



碧瑤 BAGUIO



碧瑤綠色集團有限公司
Baguio Green Group Limited

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

股份代號 Stock Code : 1397



2020

Interim Report 中期報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Ms. Cheung Siu Chun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Siu Chun

LEGAL AND COMPLIANCE ADVISERS

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

AUDITORS

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Room 201, Building A, Qianwan 1st Road
Qianhai Shenzhen-Hong Kong Cooperation Zone
Nanshan District, Shenzhen, Guangdong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKER

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

COMPANY WEBSITE ADDRESS

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

STOCK CODE

1397

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
	2020 HK\$'000	2019 HK\$'000	
Revenue			
Cleaning	361,691	513,481	-29.6%
Landscaping	97,939	97,183	+0.8%
Pest management	51,657	27,584	+87.3%
Waste management and recycling	79,768	80,807	-1.3%
	591,055	719,055	-17.8%
Cost of services	(558,079)	(676,197)	-17.5%
Gross profit	32,976	42,858	-23.1%
Profit from operations	16,582	8,770	+89.1%
Profit attributable to equity shareholders of the Company	11,158	3,834	+191.0%
Basic earnings per share (HK cents)	2.69	0.92	

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, and together with its subsidiaries, the “Group” or “Baguio”) is pleased to present the interim report of the Group for the six months ended 30 June 2020 (the “Period”).

MARKET REVIEW

The outbreak of the coronavirus (“COVID-19”) has taken a devastating human toll and brought catastrophic impact to social and economic sectors around the world, including Hong Kong where has suffered a massive economic hit in the first half of 2020. The slowdown and suspension of business activities within the city and with its trading partners, coupled with the associated anti-epidemic lockdown measures, have seriously disrupted local economic activities and supply chains. According to the Census and Statistics Department, Hong Kong’s real GDP recorded a significant decrease of 9.0% year-on-year in the second quarter alone. Against a backdrop of rising awareness of environmental and personal hygiene, the environmental and cleaning industry in Hong Kong has coped better than others in the service sectors benefiting from increased social demand for cleansing and disinfection services.

The HK\$80 billion Employment Support Scheme introduced by the Hong Kong Government (the “Government”) in April 2020 to alleviate the impact of the pandemic has helped service companies like ours to cushion the near-term economic blow from the pandemic. Nonetheless, the environmental and cleaning industry still faces severe long-term impacts as more corporations adopt stringent measures to control operating costs to ensure long-term survival.

The environmental protection and recycling sector in Hong Kong is facing unprecedented challenges as consumers adapt their spending habits and attitudes during the crisis. For example, the consumption of protective equipment (“PPE”) and daily single-use items from both the medical sector and households, such as face masks, hand sanitisers, cleaning supplies, disposable cutlery and take-out dining waste, has skyrocketed. According to green experts in Hong Kong, the volume of single-use plastics distributed for takeaway meals during the pandemic is 2.2 times higher than the corresponding period in 2019. This has exerted tremendous pressure on domestic waste collection, disposal and recycling activities. Making matters worse, constraints brought about to control the virus greatly increased the difficulties for recyclers to collect and manage waste, as recycling plant operation ground to a halt. The ongoing delay in implementing the Legislative Council’s Municipal Solid Waste (MSW) Charging Scheme, which was formally introduced in 2018 and taxes residents according to the amount waste they generate, is putting the entire recycling industry at risk.

Overall, the Government has been supportive of the Hong Kong environmental industry. In the 2020–2021 Budget, the administration announced the extension of the Cleaner Production Partnership Programme to March 2025, with funding of HK\$300 million to encourage factories to improve environmental quality. In addition, HK\$300 million has been earmarked for the launch of a waste-paper recycling scheme. Under COVID-19, the Government has also adopted two subsidy schemes for recycling facilities currently financed by its recycling fund. The first is the One-off Rental Support Scheme (ORSS), which assists recycling facilities by covering 50% of their rent or up to HK\$25,000. The second is the One-off Recycling Industry Anti-epidemic Scheme (ORIAS), which subsidises recycling facilities’ operational costs at HK\$20,000 per month.

The Government also launched the Reduce & Recycle 2.0 Campaign in June 2020 to encourage the public to go green in support of a green recovery and circular economy while fighting COVID-19. By collaborating with the Environmental Campaign Committee (ECC), this initiative will promote a range of themes, including establishing different types of recyclables, promoting the community recycling network and raising public awareness of plastic-free living by encouraging people to avoid single-use plastic tableware and packaging materials.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The adverse economic impact of COVID-19 combined with keen market competition, has made the first half of 2020 a challenging time for Baguio. During the Period, the Group's revenue was approximately HK\$591.1 million, representing a decrease of approximately 17.8% from approximately HK\$719.1 million for the corresponding period in 2019. Gross profit decreased by approximately 23.1% to approximately HK\$33.0 million (1H2019: HK\$42.9 million) and gross profit margin decreased by 0.4 percentage points ("p.p.") to approximately 5.6% (1H2019: 6.0%). Profit attributable to equity shareholders of the Company amounted to approximately HK\$11.2 million, representing a year-on-year increase of approximately 191.0% (1H2019: HK\$3.8 million), with net profit margin increased by approximately 1.4 p.p. to approximately 1.9% (1H2019: 0.5%).

The decline in revenue and profit was mainly attributable to the expiry of several sizable cleaning services contracts, as well as a changing customer mix during the Period. In order to maintain a reasonable profit margin, the Group has been working to expand its clientele to include more public institutions and private residential estates. During the Period, the Group secured the new contract with the Hospital Authority for the provision of domestic and transportation service for Caritas Medial Centre, Kwai Chung Hospital and North Lantau Hospital, and new contracts with other government departments, including Hong Kong Police Force and Correctional Services Department, for the provision of cleaning services.

As one of the largest integrated environmental service providers in Hong Kong, Baguio carries out stringent infection control measures to safeguard the wellbeing of frontline staff, including providing all necessary PPE, such as medical surgical masks, alcohol sanitiser and gloves. However, the shortage of PPE during the initial days of the outbreak drove the cost of supplies up, which added further pressure on our operational expenses. Although the price of PPE has stabilised, we expect the added expense of PPE for staff to continue for some time.

In the landscaping business sector Baguio has increased its investment and manpower on seedling production with a strategic objective of expanding into large-scale landscaping projects. In recent years the demand for better living environments and improved living standards has been on the rise in both Hong Kong and the PRC. Following the introduction of tougher greening policies from the Hong Kong Government, the Group is anticipating strong demand for quality landscaping in the future, as the economic activities begin to resume.

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

During the COVID-19 crisis, the need for pest control services surged, with demand from commercial buildings such as offices, hotels and restaurants, bolstered by increased hygiene awareness.

In terms of the waste management and recycling business, the Group secured contracts with the Environmental Protection Department for providing collection and recycling services of paper recyclable materials as well as with the Airport Authority Hong Kong in providing food waste collection and recycling services. These contracts have further extended our waste recycling and collection networks in Hong Kong. Nonetheless, the coronavirus crisis has dealt a double whammy to the recycling industry, which was already reeling by the social unrest at the end of 2019 and was further hampered as the collection of empty bottles came to a near halt as bars, restaurants and nightclubs were closed or suspended during the lockdown.

MANAGEMENT DISCUSSION AND ANALYSIS

However, in April 2020, to promote clean recycling and build public recycling habits, Baguio launched the “iRecycle” mobile APP, a one-stop recycling platform powered by blockchain technology to recycle plastic bottles (Type 1 and Type 2) and glass bottles at designated collection points. The registered users can earn points in return for discount coupons redemption provided by our merchant partners. With the support of our partners, almost 40 bottle collection points were launched and “Door to door bottle collection services” will be implemented shortly. We successfully collected over 64,000 plastic bottles (Type 1 and Type 2) and glass bottles through “iRecycle” in the first 100 days since launch.

Apart from plastic and glass bottles, as a key player in processing recyclable wastes in Hong Kong, Baguio strives to expand its recycling network and broaden the type of recyclables by exploring the processing of other materials such as food waste and paper.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period (1H2019: Nil).

Revenue Breakdown of Major Business Segments

	For the six months ended 30 June 2020		2019		Change
	Revenue (HK\$ million)	% of total revenue	Revenue (HK\$ million)	% of total revenue	
Cleaning	361.7	61.2%	513.5	71.5%	-29.6%
Landscaping	97.9	16.6%	97.2	13.5%	+0.8%
Pest management	51.7	8.7%	27.6	3.8%	+87.3%
Waste management and recycling	79.8	13.5%	80.8	11.2%	-1.3%
Total	591.1	100.0%	719.1	100.0%	-17.8%

Gross Profit Margin of Major Business Segments

	For the six months ended 30 June		Change
	2020	2019	
Cleaning	2.5%	2.8%	-0.3 p.p.
Landscaping	13.1%	18.7%	-5.6 p.p.
Pest management	5.4%	9.2%	-3.8 p.p.
Waste management and recycling	10.6%	9.5%	+1.1 p.p.
Overall	5.6%	6.0%	-0.4 p.p.

During the Period, the Group delivered satisfactory results in the pest management segment by achieving nearly 87.3% revenue growth though the profit margin has dropped due to keen competition. This encouraging result was attributable to the Group’s enormous effort in securing new contracts. The demand for professional landscaping and arboriculture services is still keen. However, due to the progress delays of the landscaping projects and increase in cost, the gross profit margin of the landscaping segment dropped from approximately 18.7% to approximately 13.1%.

Despite the decrease in revenue from our cleaning segment, the Group has still successfully been awarded new contracts with government departments, including the Food and Environmental Hygiene Department, the Hong Kong Police Force and the Correctional Services Department for provision of cleaning and pest control services and continued to control costs on the operation during the Period. The Group recorded a decrease in the overall gross profit margin from approximately 6.0% to approximately 5.6% due to the increase in labour costs, especially in the cleaning segment. Nonetheless, the gross profit margin of the Group at approximately 5.6% for the six months ended 30 June 2020 is better than that of the Group at approximately 5.0% for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracts on Hand

As of 30 June 2020, the Group had a total amount of approximately HK\$1,974.4 million worth of unexpired contracts on hand, among which, approximately HK\$517.4 million would be recognised by the end of 2020; approximately HK\$736.8 million would be recognised in 2021 and the rest of approximately HK\$720.2 million would be recognised in 2022 and beyond.

	Backlog contract value (HK\$ million)	Contract value to be recognised by 31 December 2020 (HK\$ million)	Contract value to be recognised by 31 December 2021 (HK\$ million)	Contract value to be recognised in 2022 and beyond (HK\$ million)
Cleaning services	1,390.7	326.8	529.4	534.5
Landscaping services	115.1	60.6	41.4	13.1
Pest management services	176.5	50.1	70.2	56.2
Waste management and recycling services	292.1	79.9	95.8	116.4
Total	1,974.4	517.4	736.8	720.2

AWARDS

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

Date	Issuer of Award	Award
Jan 2020	7-Eleven — Combined Distribution Centre	Certificate of Occupational Safety & Health
Jan 2020	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2019 — Certificate to Zero Accident Achievement (Apr–Sept 2019)
Jan 2020	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2019 — Certificate to Zero Accident Achievement (Oct 2018–Mar 2019)
Feb 2020	Hong Kong International Airport	Appreciation of participation — Airfield and Baggage Hall Safety Campaign 2019
Apr 2020	Employee Retraining Board (“ERB”)	ERB Manpower Developer Award Scheme
May 2020	Environmental Campaign Committee	Hong Kong Green Organisation Certification — Wastewi\$e Certificate — Excellence Level
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Baguio Green Group Limited
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Baguio Cleaning Services Company Limited
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Baguio Waste Management & Recycling Limited
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Baguio Landscaping Services Limited
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Tak Tai Enviroscape Limited
Jun 2020	Hong Kong Council of Social Service	5 years+ Caring Company 2019/20 — Baguio Pest Management Limited

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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

Date	Organiser of Activity	Activity
Jan 2020	Kwai Chung Hospital — Hospital Authority	Baguio Glass Bottle Recycling Plant Visit
Jan 2020	The Green Earth	Night Walk for The Green Earth 2020
Jan 2020	Hong Kong Jockey Club	Baguio Glass Bottle Recycling Plant Visit
May 2020	Hong Kong Blind Union	疫下有曙光 • 暖心防疫包 Dawn under the Epidemic • Donations of Epidemic Prevention Package
May 2020	St. James' Settlement	疫下有曙光 • 暖心防疫包 Dawn under the Epidemic • Donations of Epidemic Prevention Package
Jun 2020	Hong Kong Playground Association	防疫包「樂•樂」送 Donations of Epidemic Prevention Package

PROSPECTS

The World Health Organization (WHO) has warned that COVID-19 is likely to co-exist with humans for an extended period. To alleviate the long term impact of the pandemic, the Hong Kong Government has allocated HK\$5,903.1 million in environmental hygiene and related services in 2020–2021, representing a significant increase of 19.5%. We believe the rising demand for better hygiene will create more business opportunities for our high quality cleaning and disinfection services, especially among government premises, commercial buildings and restaurants.

The Group remains unwavering in its commitment to continuously promote the recycling business in Hong Kong, and is confident in its mission to be an industry pioneer. Currently, over 5 million tonnes of waste are disposed of each year in the three strategic landfills which were nearly saturated. Although landfills extension projects have begun, the long-term waste problem can only be resolved through wide adoption of a robust local recycling economy.

The Group is confident in the long-term prospects of the local recycling industry. Our first joint venture with ALBA Group Asia Limited and Swire Beverages Holdings Limited to operate the first food-grade ready plastics recycling facility in Hong Kong at EcoPark is expected to commence operations by the end of 2020. It is expected that the facility will process and recycle 35,000 tonnes of post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high density polyethylene or personal care bottles) annually at a rate of 100 tonnes of plastics per day, thus prolonging the life of reusable plastics. The three-stage process will turn plastic waste into flakes and pellets, which can be reused as raw materials for new, high quality consumer or industrial products.

Baguio is committed to promoting sustainable environmental development and creating a harmonious living environment. Since the launch of “iRecycle”, our first recycling mobile APP platform, we are keen to further explore and increase collection points for bottles to boost our recycle network.

Looking forward, the Group will continue to focus on developing the local recycling industry, as well as strengthening our core businesses of cleaning, landscaping and pest management. We are hopeful that the Municipal Solid Waste (MSW) Charging Scheme can be passed in the near future. As a leading green company in Hong Kong, we not only strive to build a clean and sustainable city, but also create better returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six-month periods ended 30 June 2020 and 2019 amounted to approximately HK\$591.1 million and HK\$719.1 million respectively, representing a decrease of approximately 17.8%. The decrease was mainly due to the decrease in revenue in the cleaning services segment with some contracts expiring during the Period.

Cost of Services

For the six-month periods ended 30 June 2020 and 2019, the cost of services amounted to approximately HK\$558.1 million and HK\$676.2 million respectively, representing approximately 94.4% and approximately 94.0% of the Group's revenue for the corresponding periods respectively. The cost of services primarily comprised of direct wages, direct overhead expenses, material consumables and sub-contracting fees.

Gross Profit

The Group's gross profit for the Period was approximately HK\$33.0 million, representing a decrease of approximately 23.1% from approximately HK\$42.9 million for the corresponding period in 2019. The decrease was mainly due to the revenue decrease from the cleaning services segment having some contracts expiring and progress delays of the landscaping projects during the Period.

Gross Profit Margin

The gross profit margins of the Group for the six-month periods ended 30 June 2020 and 2019 were approximately 5.6% and approximately 6.0% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the increase in labour costs and progress delays of the landscaping projects during the Period.

Other Income

The other income of the Group for the six-month periods ended 30 June 2020 and 2019 were approximately HK\$21.8 million and HK\$1.2 million respectively, representing an increase of approximately 16.8 times. The substantial increase was mainly with the amount of approximately HK\$15.5 million relating to the subsidies under the Anti-epidemic Fund set up by the Hong Kong Government.

Change in Fair Value Less Costs to Sell of Biological Assets

The Group's biological assets consist of trees, plants and flowers located at the Group's nurseries in the PRC and Hong Kong. The gains in fair value of biological assets for the six-month periods ended 30 June 2020 and 2019 were approximately HK\$23,000 and HK\$1.7 million respectively, representing an increase of approximately 98.6%. The increase in fair value was contributed by the growth of the plants offset by the decrease in market price. The Group continued to store and plant these biological assets in the nurseries for future landscaping projects.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the six-month periods ended 30 June 2020 and 2019 were approximately HK\$0.6 million and HK\$1.1 million respectively, representing a decrease of approximately 46.4%. These expenses are mainly for the promotional activities and channels to promote our recycling business and to enhance the public awareness of environmental protection and waste recycling.

Administrative Expenses

The administrative expenses of the Group for the six-month periods ended 30 June 2020 and 2019 were approximately HK\$37.6 million and HK\$35.9 million respectively, representing an increase of approximately 4.8%, and approximately 6.4% and approximately 5.0% of the respective period's total revenue. The increase was mainly due to the increase in wages and allowances to continue enhancing the waste and recycling development. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The finance costs amounted to approximately HK\$4.5 million and HK\$4.4 million for the six-month periods ended 30 June 2020 and 2019 respectively, representing approximately 0.8% and approximately 0.6% of the Group's total revenue respectively. The increase was mainly due to the increase in interest costs on lease liabilities during the Period.

Profit for the Period Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for the six-month periods ended 30 June 2020 and 2019 amounted to approximately HK\$11.2 million and HK\$3.8 million respectively, representing an increase of approximately 191.0%. The increase was mainly due to the government subsidy from the Anti-epidemic Fund.

CAPITAL STRUCTURE

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flows from operating activities principally from rendering comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$70.7 million (1H2019: net cash used in operating activities of HK\$8.1 million). As at 30 June 2020, the Group had available cash and bank balances amounting to approximately HK\$41.1 million (31 December 2019: HK\$22.9 million), representing an increase of approximately 79.7% from 31 December 2019.

As at 30 June 2020, the Group's total current assets and current liabilities were approximately HK\$368.0 million (31 December 2019: HK\$423.2 million) and HK\$342.2 million (31 December 2019: HK\$419.9 million) respectively, while the current ratio was approximately 1.1 times (31 December 2019: 1.0 times). The liquidity position of the Group is maintained at a healthy level.

As at 30 June 2020, the Group's bank borrowings amounted to approximately HK\$194.5 million (31 December 2019: HK\$235.1 million), representing a decrease of approximately 17.3%; the Group's lease liabilities were approximately HK\$46.7 million (31 December 2019: HK\$46.7 million), which was the same as that of the previous year ended, for financing the acquisition of motor vehicles for operational usage and recognising lease liabilities related to the lease contracts in respect of certain lands, office buildings and nurseries. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 1.0 times as at 30 June 2020 (31 December 2019: 1.2 times), which was calculated based on the total interest-bearing bank borrowings and lease liabilities over total equity of the Group.

As at 30 June 2020, the Group had unutilised banking facilities of approximately HK\$205.0 million (31 December 2019: HK\$174.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENT

As at 30 June 2020, the Group had neither capital commitment contracted for (31 December 2019: HK\$1.2 million) nor capital commitment authorised but not contracted for (31 December 2019: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the amounts payable under lease liabilities within one year was approximately HK\$12.8 million (31 December 2019: HK\$11.7 million), that after one year but with five years was approximately HK\$13.4 million (31 December 2019: HK\$13.2 million), and that after five years was approximately HK\$20.5 million (31 December 2019: HK\$21.7 million).

As at 30 June 2020, the lease liabilities of the Group of approximately HK\$7.3 million (31 December 2019: HK\$11.2 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 30 June 2020, the Group had (i) pledged bank deposits of approximately HK\$6.2 million (31 December 2019: HK\$6.2 million); (ii) pledge of cash and cash equivalents of approximately HK\$0.1 million (31 December 2019: HK\$0.5 million); (iii) mortgage of the land and buildings of approximately HK\$71.7 million (31 December 2019: HK\$73.0 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK\$14.3 million (31 December 2019: HK\$14.2 million); (v) pledge of the trade receivables of approximately HK\$37.9 million (31 December 2019: HK\$83.7 million); and (vi) pledge of the contract assets arising from performance under glass management contracts of approximately HK\$2.6 million (31 December 2019: HK\$2.7 million).

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

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

HUMAN RESOURCES

As at 30 June 2020, the Group employed 4,982 employees. Remuneration packages were generally structured by reference to market terms and individual qualifications and experience.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	For the six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	4	591,055	719,055
Cost of services		(558,079)	(676,197)
Gross profit		32,976	42,858
Other income		21,783	1,220
Change in fair value less costs to sell of biological assets		23	1,673
Selling and marketing expenses		(572)	(1,068)
Administrative expenses		(37,628)	(35,913)
Profit from operations		16,582	8,770
Finance costs	5	(4,530)	(4,436)
Share of losses of a joint venture		(1,303)	–
Profit before taxation	6	10,749	4,334
Income tax credit/(expense)	7	409	(779)
Profit for the period		11,158	3,555
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries, net of nil tax		(32)	10
Cash flow hedge: net movement in the hedging reserve shared from a joint venture		554	–
Other comprehensive income		522	10
Total comprehensive income for the period		11,680	3,565
Profit for the period attributable to:			
Equity shareholders of the Company		11,158	3,834
Non-controlling interests		–	(279)
		11,158	3,555
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		11,680	3,844
Non-controlling interests		–	(279)
		11,680	3,565
Earnings per share			
Basic and diluted (HK cents)	9	2.69	0.92

The notes on pages 16 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	<i>Note</i>	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Non-current assets			
Property, plant and equipment	10	170,675	181,613
Right-of-use assets	11	62,587	63,679
Interest in a joint venture		8,603	9,352
Financial assets at fair value through profit or loss		14,268	14,176
Prepayments, deposits and other receivables		18,465	18,562
		274,598	287,382
Current assets			
Inventories		2,669	2,635
Contract assets		11,271	9,042
Trade receivables	12	237,050	319,970
Prepayments, deposits and other receivables		42,861	32,125
Tax recoverable		2,073	2,073
Biological assets		24,798	28,316
Pledged bank deposits		6,157	6,153
Cash and cash equivalents		41,118	22,887
		367,997	423,201
Current liabilities			
Trade payables	13	22,695	28,001
Accruals, deposits received and other payables		111,226	143,118
Bank borrowings	14	194,503	235,095
Lease liabilities	15	12,774	11,745
Tax payable		1,042	1,982
		342,240	419,941
Net current assets		25,757	3,260
Total assets less current liabilities		300,355	290,642
Non-current liabilities			
Lease liabilities	15	33,960	34,976
Provision		10,350	10,152
Deferred tax liabilities		7,244	8,393
		51,554	53,521
Net assets		248,801	237,121
Capital and reserves			
Share capital	16	4,150	4,150
Reserves		244,651	232,971
Total equity		248,801	237,121

The notes on pages 16 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Hedging reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019	4,150	100,850	18,330	1,773	(137)	–	127,857	252,823	(961)	251,862
Profit for the period	–	–	–	–	–	–	3,834	3,834	(279)	3,555
Other comprehensive income for the period	–	–	–	–	10	–	–	10	–	10
Total comprehensive income for the period	–	–	–	–	10	–	3,834	3,844	(279)	3,565
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	–	–	(1,730)	(1,730)	1,240	(490)
Dividends approved in respect of the previous year (note 8)	–	–	–	–	–	–	(2,905)	(2,905)	–	(2,905)
Share options lapsed	–	–	–	(78)	–	–	78	–	–	–
At 30 June 2019	4,150	100,850	18,330	1,695	(127)	–	127,134	252,032	–	252,032
At 1 January 2020	4,150	100,850	18,330	1,695	(173)	–	112,269	237,121	–	237,121
Profit for the period	–	–	–	–	–	–	11,158	11,158	–	11,158
Other comprehensive income for the period	–	–	–	–	(32)	554	–	522	–	522
Total comprehensive income for the period	–	–	–	–	(32)	554	11,158	11,680	–	11,680
At 30 June 2020	4,150	100,850	18,330	1,695	(205)	554	123,427	248,801	–	248,801

The notes on pages 16 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash generated from/(used in) operating activities	70,676	(8,110)
Investing activities		
Payment for the purchase of property, plant and equipment	(3,574)	(21,015)
Other cash flows arising from investing activities	4,126	2,866
Net cash generated from/(used in) investing activities	552	(18,149)
Financing activities		
Proceeds from new bank borrowings	688,556	651,750
Repayment of bank borrowings	(729,148)	(624,674)
Other cash flows used in financing activities	(12,265)	(16,605)
Net cash (used in)/generated from financing activities	(52,857)	10,471
Net increase/(decrease) in cash and cash equivalents	18,371	(15,788)
Cash and cash equivalents at the beginning of the period	22,887	36,105
Effect of foreign exchange rates changes	(140)	10
Cash and cash equivalents at the end of the period	41,118	20,327

The notes on pages 16 to 28 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2020.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES

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

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

Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 11). There is no impact on the opening balance of equity at 1 January 2020.

4. SEGMENT INFORMATION

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

Segment results represent the earnings from each segment before interest, taxation and administrative expenses including directors' emoluments and exclude other income, change in fair value less costs to sell of biological assets and share of losses of a joint venture. The following is an analysis of the Group's revenue and results by reportable segments.

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

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
Six months ended 30 June 2019					
Revenue from external customers and reportable segment revenue recognised over time	513,481	97,183	27,584	80,807	719,055
Segment results	13,634	18,178	2,621	7,357	41,790
Other income					1,220
Change in fair value less costs to sell of biological assets					1,673
Administrative expenses					(35,913)
Finance costs					(4,436)
Profit before taxation					4,334

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

Segment assets include all assets attributable to the activities of the individual segments, with the exception of intercompany receivables and other corporate assets. Segment liabilities include all liabilities attributable to the activities of the individual segments, with the exception of intercompany payables and corporate liabilities. The segment assets and liabilities at the end of the reporting period by reportable segments are as follows:

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 30 June 2020					
Segment assets	318,556	129,670	32,697	159,006	639,929
Unallocated					2,666
Total assets					642,595
Segment liabilities	268,898	30,015	15,045	78,266	392,224
Unallocated					1,570
Total liabilities					393,794

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 2019					
Segment assets	371,552	119,507	30,585	186,814	708,458
Unallocated					2,125
Total assets					710,583
Segment liabilities	339,946	32,037	21,322	79,078	472,383
Unallocated					1,079
Total liabilities					473,462

Geographical information

All of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the interim period.

5. FINANCE COSTS

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on:		
Bank overdrafts	5	7
Bank borrowings	3,685	3,885
Lease liabilities	840	544
	4,530	4,436

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit before taxation is arrived at after charging/(crediting):		
Cost of consumable goods	22,231	23,368
Reversal of credit losses on trade receivables	(36)	(43)
Depreciation		
Owned property, plant and equipment	13,518	13,937
Right-of-use assets	6,067	5,606
Loss/(gain) on disposal of property, plant and equipment	357	(19)
Government grants*	(15,524)	(111)
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	458,831	573,190
Provision for long service and severance payments	13,840	8,230
Provision for untaken paid leave	5,057	4,808
Contributions to defined contribution retirement scheme	13,076	17,385
	490,804	603,613
Short-term lease payments not included in the measurement of lease liabilities		
Machinery and motor vehicles	15,595	15,721
Land and buildings	1,076	2,261
	16,671	17,982

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

- (i) Employment Support Scheme, which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund of the Government of HK\$12,210,000 (six months ended 30 June 2019: Nil). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees;
- (ii) Transport Trades Subsidy under the Anti-epidemic Fund of HK\$3,180,000 (six months ended 30 June 2019: Nil);
- (iii) subsidies for phasing out certain diesel commercial vehicles by the Group of nil (six months ended 30 June 2019: HK\$111,000); and
- (iv) other subsidies under the Anti-epidemic Fund of HK\$134,000 (six months ended 30 June 2019: Nil) .

There were neither unfulfilled conditions nor other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grant in the future.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

7. INCOME TAX(CREDIT)/EXPENSE

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	739	1,250
Deferred tax	(1,148)	(471)
	(409)	779

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, was approved and recognised during the following interim period, of nil (six months ended 30 June 2019: HK0.7 cents) per ordinary share	–	2,905

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2020 attributable to ordinary equity shareholders of the Company of HK\$11,158,000 (six months ended 30 June 2019: HK\$3,834,000) and the weighted average number of 415,000,000 (six months ended 30 June 2019: 415,000,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the interim period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with aggregate cost of HK\$3,774,000 (six months ended 30 June 2019: HK\$21,015,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$4,464,000 (six months ended 30 June 2019: HK\$2,431,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the right-of-use assets were transferred to property, plant and equipment with aggregate carrying value of HK\$3,275,000 (six months ended 30 June 2019: HK\$21,478,000). The Group also entered into a number of lease agreements for use of land and properties, and therefore recognised the additions to right-of-use assets of HK\$8,250,000 (six months ended 30 June 2019: HK\$2,078,000).

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2020		
	Fixed payments HK\$'000	COVID-19 rent concessions HK\$'000	Total payments HK\$'000
Leasehold land and other properties – Hong Kong	4,923	(388)	4,535

	Six months ended 30 June 2019		
	Fixed payments HK\$'000	COVID-19 rent concessions HK\$'000	Total payments HK\$'000
Leasehold land and other properties – Hong Kong	4,255	–	4,255

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

12. TRADE RECEIVABLES

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 60 days	172,150	236,313
Over 60 days but within 120 days	43,993	69,490
Over 120 days but within 365 days	19,142	13,893
Over 365 days	1,765	274
	237,050	319,970

In general, for the contracts with some quasi-government organisations and The Government of the Hong Kong Special Administrative Region, the Group has no specific credit terms in accordance with the tender terms. For other contracts, the Group normally allows a credit period ranging from 30 to 60 days depending on the customers' creditworthiness and the length of business relationship.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

13. TRADE PAYABLES

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 30 days	16,814	16,986
Over 30 days but within 60 days	3,236	7,963
Over 60 days but within 90 days	679	809
Over 90 days	1,966	2,243
	22,695	28,001

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

14. BANK BORROWINGS

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Current liabilities		
Current portion of term loans from banks	141,893	178,788
Non-current portion of term loans from banks repayable on demand	52,610	56,307
	194,503	235,095

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Secured	131,381	176,424
Unsecured	63,122	58,671
	194,503	235,095

The secured bank loans of the Group as at 30 June 2020 were secured by:

- (i) pledged bank deposits of HK\$6,157,000 (31 December 2019: HK\$6,153,000);
- (ii) cash and cash equivalents of HK\$90,000 (31 December 2019: HK\$546,000);
- (iii) mortgage of the land and buildings of HK\$71,698,000 (31 December 2019: HK\$73,019,000);
- (iv) pledge of the financial assets at fair value through profit or loss of HK\$14,268,000 (31 December 2019: HK\$14,176,000);
- (v) pledge of the trade receivables of HK\$37,877,000 (31 December 2019: HK\$83,662,000); and
- (vi) pledge of the contract assets arising from performance under glass management contracts of HK\$2,641,000 (31 December 2019: HK\$2,694,000).

As at 30 June 2020, the bank borrowings of the Group of HK\$194,503,000 (31 December 2019: HK\$235,095,000) bear interest ranging from 2.16% to 3.11% (31 December 2019: 2.40% to 4.35%) per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

15. LEASE LIABILITIES

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Minimum lease payments		
— within one year	14,250	13,221
— after one year but within five years	17,203	17,235
— after five years	25,970	27,524
	43,173	44,759
Less: Future interest expenses	(10,689)	(11,259)
Present value of lease liabilities	46,734	46,721
Present value of minimum lease payments		
— within one year	12,774	11,745
— after one year but within five years	13,376	13,245
— after five years	20,584	21,731
	33,960	34,976
	46,734	46,721

16. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	1,000,000	10,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	415,000	4,150

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

The Group's finance team assesses the valuations for the investments in life insurance which is categorised into Level 3 of the fair value hierarchy. Consultation with the insurance company is carried out when appropriate in respect of the valuation assessment. The Group prepares analysis of changes in fair value measurement at each interim and annual reporting date, which is reviewed and approved by the Board of Directors. Discussion of the valuation process and results with the Board of Directors is held twice a year, to coincide with the reporting dates.

	At 30 June 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss				
Investments in life insurance	–	–	14,268	14,268

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

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Investments in life insurance		
Opening balance	14,176	13,893
Gains recognised in profit or loss	92	94
Closing balance	14,268	13,987

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

18. OPERATING LEASE COMMITMENT

(a) Operating leases receivable

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

	At	At
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Within one year	68	476

(b) Operating leases payable

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

	At	At
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Within one year	1,575	393

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

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

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Capital expenditure in respect of the additions of property, plant and equipment		
—Contracted for within one year	–	105
Capital expenditure in respect of the additions of equipment and machinery for glass management contracts		
—Contracted for within one year	–	183
Capital expenditure in respect of the construction of recycling plant for EcoPark project		
—Contracted for within one year	–	925
	–	1,213

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	For the six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Short term employee benefits	4,777	4,579
Retirement scheme contributions	170	212
	4,947	4,791

- (b) Transactions with a joint venture

	For the six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Income relating to right-of-use assets	2,014	–
Sourcing, collection and sorting waste plastics services income	4,635	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Balances with a joint venture

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Contract assets	1,947	–
Trade receivables	1,789	–
Other receivables:		
Loan to a joint venture	3,300	3,300
Interest receivable from a joint venture	124	27
Receivable from a joint venture	13,068	18,009
	20,228	21,336

(d)

Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2020 HK\$'000	2019 HK\$'000
The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	391	339
Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	1,104	972

INDEPENDENT REVIEW REPORT



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 28 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

28 August 2020

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, as far as is known to the Directors or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") or as otherwise notified to the Company:

Name	Capacity/ Nature of Interest	Number of Issued Shares Held	Approximate Percentage Holding (%)
Ng Wing Hong	Interest of controlled corporation/Beneficial owner ^(Note 1)	278,524,000	67.11
Chan Shuk Kuen	Family interest ^(Note 2)	278,524,000	67.11
Ng Yuk Kwan Phyllis	Beneficial owner ^(Note 3)	26,400,000	6.36
Mak Che Fai Lawrence	Family interest ^(Note 4)	26,400,000	6.36
Baguio Green (Holding) Limited	Beneficial owner ^(Note 1)	275,000,000	66.27

Notes:

- (1) The entire issued share capital of Baguio Green (Holding) Limited is beneficially owned by Mr. Ng Wing Hong. Therefore, Mr. Ng Wing Hong is deemed to be interested in all the 275,000,000 shares of the Company ("Shares") held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and an executive Director. In addition, Mr. Ng Wing Hong also directly held 3,524,000 Shares.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 26,400,000 Shares. Ms. Ng Yuk Kwan Phyllis is an executive Director.
- (4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kwan Phyllis and is therefore deemed to be interested in all the Shares held by Ms. Ng Yuk Kwan Phyllis.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2020, the shareholding interests of Mr. Ng Wing Hong, Ms. Chan Shuk Kuen and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interest" above and the share option interests of all Directors are presented on pages 31 and 33 in the section "Share Option Scheme" below. In addition, as at 30 June 2020, Ms. Cheung Siu Chun, an executive Director and the company secretary of the Company, held 800,000 Shares. Apart from the foregoing, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under the Listing Rules.

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

Eligible Participants:

- (i) the Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at the Exercise Price (as defined in the paragraph “Exercise Price” of this section) for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme;
- (ii) the basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

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

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

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

The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

OTHER INFORMATION

The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

Price for Subscription of Shares: The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

Amount payable on acceptance of the option and the period within which such payment must be made: An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

Maximum entitlement of each eligible participant: The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "Participant Limit"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

Exercise price: The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.

Minimum holding period: The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised.

Period within which the securities must be taken up under an option: In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.

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

No share option was granted during the Period, while no share option was lapsed during the Period due to the resignation of employees who had been granted share options.

OTHER INFORMATION

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

Name or category of participants	Date of grant (Note)	Number of underlying shares comprised in share options				Exercise period	Exercise price per share (HK\$)
		As at 1 January 2020	Granted during the Period	Lapsed during the Period	As at 30 June 2020		
Directors							
Ms. Ng Yuk Kwan Phyllis	16/10/2015	292,000	-	-	292,000	16/10/2017- 23/04/2024	1.00
Mr. Ng Wing Chuen	16/10/2015	240,000	-	-	240,000	16/10/2017- 23/04/2024	1.00
Ms. Leung Shuk Ping	16/10/2015	216,000	-	-	216,000	16/10/2017- 23/04/2024	1.00
Ms. Chan Shuk Kuen	16/10/2015	216,000	-	-	216,000	16/10/2017- 23/04/2024	1.00
Ms. Cheung Siu Chun	16/10/2015	240,000	-	-	240,000	16/10/2017- 23/04/2024	1.00
Mr. Sin Ho Chiu	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Dr. Law Ka Hung	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Mr. Lau Chi Yin Thomas	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Subtotal		1,624,000	-	-	1,624,000		
Other Eligible Participants (in aggregate)							
Other employees	16/10/2015	2,756,000	-	-	2,756,000	16/10/2017- 23/04/2024	1.00
Subtotal		2,756,000	-	-	2,756,000		
Total		4,380,000	-	-	4,380,000		

Note: The share options vested on 16 October 2017.

SHARE AWARD PLAN

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

No share was granted under the Share Award Plan during the Period.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

CORPORATE GOVERNANCE

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

CHANGE IN INFORMATION OF DIRECTORS

During the Period, there was no change in information of the directors of the Company which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

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

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

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

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

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

碧瑤綠色集團有限公司
Baguio Green Group Limited