	-	1,318	576	1,700	232	3,826
Mr. Ng Wing Chuen (note (iv))	-	920	-	80	17	1,017
Mr. Leung Shuk Ping (note (iv))	-	859	-	250	17	1,126
Mr. Chan Shuk Kuen (note (iv))	-	824	-	230	17	1,071
Mr. Cheung Siu Chun (note (iv))	-	975	-	230	80	1,285
Independent non-executive director:						
Mr. Sin Ho Chiu (note (v))	82	-	-	-	-	82
Dr. Law Ka Hung (note (v))	82	-	-	-	-	82
Mr. Lau Chi Yin, Thomas (note (v))	82	-	-	-	-	82
	246	6,746	576	2,490	380	10,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Directors' emoluments (Continued)

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Directors' quarter HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement scheme HK\$'000	Total HK\$'000
For the year ended						
31 December 2013						
Executive director:						
Mr. Ng Wing Hong (notes (i) and (ii))	–	360	–	–	15	375
Ms. Ng Yuk Kwan, Phyllis (notes (i) and (iii))	–	895	450	–	90	1,435
Mr. Ng Wing Chuen (note (iv))	–	276	–	–	14	290
Mr. Leung Shuk Ping (note (iv))	–	628	–	–	15	643
Mr. Chan Shuk Kuen (note (iv))	–	562	–	–	15	577
Mr. Cheung Siu Chun (note (iv))	–	645	–	–	48	693
Independent non-executive director:						
Mr. Sin Ho Chiu (note (v))	–	–	–	–	–	–
Dr. Law Ka Hung (note (v))	–	–	–	–	–	–
Mr. Lau Chi Yin, Thomas (note (v))	–	–	–	–	–	–
	–	3,366	450	–	197	4,013

Notes:

- (i) Mr. Ng Wing Hong and Ms. Ng Yuk Kwan, Phyllis have been appointed as executive directors of the Company on 23 January 2014.
- (ii) Mr. Ng Wing Hong is also the Chairman of the Company since 23 January 2014.
- (iii) Ms. Ng Yuk Kwan, Phyllis is also the Chief Executive Officer of the Company since 23 January 2014.
- (iv) Mr. Ng Wing Chuen, Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen and Ms. Cheung Siu Chun were employees of Baguio Cleaning during the year ended 31 December 2013 and have been appointed as executive directors of the Company on 23 January 2014.
- (v) Mr. Sin Ho Chiu, Dr Law Ka Hung and Mr. Lau Chi Yin, Thomas have been appointed as independent non-executive director of the Company on 24 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Directors' emoluments (Continued)

During the year ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the year ended 31 December 2014 and 2013.

Five highest paid employees

The five highest paid employees of the Group included 5 (2013: 4) directors for the years ended 31 December 2014. The emoluments of the five highest paid employees are analysed as follows:

	2014 HK\$'000	2013 HK\$'000
Directors	9,175	3,348
Non-director	–	468
	9,175	3,816

Details of the remuneration of the above non-director, highest paid employees during the year ended 31 December 2014 and 2013 are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and other benefits	–	453
Discretionary bonus	–	–
Contributions to retirement schemes	–	15
	–	468

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2014	2013
Nil to HK\$1,000,000	–	1

During the year ended 31 December 2014 and 2013, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the year ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Furniture and fixtures HK\$'000	Equipment and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
As at 1 January 2013	21,403	12,973	18,603	123,927	176,906
Additions	–	1,398	2,449	40,014	43,861
Disposals	–	(2,109)	(6,568)	(17,004)	(25,681)
As at 31 December 2013 and 1 January 2014	21,403	12,262	14,484	146,937	195,086
Additions	–	4,099	11,149	43,476	58,724
Disposals	–	–	(98)	(8,281)	(8,379)
As at 31 December 2014	21,403	16,361	25,535	182,132	245,431
Accumulated depreciation					
As at 1 January 2013	2,020	8,966	13,021	43,441	67,448
Charge for the year	551	1,973	2,466	8,679	13,669
Disposals	–	(2,108)	(6,543)	(12,434)	(21,085)
As at 31 December 2013 and 1 January 2014	2,571	8,831	8,944	39,686	60,032
Charge for the year	551	2,277	4,423	11,731	18,982
Disposals	–	–	(98)	(5,262)	(5,360)
As at 31 December 2014	3,122	11,108	13,269	46,155	73,654
Carrying amounts					
As at 31 December 2014	18,281	5,253	12,266	135,977	171,777
As at 31 December 2013	18,832	3,431	5,540	107,251	135,054

The leasehold properties are situated on land in Hong Kong held under medium term leases.

As at 31 December 2014, the leasehold properties with carrying amount of approximately HK\$18,281,000 (2013: approximately HK\$18,832,000) were pledged for banking facilities granted to the Group.

As at 31 December 2014, the carrying amount of motor vehicles of the Group includes amounts of approximately HK\$112,863,000 (2013: approximately HK\$100,626,000) in respect of assets held under finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. INVESTMENT PROPERTIES

	HK\$'000
Cost	
As at 1 January 2013	8,207
Disposal	(8,207)
	<hr/>
At 31 December 2013, 1 January 2014 and 31 December 2014	–
	<hr/>
Accumulated depreciation	
As at 1 January 2013	1,075
Charge for the year	54
Disposal	(1,129)
	<hr/>
At 31 December 2013, 1 January 2014 and 31 December 2014	–
	<hr/>
Carrying amount	
As at 31 December 2014	–
	<hr/>
As at 31 December 2013	–
	<hr/>
Fair value	
As at 31 December 2014	–
	<hr/>
As at 31 December 2013	–
	<hr/>

The Group's properties held to earn rental purposes were measured using the cost model and were classified and accounted for as investment properties.

In November 2013, the investment properties with carrying amount of approximately HK\$7,078,000 have been successfully disposed at a consideration of approximately HK\$34,488,000.

The investment properties are situated on land in Hong Kong held under long term leases.

The fair value of investment properties is based on valuation reports carried out at the end of each reporting period by an independent property valuer. The independent property valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The investment properties were classified as Level 2 under the fair value hierarchy.

19. SUBSIDIARIES

The Company

	2014 HK\$'000	2013 HK\$'000
Amount due from subsidiaries	92,119	–
Amount due to a subsidiary	303	–

The amount due from/(to) subsidiaries were unsecured, interest free and recoverable/(repayable) on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. SUBSIDIARIES (Continued)

The Company (Continued)

As at the date of this report, details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
<i>Directly held:</i>					
Baguio Holding (BVI)	The British Virgin Islands ("BVI")	US\$1	100%	–	Investment holding
<i>Indirectly held:</i>					
Baguio Cleaning (BVI)	BVI	US\$1	–	100%	Investment holding
Baguio Pest (BVI)	BVI	US\$1	–	100%	Investment holding
Baguio Waste (BVI)	BVI	US\$1	–	100%	Investment holding
Tak Tai (BVI)	BVI	US\$1	–	100%	Investment holding
Baguio Landscaping (BVI)	BVI	US\$1	–	100%	Investment holding
Baguio Cleaning	Hong Kong	HK\$10,000,000	–	100%	Provision of cleaning services
Baguio Landscaping	Hong Kong	HK\$2,000,000	–	100%	Provision of landscaping services
Baguio Pest	Hong Kong	HK\$200,000	–	100%	Provision of pest control services
Baguio Waste	Hong Kong	HK\$10,000	–	100%	Provision of waste management and recycling services
Tak Tai	Hong Kong	HK\$8,100,000	–	100%	Provision of plant nursing, landscaping and related services
Modern Automobile	Hong Kong	HK\$10,000	–	100%	Provision of automobile repair services
Baguio Green Technology	Hong Kong	HK\$10,000	–	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK\$'000	2013 HK\$'000
Investment in life insurance, at fair value	12,539	12,202

Investment in life insurance represents an investment in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no market price for such equity investment. The return of the investment will be based on the guarantee minimum return rate. As at 31 December 2014, the investments in life insurance with carrying values of approximately HK\$12,539,000 (2013: approximately HK\$12,202,000) were pledged for banking facilities granted to the Group.

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

The management of the Group has determined that no impairment was recognised in the consolidated statements of profit or loss and other comprehensive income for the year as the life insurance contracts are expected to generate positive income in the future.

21. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to banks to secure long-term borrowings and are therefore classified as non-current asset.

The deposit carries interest rate at prevailing market rate. The pledged deposit will be released upon repayment of the relevant borrowings.

22. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Consumable goods	3,669	3,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

23. TRADE RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	244,795	194,190

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 number of credit date. For other contracts, the Group normally allows a credit period ranging from 30 to 60 days depending on the customer's creditworthiness and the length of business relationship. The ageing analysis of trade receivables based on the invoice date at the end of each reporting period is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 60 days	221,253	161,209
61 days to 120 days	15,467	24,673
121 days to 365 days	7,893	8,041
Over 365 days	182	267
	244,795	194,190

Movement in the impairment loss of trade receivables is as follow:

	2014 HK\$'000	2013 HK\$'000
Balance at beginning of the year	-	-
Impairment losses recognised on trade receivables	101	140
Amount written off as uncollectable	(101)	(140)
Balance at end of the year	-	-

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK\$19,573,000 (2013: approximately HK\$22,738,000) as at 31 December 2014 which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

23. TRADE RECEIVABLES *(Continued)*

Past due but not impaired *(Continued)*

Age of receivables that are past due but not impaired

	2014 HK\$'000	2013 HK\$'000
Overdue by:		
Within 365 days	19,459	22,523
Over 365 days	114	215
Total	19,573	22,738

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

The Group's bank borrowings consists of factoring loan and term loan amounted to approximately HK\$88,764,000 (2013: approximately HK\$63,645,000) as at 31 December 2014 are secured by the trade receivables of the Group with carrying amount of approximately HK\$103,392,000 (2013: approximately HK\$77,151,000) as at 31 December 2014.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	2014 HK\$'000	2013 HK\$'000
Prepayments	7,836	5,053
Deposits <i>(note (i))</i>	3,392	3,241
Other receivables	3,290	2,871
Total	14,518	11,165

Note:

- (i) The Group has entered into certain services contracts and deposited a sum of approximately HK\$1,151,000 (2013: approximately HK\$989,000) as at 31 December 2014 as performance deposits. The performance deposits are interest-free and recoverable at the end of the service contract.

The Company

	2014 HK\$'000	2013 HK\$'000
Prepayments	96	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

25. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Plant and flowers HK\$'000
As at 1 January 2013	327
Increase due to purchases	136
Decreases due to usage in services	(117)
Change in fair value less costs to sell	82
As at 31 December 2013 and 1 January 2014	428
Increase due to purchases	51
Decreases due to usage in services	(66)
Change in fair value less costs to sell	50
As at 31 December 2014	463

The plants and flowers are primarily held for further growth for the usage in services and are classified as current assets.

The fair value of biological assets of the Group as at 31 December 2014 and 2013 has been arrived at the basis of a valuation carried out at that date by the independent valuer and the independent valuer has appropriate qualifications and experiences in providing biological assets valuation services.

The fair value less cost to sell of plants and flowers are determined using the market based approach which assumes sales of biological assets in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market. The biological assets were classified as Level 2 under the fair value hierarchy.

In addition, the following principal assumptions have been adopted by the independent valuer:

- The expected cost to sales of the biological assets provided by the management are best estimates of the management and are reasonable, reflecting market conditions and economic fundamentals and will be materialised;
- The biological assets are properly planted and managed with necessary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the conditions of the biological assets;
- The biological assets are free from any diseases such that will lead to death or materially impair the expected economic benefit from the disposal of the biological assets;
- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;
- The availability of finance will not be a constraint on the forecast growth of the biological assets;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Group;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

25. BIOLOGICAL ASSETS *(Continued)*

- There will be no material changes in the Group's business strategy and its operating structure;
- The list of the biological assets and the growing status of the biological assets and as supplied to us have been prepared in a manner which truly and accurately reflect the position of the Group as at the respective balance sheet dates;
- The Group shall have uninterrupted rights to operate its existing business during the unexpired term of its authorised enterprise operating period;
- Interest rates and exchange rates in the localities for the operation of the Group will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group upon the disposal of the biological assets.

26. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

The Group

	2014 HK\$'000	2013 HK\$'000
Cash and bank balances <i>(note)</i>	61,365	36,491

Note:

The cash and bank balances of the Group are denominated in HK\$ only.

The Company

	2014 HK\$'000	2013 HK\$'000
Cash and bank balances <i>(note)</i>	682	–

Note:

The cash and bank balances of the Group are denominated in HK\$ only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

27. TRADE PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables	16,964	16,463

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

	2014 HK\$'000	2013 HK\$'000
Within 30 days	11,898	8,332
31 days to 60 days	3,195	6,025
61 days to 90 days	485	1,077
Over 90 days	1,386	1,029
	16,964	16,463

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

28. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

The Group

	2014 HK\$'000	2013 HK\$'000
Accruals (<i>note</i>)	104,173	74,970
Deposits received	494	350
Other payables	812	1,721
	105,479	77,041

Note:

Included in accruals of approximately HK\$69,324,000 (2013: approximately HK\$50,262,000) were accrued salaries as at 31 December 2014.

The Company

	2014 HK\$'000	2013 HK\$'000
Accruals	804	–
Financial guarantee contract	547	–
Other payables	356	–
	1,707	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

29. BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Bank loans:		
Secured (<i>notes (a), (b) & (c)</i>)	116,350	121,507
Secured term loan from bank that repayable within the period of:		
– less than one year	101,535	86,023
– more than 1 year but within 2 years	5,205	9,707
– more than 2 years but within 5 years	8,180	17,673
– over 5 years	1,430	8,104
Secured term loan	116,350	121,507
Less: Amount classified as current liabilities		
Secured term loan due within one year or Contain a repayment on demand clause	(109,741)	(112,472)
Amount classified as non-current liabilities	6,609	9,035

Notes:

- (a) The bank borrowings of the Group as at 31 December 2014 were secured by:
- (i) corporate guarantee provided by the Company and certain subsidiaries of the Company;
 - (ii) pledged bank deposit with carrying amounts of approximately HK\$7,237,000 as at 31 December 2014;
 - (iii) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,281,000 as at 31 December 2014;
 - (iv) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,539,000 as at 31 December 2014; and
 - (v) pledge of the Group's trade receivables with aggregate values of approximately HK\$103,392,000 as at 31 December 2014.
- (b) The bank borrowings of the Group as at 31 December 2013 were secured by:
- (i) personal guarantee provided by the directors of the Company and a close family member of the directors of the Company;
 - (ii) corporate guarantee provided by certain subsidiaries of the Group;
 - (iii) guarantee provided by The Government of the Hong Kong Special Administrative Region and Hong Kong Mortgage Corporation Limited;
 - (iv) pledge of properties owned by the directors of the Company and close family members of the directors of the Company;
 - (v) pledged bank deposit with carrying amounts of approximately HK\$137,000 as at 31 December 2013;
 - (vi) pledge of the Group's leasehold land and buildings with carrying amounts of approximately HK\$18,832,000 as at 31 December 2013;
 - (vii) pledge of the Group's available-for-sale financial assets with carrying values of approximately HK\$12,202,000 as at 31 December 2013; and
 - (viii) pledge of the Group's trade receivables with aggregate values of approximately HK\$77,151,000 as at 31 December 2013.
- (c) The loans of the Group with financial institutions amounted to approximately HK\$116,350,000 (2013: approximately HK\$121,507,000) as at 31 December 2014, carried interest ranging from 1.23% to 5.75% per annum (2013: 1.22% to 5.50% per annum) for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

30. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases.

	2014 HK\$'000	2013 HK\$'000
Minimum lease payments under finance leases		
— within one year	26,652	23,661
— is the second to fifth, inclusive	58,657	53,848
	85,309	77,509
Less: Future finance charges	(5,306)	(5,231)
Present value of finance leases	80,003	72,278

	2014 HK\$'000	2013 HK\$'000
Present value of minimum lease payment under finance leases		
— within one year	24,183	21,291
— is the second to fifth, inclusive	55,820	50,987
	80,003	72,278
Less: Amount due for settlement within one year	(24,183)	(21,291)
Amount due for settlement after one year	55,820	50,987

As at 31 December 2014, the obligations under finance leases of the Group with carrying amounts of approximately HK\$80,003,000 were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

As at 31 December 2013, the obligations under finance leases of the Group with carrying amounts of approximately HK\$72,278,000 were secured by personal guarantee provided by directors of the Company and corporate guarantee provided by a subsidiary of the Group.

31. DEFERRED TAXATION

The components of deferred tax balances recognised in the consolidated statements of financial position and the movements thereon during the reporting period are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2013	8,674	(3,633)	5,041
Charged/(credited) to profit or loss (Note 13)	2,789	(876)	1,913
As at 31 December 2013 and 1 January 2014	11,463	(4,509)	6,954
Charged/(credited) to profit or loss (Note 13)	5,166	(2,009)	3,157
As at 31 December 2014	16,629	(6,518)	10,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

31. DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances for the financial reporting purposes.

	2014 HK\$'000	2013 HK\$'000
Deferred tax liabilities	10,111	6,954
Deferred tax assets (notes (i) and (ii))	–	–
	10,111	6,954

Notes:

- (i) Deferred tax asset represents the amount available indefinitely for offsetting future taxable profit of a subsidiary in which the losses arose.
- (ii) No deferred tax asset has been recognised in respect of the estimated unused tax loss of the Group amounted to approximately HK\$2,486,000 (2013: approximately HK\$1,765,000) as at 31 December 2014 and 2013 respectively due to the unpredictability of future profit stream of subsidiaries which incurred this remaining tax loss.

32. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2013 and 1 January 2014	10,000,000	100,000
Increase under the reorganisation	990,000,000	9,900,000
As at 31 December 2014	1,000,000,000	10,000,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2013 and 1 January 2014	1	–
Issue of shares under the reorganisation	99	1
Issue of shares under the capitalisation issue	319,999,900	3,199,999
Issue of shares under the global offering	95,000,000	950,000
As at 31 December 2014	415,000,000	4,150,000

The share capital as at 31 December 2013 shown in the consolidated financial statements represented the issued capital of the Company, Baguio Holding (BVI), Baguio Cleaning (BVI), Baguio Landscaping (BVI), Baguio Pest (BVI), Baguio Waste (BVI), Tak Tai (BVI), Baguio Cleaning, Baguio Pest, Baguio Waste, Tak Tai, Modern Automobile, and Baguio Green Technology prior to the completion of the Reorganisation.

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 regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

33. RESERVE

The Group

The movement of reserves of the Group during the year was shown in the consolidated statement of changes in equity on page 37.

The Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 8 November 2013 (date of incorporation)	–	–	–
Total comprehensive loss for the year	–	(50)	(50)
As at 31 December 2013 and 1 January 2014	–	(50)	(50)
Total comprehensive loss for the year	–	(14,063)	(14,063)
Issue of shares under the capitalisation issue (note (a))	(3,200)	–	(3,200)
Issue of shares under the global offering (note (b))	113,050	–	113,050
Transaction costs attributable to issue of shares (note (c))	(9,000)	–	(9,000)
As at 31 December 2014	100,850	(14,113)	86,737

- (a) Issue of shares under the capitalisation issue represented the capitalisation of the sum by applying such sum in paying up in full at par 319,999,900 shares of the Company.
- (b) Issue of shares under global offering represented the difference between the nominal amount of shares issued by the Company and the gross proceeds on issue of shares under the global offering for the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in May 2014.
- (c) Transaction costs attributable to issue of shares represented the capitalised listing expenses arising from the global offering.
- (d) At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK\$86,737,000 (2013: nil).

34. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 24 April 2014. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimise their performance efficiently for the benefit of the Group; and (ii) attract and retain or maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the Shares of the Company at an exercise price and subject to other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the Shares first commence on the Stock Exchange. Please refer to the Group's Prospectus for a summary of the terms of the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

35. RETIREMENT BENEFIT COSTS

Defined contribution plan

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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. 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 contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling of HK\$1,500 (HK\$1,250 prior to 1 June 2014).

The total expense recognised in the consolidated statements of profit or loss and other comprehensive income included approximately HK\$28,306,000 (2013: approximately HK\$23,336,000) for the years ended 31 December 2014 contributions payable to these plans by the Group at rates specified in the rules of the plans.

36. OPERATING LEASE COMMITMENT

The Group as lessee

The Group entered into commercial leases on certain land and office buildings. These leases have an average life of one to two years. None of the leases includes contingent rentals.

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

	2014 HK\$'000	2013 HK\$'000
Within one year	3,133	2,502
In the second to fifth years, inclusive	1,837	1,186
	4,970	3,688

37. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment of approximately HK\$33,967,000 (2013: approximately HK\$37,189,000) for the years ended 31 December 2014 were made under the finance leases.

For the year ended 31 December 2013, the Group settled dividend to shareholders of approximately HK\$4,000,000 through the Group's current account with the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

38. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 14, 19, 29, 30 and 37 to the consolidated financial statements, the Group had also entered the following material transactions with related parties during the year.

- (a) Compensation paid to key management personnel of the Group, including director's remuneration as detailed in Note 16 above.

	2014 HK\$'000	2013 HK\$'000
Fees	246	–
Other emoluments:		
Salaries, allowances and other benefits	6,746	3,366
Directors' quarter	576	450
Discretionary bonus	2,490	–
Contribution to retirement scheme	380	–
	10,438	4,013

- (b)

Nature of related party relationship	Nature of transaction	Interested director	2014 HK\$'000	2013 HK\$'000
The company owned by close member of director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	941	347
The company owned by close member of director and shareholder	Purchase of consumables goods	Mr. Ng Wing Hong	2,098	2,202
Common director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	–	535
Common director and shareholder	Repair and maintenance expenses	Mr. Ng Wing Hong	–	370
Common director and shareholder	Purchase of equipment	Mr. Ng Wing Hong	420	103
Common director and shareholder	Repair and maintenance expenses	Mr. Ng Wing Hong	564	73
Director and shareholder	Rent paid	Mr. Ng Wing Hong	576	450
Director	Sale of vehicles	Ms. Ng Yuk Kwan, Phyllis	–	473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

39. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of the acquisition of motor vehicle contracted for but not provided in the consolidated financial statements		
— Within one year	3,291	2,004
Capital expenditure in respect of the addition of office equipment, furniture and fixtures contracted for but not provided in the consolidated financial statements		
— Within one year	—	807
Capital expenditure in respect of the addition of equipment and machinery contracted for but not provided in the consolidated financial statements		
— Within one year	399	—

40. LITIGATION

During the year, the Group may from time to time be involved in litigation concerning personal injuries by its employees or third party claimants. In the opinion of the directors of the Company, all potential liabilities are accounted for the financial statements and covered by insurance protection.

41. EVENTS AFTER THE REPORTING PERIOD

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

42. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with current year's presentation.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

	Year ended 31 December			
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results				
Revenue	1,028,711	821,259	644,714	618,148
Profit before taxation	25,012	70,366	34,656	16,326
Income tax expense	(7,331)	(7,865)	(5,776)	(2,734)
Profit for the year	17,681	62,501	28,880	13,592
Attributable to: Owners of the Company	17,681	62,501	28,880	13,592

	As at 31 December			
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Assets and liabilities				
Total assets	517,547	393,702	286,399	248,163
Total liabilities	(329,846)	(297,019)	(248,607)	(224,091)
	187,701	96,683	37,792	24,072
Attributable to: Owners of the Company	187,701	96,683	37,792	24,072