



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



INTERIM REPORT
中期報告 2019

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Ms. Cheung Siu Chun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Siu Chun

LEGAL ADVISERS

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

AUDITORS

KPMG

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

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Shenzhen, Guangdong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG 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
	2019 HK\$'000	2018 HK\$'000	
Revenue			
Cleaning	513,481	518,240	-0.9%
Landscaping	97,183	85,329	+13.9%
Pest management	27,584	23,456	+17.6%
Waste management and recycling	80,807	60,974	+32.5%
	719,055	687,999	+4.5%
Cost of services	(676,197)	(640,636)	+5.6%
Gross profit	42,858	47,363	-9.5%
Profit from operations	8,770	16,972	-48.3%
Profit attributable to equity shareholders of the Company	3,834	12,560	-69.5%
Basic earnings per share (HK cents)	0.92	3.03	

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 2019 (the “Period”).

MARKET REVIEW

During the Period, the environmental industry in Hong Kong has been facing both challenges and opportunities. In spite of intense competition and escalating labor cost, as one of the largest integrated environmental service providers in Hong Kong with market leading advantages in technology and economies of scale, Baguio sees vast opportunities in the fast growing environmental industry led by the rising public awareness on sustainable development in the city. According to the Census and Statistics Department, the value added of Hong Kong’s environmental industry increased by 10.8% year on year to HK\$9.3 billion in 2017 (or 0.4% of GDP). As a global trend, different industries in Hong Kong have been undergoing a transformation towards low carbon and green economy, which facilitates the demand for a greener and healthier living environment with less power consumption and waste generation. Therefore, the demand for cleaning and landscape services is still on a rising trend with tremendous room for growth.

On the other hand, on 1 January 2018, the People’s Republic of China (the “PRC”) ended its long-running practice of accepting thousands of containers carrying scrap paper, plastics and metals for recycling and reuse. Governments around the world, including the Hong Kong Government, are now being forced to roll out their own disposal and recycling systems. The PRC’s decision not to remain the dumping ground for foreign garbage has shined the spotlight on the need for countries to start facing up to their plastics addictions, and for makers of plastics and disposable goods to take on more responsibility for the environmental damage they inflict. The reform in the PRC has become a key milestone in speeding up the development of the environmental protection industry and meanwhile, an immediate alert to Hong Kong to tackle with the serious waste problem with her own resources.

Further, the PRC announced the implementation of “compulsory waste classification” since 1 July 2019 and Shanghai to be the pilot city. The vibrant development of environmental protection and recycling industries in the PRC has become a driving force for Hong Kong to gear up her efforts in the city’s environmental protection measures and sustainable development. The city’s leaders and institutions have long taken a proactive approach in motivating the public to achieve improved waste recycling and waste reduction in order to divert recyclables away from landfills. Measures including the Source Separation of Domestic Waste (2005), Tuen Mun EcoPark (2007), the Community Recycling Network (2011), the \$1 billion Recycling Fund (2015) and many other green procurement policies have been introduced to promote waste reduction and recycling.

Whereas for food waste, projects such as the “Food Waste Recycling Projects in Housing Estates” under the Environment and Conservation Fund of the Hong Kong Government are being rolled out to arouse public awareness. These projects were launched in July 2011 to subsidise the installation of on-site food waste treatment facilities in private housing estates, organising related educational activities and setting up related service platforms to provide technical support to estates. Another 35 “Household Food Recycling Projects” have been approved and so far about 2,000 tonnes of food waste are being recycled.

However, all the above measures are far from being able to solve the escalating waste problems in Hong Kong. The Group believes that the active participation from the business sector in promoting more vigorous recycling industry development is a more effective approach in achieving the sustainable goals of the city and, therefore, sees huge business opportunities from the increasing demand of greening and environmental protection services. As a one-stop waste management and recycling operator, Baguio is working closely with the Hong Kong Government to advance the development of the green industry.

BUSINESS REVIEW

Competition remained intensive during the Period. The Group’s gross profit was adversely affected due to increasing costs of labor, particular in the cleaning segment. Margins were also impacted dragging overall profitability downward. During the Period, the Group’s revenue was approximately HK\$719.1 million, representing an increase of approximately 4.5% from approximately HK\$688.0 million for the corresponding period of 2018. Gross profit decreased by approximately 9.5% to approximately HK\$42.9 million (1H2018: HK\$47.4 million) and gross profit margin decreased by 0.9 percentage points (“p.p”) to approximately 6.0% (1H2018: 6.9%). Profit attributable to equity shareholders of the Company amounted to approximately HK\$3.8 million, representing a year-on-year decline of approximately 69.5% (1H2018: HK\$12.6 million), with net profit margin decreased by approximately 1.3 p.p to approximately 0.5% (1H2018: 1.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

Intensive competition has negatively impacted profit margins for our clearing business segment. To mitigate its exposure to heightened competition, Baguio will be more selective in the bidding process and focus only on high margin projects including those which require advanced skill sets or good governance such as airports, aircraft and public utilities. Furthermore, the Group is working on technological transformation to enhance overall work efficiency and productivity in order to consolidate its industry leading position.

In our landscaping business, Baguio has increased investment and manpower on seedling production as a strategy with a view to expand into large-scale landscaping projects. In past years there have been significant changes in requirements for better living environments along with improving living standards in Hong Kong and the PRC. Following the introduction of tougher greening policies from the Hong Kong Government, the Group is expecting a strong demand for quality landscaping in the coming years. Leveraging on its first-mover advantage, Baguio's plant nurseries in Zhongshan PRC have already started supplying seedlings to landscaping projects and other clients in the Greater Bay area. The landscaping business will become an important growth driver for the Group.

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

As one of the key players in processing recyclable wastes in Hong Kong, Baguio believes that the waste recycling and processing segment is a core pillar for the city's sustainability, and that efforts made at this stage will be rewarded greatly in future. Capitalising on moves made in 2018, Baguio intended to form a partnership with ALBA Group Asia Limited ("ALBA") and Swire Beverages Holdings Limited ("Swire"), for the formation of a joint venture (the "JV") dedicated to building and operating a state-of-the-art recycling facility for plastic waste, the first of its kind in Hong Kong. The facility is expected to commence operation in the third quarter of 2020, at which time it will be well placed to seize the opportunity brought by the onset of the strange spacing between alphabets and the proposed Producer Responsibility Scheme on plastic bottles. The Group is confident that the new facility will ease the problem of current lower-than-expected plastic bottle recycling rate and heavy reliance on exporting plastic recyclables.

Since 2018, continued effort has also been focused on expanding other recycling business areas, including glass bottles, animal waste and horticultural waste. The Group's glass bottle management facility commenced operation and passed the trial run in 2018. In addition, a strong and widespread waste collection network has been established. The Group is, therefore, well-positioned to participate in the soon-to-be vibrant resource recycling market in Hong Kong.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period (1H2018: Nil).

Revenue Breakdown of Major Business Segments

	For the six months ended 30 June				Change
	2019		2018		
	Revenue (HK\$ Million)	% of total revenue	Revenue (HK\$ Million)	% of total revenue	
Cleaning	513.5	71.5%	518.2	75.3%	-0.9%
Landscaping	97.2	13.5%	85.3	12.4%	+13.9%
Pest management	27.6	3.8%	23.5	3.4%	+17.6%
Waste management and recycling	80.8	11.2%	61.0	8.9%	+32.5%
Total	719.1	100.0%	688.0	100.0%	+4.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin of Major Business Segments

	For the six months ended 30 June		Change
	2019	2018	
Cleaning	2.8%	4.7%	-1.9 p.p.
Landscaping	18.7%	17.3%	+1.4 p.p.
Pest management	9.2%	11.6%	-2.4 p.p.
Waste management and recycling	9.5%	9.4%	+0.1 p.p.
Overall	6.0%	6.9%	-0.9 p.p.

During the Period, the Group was able to secure tender contracts with its existing and new customers to drive overall revenue upwards. The Group has delivered satisfactory growth in its landscaping, pest management together with waste management and recycling segments by achieving approximately 13.9%, 17.6% and 32.5% revenue growth respectively, which offset the effect of revenue decrease from our cleaning segment. With the increasing demand for professional landscaping and arboriculture services, the landscaping segment still maintained higher gross profit margin. The overall gross profit margin dropped from 6.9% to 6.0% mainly due to increase in labor costs, especially in the cleaning segment. The increment in cost of services was higher than that in revenue.

Contracts on hand

As of 30 June 2019, the Group had a total amount of approximately HK\$1,469.5 million worth of unexpired contracts on hand, among which, approximately HK\$590.6 million would be recognised by the end of 2019; approximately HK\$561.4 million would be recognised in 2020 and the rest of approximately HK\$317.5 million would be recognised in 2021 and beyond.

	Unexpired contract value (HK\$ Million)	Contract value to be recognised by 31 December 2019 (HK\$ Million)	Contract value to be recognised by 31 December 2020 (HK\$ Million)	Contract value to be recognised in 2021 and beyond (HK\$ Million)
Cleaning services	826.0	406.2	322.0	97.8
Landscaping services	159.9	83.6	69.1	7.2
Pest management services	75.4	30.6	35.7	9.1
Waste management and recycling services	408.2	70.2	134.6	203.4
Total	1,469.5	590.6	561.4	317.5

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS

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

Date	Issuer of Award	Award
Jan 2019	Employee Retraining Board	ERB Merit Award for Employers
Jan 2019	Ngong Ping 360	Certificate of Appreciation — “360 Sharing Ambassador — Blindfold Cable Car Challenge” Sponsorship
Jan 2019	Hong Kong International Airport	Appreciation of Participation — Airfield and Baggage Hall Safety Campaign 2018
Jan 2019	Green Council	Certificate of Appreciation — Green Carnival 2019
Jan 2019	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2018 — Certificate to Zero Accident Achievement (Oct 2017–Mar 2018)
Jan 2019	Sun Fook Kong Construction Group	Sun Fook Kong Safety Awards Scheme 2018 — Certificate to Zero Accident Achievement (Apr–Sept 2018)
Feb 2019	Environmental Campaign Committee	Hong Kong Green Organisation Certification — Wastewi\$e Certificate — Excellence Level
Mar 2019	The Neighbourhood Advice-Action Council	Certificate of Appreciation — Career Counseling Service
Mar 2019	People Service Centre	Certificate of Appreciation — “Food Friend Action”
Mar 2019	Green Council	Certificate of Appreciation — Green Run 2019
Mar 2019	The Young Landscape Architects’ Group	Certificate of Appreciation — The Young Landscape Architects’ Group Landscape Academic Exhibition
Apr 2019	Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence (Manufacturing and Industrial Services) Certificate of Merit
May 2019	Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Cleaning Services Company Limited
May 2019	Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Landscaping Services Limited
May 2019	Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Pest Management Limited
May 2019	Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Baguio Waste Management and Recycling Limited
May 2019	Hong Kong Council of Social Service	Caring Company 2018/19 — Baguio Green Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Date	Issuer of Award	Award
May 2019	Hong Kong Council of Social Service	5 years+ Caring Company 2018/19 — Tak Tai Enviroscape Limited
Jun 2019	Bank of China & The Federation of Hong Kong Industries	Corporate Environmental Leadership Awards 2018 — EcoPartner + EcoPioneer (3 Years+)
Jun 2019	Green Council	Hong Kong Green Day 2019 — Certificate of Appreciation Bronze Sponsor

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 2019	Green Council	Green Carnival 2019
Feb 2019	Greener Action	Red Packet Reuse & Recycle Program
Mar 2019	Green Council	Green Run 2019
May 2019	World Wide Fund For Nature Hong Kong	Reserve Ranger Volunteering Experience At Mai Po
May 2019	Hong Kong Institute of Vocational Education (Kwai Chung) — Applied Science	Baguio Glass Bottle Recycling Plant Visit
May 2019	Queen Elizabeth School Old Students' Association Secondary School	Baguio Glass Bottle Recycling Plant Visit
Jun 2019	Green Council	Hong Kong Green Day 2019
Jun 2019	World Wide Fund For Nature Hong Kong	Baguio Glass Bottle Recycling Plant & Waste Sorting & Recycling Centre Visit
Jun 2019	The Open University of Hong Kong	Baguio Waste Sorting & Recycling Centre Visit
Jun 2019	World Green Organisation	Baguio Waste Sorting & Recycling Centre Visit

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead, Baguio will remain cautious in further expanding the market presence in the environmental industry. On 14 June 2019, the Council for Sustainable Development launched the public interaction phase of the public engagement on Long-term Decarbonisation Strategy with an aim to pave the way for the building of a low-carbon society. Driven by the sustainable development initiatives by the Hong Kong Government, Baguio will leverage on our leading edge in R&D, market expertise and industry experience in cleaning, landscaping, pest management, recycling and waste management to strive for a better development with our best effort.

Many international reports and surveys show that the recycling market is booming and is gradually gaining prominence. Growing sustainability awareness, government initiatives and more stringent environmental protection regulations are driving the growth of the recycling market. Looking at the second half of 2019, with the progressive implementation of waste-to-energy infrastructure, we are hoping to see much stronger demand for the recycling market. In view of that, we believe the government will continue to explore incubating local manufacturing industries to help absorb the local recyclables generated, so as to reduce Hong Kong's reliance on waste exports. The Group will continue to look into the potential of establishing processing facilities and further expanding its footprint in the recycling sector. Through collaboration with industry experts, the Group is working to gain ground in the recycling industry by incorporating advanced technologies and experiences in order to help accelerate the development of Hong Kong's recycling industry and ultimately to develop a sustainable community that embraces the key sustainable development goals of supporting responsible consumption and production, reducing carbon emission and waste emission to the oceans, sea life as well as to the land in creating a healthier environments.

The Group is confident that the JV with Swire and ALBA will be able to process the entire domestic volume of post-consumer plastic bottles from beverage and personal care products and to further unleash other business synergies. Whereas the Group's investment in technological advancement, including building new systems and platforms, is expected to give a positive boost to business efficiency.

For close to 40 years, Baguio has been tapping into different environmental service markets and has successfully built a holistic and highly synergistic environmental services portfolio, ranging from cleaning, landscaping and pest management, to waste management and recycling. Riding on Baguio's existing collection network and resources, as well as its well-established reputation and extensive experience in the waste management industry, the Group will leverage its strong operational knowhow, advanced management system and proven track record in order to seize new business opportunities in Hong Kong and the PRC. As one of the government's closest partners in city cleaning and greening, Baguio aims to help build a clean, safe and sustainable city and to deliver greater and satisfactory returns to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the six-month periods ended 30 June 2019 and 2018 were approximately HK\$719.1 million and HK\$688.0 million respectively, representing an increase of approximately 4.5%. The increase was mainly due to the overall increase in revenue in our services segments of landscaping together with waste management and recycling with increase in number of contracts and orders during the Period.

Cost of Services

For each of the six-month periods ended 30 June 2019 and 2018, the cost of services amounted to approximately HK\$676.2 million and HK\$640.6 million respectively, representing approximately 94.0% and approximately 93.1% 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. The cost of services to the Group's revenue increased due to increase in labor costs in the market and the operating expenses incurred for the glass treatment facility and collection network, that commenced operation in May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit for the Period was approximately HK\$42.9 million, representing a decrease of approximately 9.5% from approximately HK\$47.4 million for the corresponding period in 2018. The decrease was mainly due to the keen competition in the market, coupled with an increase in labor costs, especially in cleaning segment. The increment in cost of services was higher than that in revenue.

Gross Profit Margin

The gross profit margins of the Group for each of the six-month periods ended 30 June 2019 and 2018 were approximately 6.0% and approximately 6.9% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the increase in direct labor costs in light of the labor intensive nature of our businesses during the Period.

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 gain in fair value of biological assets for each of the six-month periods ended 30 June 2019 and 2018 were approximately HK\$1.7 million and HK\$1.5 million respectively, representing an increase of approximately 14.0%. This is due to the continuing accumulation and growth of the biological assets in the nurseries for future landscaping projects.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for each of the six-month periods ended 30 June 2019 and 2018 were approximately HK\$1.1 million and HK\$1.0 million respectively, representing an increase of approximately 3.7% and accounting for approximately 0.1% of the total revenue of each of the respective periods.

Administrative Expenses

The administrative expenses of the Group for each of the six-month periods ended 30 June 2019 and 2018 were approximately HK\$35.9 million and HK\$31.2 million respectively, representing approximately 5.0% and approximately 4.5% of the respective period's total revenue. The increase was mainly due to the increase in the overhead and depreciation charge on expansion of office premises, and the increase of the number of administrative staff for the development of glass management and building the recycling network. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

Finance Costs

The finance costs amounted to approximately HK\$4.4 million and HK\$2.3 million for each of the six-month periods ended 30 June 2019 and 2018 respectively, representing approximately 0.6% and 0.3% of the Group's total revenue respectively. The increase was mainly due to the increase in the average level of bank borrowings during the Period.

Profit for the Period Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for each of the six-month periods ended 30 June 2019 and 2018 were approximately HK\$3.8 million and HK\$12.6 million respectively, representing a decrease of approximately 69.5%. The decrease was mainly due to the factors described above.

MANAGEMENT DISCUSSION AND ANALYSIS

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 used in operating activities of approximately HK\$8.1 million (1H2018: net cash generated from HK\$2.7 million). As at 30 June 2019, the Group had available cash and bank balances amounting to approximately HK\$20.3 million (31 December 2018: HK\$36.1 million), representing a decrease of approximately 43.7% from 31 December 2018.

As at 30 June 2019, the Group's total current assets and current liabilities were approximately HK\$451.2 million (31 December 2018: HK\$454.5 million) and HK\$432.8 million (31 December 2018: HK\$422.8 million) respectively, while the current ratio was approximately 1.0 times (31 December 2018: 1.1 times).

As at 30 June 2019, the Group's bank borrowings amounted to approximately HK\$245.4 million (31 December 2018: HK\$218.3 million), representing an increase of approximately 12.4%; the Group's lease liabilities were approximately HK\$53.1 million (31 December 2018: HK\$23.8 million), representing an increase of approximately 122.9%, for financing the acquisition of motor vehicles for operational usage and recognising lease liabilities related to the lease contracts in respect of certain office buildings as requested by the newly adopted HKFRS 16 since 1 January 2019. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 1.2 times as at 30 June 2019 (31 December 2018: 1.0 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 2019, the Group had unutilised banking facilities of approximately HK\$150.4 million (31 December 2018: HK\$72.2 million).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENT

As at 30 June 2019, the Group had capital commitment contracted for of approximately HK\$2.0 million (31 December 2018: HK\$5.4 million) and capital commitment authorised but not contracted for of nil (31 December 2018: HK\$90.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, the amounts payable under lease liabilities within one year was approximately HK\$15.0 million (31 December 2018: HK\$12.4 million), that after one year but with five years was approximately HK\$15.8 million (31 December 2018: HK\$11.4 million), and that over five years was approximately HK\$22.3 million (31 December 2018: Nil). Meanwhile, the Group adopted HKFRS 16 since 1 January 2019 and recognised the lease liabilities accordingly.

As at 30 June 2019, the lease liabilities of the Group of approximately HK\$16.3 million (31 December 2018: HK\$23.8 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 30 June 2019, the Group have (i) pledged bank deposits of approximately HK\$6.1 million (31 December 2018: HK\$6.1 million); (ii) mortgage of the land and buildings of approximately HK\$74.3 million (31 December 2018: HK\$75.7 million); (iii) pledge of the financial assets at fair value through profit or loss of approximately HK\$14.0 million (31 December 2018: HK\$13.9 million); (iv) pledge of the trade receivables of approximately HK\$87.5 million (31 December 2018: HK\$78.1 million); and (v) pledge of the contract assets arising from performance under glass management contracts of approximately HK\$6.8 million (31 December 2018: HK\$7.0 million).

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.

CONTINGENT LIABILITIES

As at 30 June 2019, 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 2019, the Group employed 7,856 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, office and management skills, have been conducted to improve the front-end quality of services and office support. In addition, employees are also encouraged and subsidised to attend job-related seminars and course 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 2019 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	For the six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Revenue	4	719,055	687,999
Cost of services		(676,197)	(640,636)
Gross profit		42,858	47,363
Other income		1,220	344
Change in fair value less costs to sell of biological assets		1,673	1,468
Selling and marketing expenses		(1,068)	(1,030)
Administrative expenses		(35,913)	(31,173)
Profit from operations		8,770	16,972
Finance costs	5	(4,436)	(2,281)
Profit before taxation	6	4,334	14,691
Income tax	7	(779)	(2,131)
Profit for the period		3,555	12,560
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of subsidiaries		10	(69)
Total comprehensive income for the period		3,565	12,491
Profit for the period attributable to:			
Equity shareholders of the Company		3,834	12,560
Non-controlling interests		(279)	–
		3,555	12,560
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		3,844	12,491
Non-controlling interests		(279)	–
		3,565	12,491
Earnings per share			
Basic and diluted (HK cents)	9	0.92	3.03

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

The notes on pages 17 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment	10	181,913	222,794
Right-of-use assets	11	79,792	–
Financial assets at fair value through profit or loss		13,987	13,893
Prepayments and deposits		7,362	6,637
		283,054	243,324
Current assets			
Inventories		3,920	3,902
Contract assets		12,002	10,526
Trade receivables	12	349,689	352,779
Prepayments, deposits and other receivables	13	30,730	22,439
Tax recoverable		2,425	1,819
Biological assets		25,953	20,772
Pledged bank deposits		6,147	6,143
Cash and cash equivalents		20,327	36,105
		451,193	454,485
Current liabilities			
Trade payables	14	27,641	30,921
Accruals, deposits received and other payables		143,485	160,540
Bank borrowings	15	245,390	218,314
Lease liabilities	16	14,991	12,437
Tax payable		1,315	608
		432,822	422,820
Net current assets		18,371	31,665
Total assets less current liabilities		301,425	274,989
Non-current liabilities			
Lease liabilities	16	38,138	11,400
Deferred tax liabilities		11,255	11,727
		49,393	23,127
Net assets		252,032	251,862
Capital and reserves			
Share capital	17	4,150	4,150
Reserves		247,882	248,673
Total equity attributable to equity shareholders of the Company		252,032	252,823
Non-controlling interests		–	(961)
Total equity		252,032	251,862

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

The notes on pages 17 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserve	Share option reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	4,150	100,850	18,330	1,911	14	115,636	240,891	-	240,891
Profit for the period	-	-	-	-	-	12,560	12,560	-	12,560
Other comprehensive income for the period	-	-	-	-	(69)	-	(69)	-	(69)
Total comprehensive income for the period	-	-	-	-	(69)	12,560	12,491	-	12,491
Dividends approved in respect of the previous year (note 8)	-	-	-	-	-	(5,810)	(5,810)	-	(5,810)
Share options lapsed	-	-	-	(108)	-	108	-	-	-
At 30 June 2018	4,150	100,850	18,330	1,803	(55)	122,494	247,572	-	247,572
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

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

The notes on pages 17 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Net cash (used in)/generated from operating activities	(8,110)	2,677
Investing activities		
Payment for the purchase of property, plant and equipment	(21,015)	(27,218)
Other cash flows arising from investing activities	2,866	2,856
Net cash used in investing activities	(18,149)	(24,362)
Financing activities		
Proceeds from new bank borrowings	651,750	462,355
Repayment of bank borrowings	(624,674)	(437,993)
Other cash flows used in financing activities	(16,605)	(12,341)
Net cash generated from financing activities	10,471	12,021
Net decrease in cash and cash equivalents	(15,788)	(9,664)
Cash and cash equivalents at the beginning of the period	36,105	47,983
Effect of foreign exchange rates changes	10	(69)
Cash and cash equivalents at the end of the period	20,327	38,250

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

The notes on pages 17 to 34 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 (Holdings) 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 29 August 2019.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 35.

The financial information relating to the financial year ended 31 December 2018 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

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

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

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

(a) New definition of a lease

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

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

(b) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and properties as disclosed in note 19(b).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16, Leases *(Continued)*

(b) Lessee accounting *(Continued)*

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

(c) Lessor accounting

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

(d) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.88%.

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

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(d) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 19(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

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

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

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK\$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK\$'000	Deduct: Estimated amount related to operating leases as if under HKAS 17 (note 1) (C) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK\$'000	Compared to amounts reported for 2018 under HKAS 17 HK\$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	8,770	2,777	(2,834)	8,713	16,972
Finance costs	(4,436)	196	–	(4,240)	(2,281)
Profit before taxation	4,334	2,973	(2,834)	4,473	14,691
Profit for the period	3,555	2,973	(2,834)	3,694	12,560
Reportable segment results for the six months ended 30 June 2019 (note 4) impacted by the adoption of HKFRS 16:					
– Cleaning services business	13,634	–	–	13,634	23,642
– Landscaping services business	18,178	523	(540)	18,161	14,645
– Pest management business	2,621	25	(25)	2,621	2,720
– Waste management and recycling business	7,357	1,277	(1,301)	7,333	5,326
– Total	41,790	1,825	(1,866)	41,749	46,333

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

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

	2019			2018
	Amounts reported under HKFRS 16 (A) HK\$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK\$'000	Compared to amounts reported for 2018 under HKAS 17 HK\$'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Net cash (used in)/generated from operating activities	(8,110)	(4,264)	(12,374)	2,677
Capital element of lease rentals paid	(11,209)	3,598	(7,611)	(10,061)
Interest element of lease rentals paid	(1,014)	666	(348)	(642)
Net cash generated from financing activities	10,471	4,264	14,735	12,021

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

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.

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 and change in fair value less costs to sell of biological assets. 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 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 revenue and results (Continued)

	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 2018					
Revenue from external customers and reportable segment revenue recognised over time	518,240	85,329	23,456	60,974	687,999
Segment results	23,642	14,645	2,720	5,326	46,333
Other income					344
Change in fair value less costs to sell of biological assets					1,468
Administrative expenses					(31,173)
Finance costs					(2,281)
Profit before taxation					14,691

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 2019					
Segment assets	413,461	122,078	28,848	164,928	729,315
Unallocated					4,932
Total assets					734,247
Segment liabilities	352,737	32,543	17,426	75,067	477,773
Unallocated					4,442
Total liabilities					482,215

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	Cleaning services business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Waste management and recycling business HK\$'000	Total HK\$'000
As at 31 December 2018					
Segment assets	429,398	106,432	26,105	131,647	693,582
Unallocated					4,227
Total assets					697,809
Segment liabilities	359,663	29,921	14,701	40,427	444,712
Unallocated					1,235
Total liabilities					445,947

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	
	2019 HK\$'000	2018 HK\$'000
Interest on:		
Bank overdrafts	7	18
Bank loans	3,885	1,621
Lease liabilities	1,014	642
Total interest expenses	4,906	2,281
Less: Capitalised interest expenses [#]	(470)	–
	4,436	2,281

[#] The borrowing costs have been capitalised at a rate of 3.88% per annum during the six months ended 30 June 2019.

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	
	2019 HK\$'000	2018 [#] HK\$'000
Profit before taxation is arrived at after charging/(crediting):		
Cost of consumables goods	23,368	21,988
Reversal of credit losses on trade receivables	(43)	–
Depreciation [#]		
– owned property, plant and equipment	13,937	8,882
– property, plant and equipment held under finance leases	–	4,586
– right-of-use assets	5,606	–
(Gain)/loss on disposal of property, plant and equipment	(19)	17
Government grants [*]	(111)	(202)
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	573,190	541,881
Provision for long service payments	8,230	4,487
Provision for untaken paid leave	4,808	6,084
Contributions to defined contribution retirement scheme	17,385	17,012
	603,613	569,464
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 [#]		
Land and buildings	–	2,335
Short-term lease payments not included in the measurement of lease liabilities		
Machinery and motor vehicles	15,721	15,330
Land and buildings	2,261	572
	17,982	15,902

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

^{*} Government grants of HK\$111,000 (six months ended 30 June 2018: HK\$202,000) were granted during the six months ended 30 June 2019 in respect of phasing out certain diesel commercial vehicles by the Group. There were no unfulfilled conditions and other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grant in the future.

7. INCOME TAX

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong Profits Tax	1,250	1,519
Deferred tax	(471)	612
	779	2,131

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

7. INCOME TAX *(Continued)*

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

8. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, was approved and recognised during the following interim period, of HK0.7 cents (six months ended 30 June 2018: HK1.4 cents) per ordinary share	2,905	5,810

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 period attributable to ordinary equity shareholders of the Company of HK\$3,834,000 (six months ended 30 June 2018: HK\$12,560,000) and the weighted average number of 415,000,000 (six months ended 30 June 2018: 415,000,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share were 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 2019, the Group acquired items of property, plant and equipment with aggregate cost of HK\$21,015,000 (six months ended 30 June 2018: HK\$26,409,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$2,431,000 (six months ended 30 June 2018: HK\$2,864,000).

11. RIGHT-OF-USE ASSETS

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets.

During the six months ended 30 June 2019, the right-of-use assets were transferred to property, plant and equipment with aggregate carrying value of 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\$2,078,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

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 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 60 days	267,468	259,559
Over 60 days but within 120 days	63,489	68,719
Over 120 days but within 365 days	18,561	23,355
Over 365 days	171	1,146
	349,689	352,779

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 30 June 2019 is a gross amount of HK\$4,500,000 (31 December 2018: HK\$4,500,000) due from Shanghai Genyuan Environmental Co., Limited ("Shanghai Genyuan", a company principally engaged in harmless treatment of organic wastes and resources utilisation in the People's Republic of China) in respect of a refundable deposit in relation to the proposed acquisition of certain equity interest in Shanghai Genyuan. The proposed acquisition was terminated during year ended 31 December 2016 as the Group could not reach an agreement with the seller on certain crucial terms. During the year ended 31 December 2017, the Group agreed with Shanghai Genyuan on the repayment schedule of the outstanding balance but certain scheduled payments were subsequently defaulted. The Group has taken legal action against Shanghai Genyuan and the guarantors, and a loss allowance of HK\$2,250,000 continued to be recognised as at 30 June 2019 (31 December 2018: HK\$2,250,000), based on the latest development of the case.

14. TRADE PAYABLES

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 30 days	19,246	16,561
Over 30 days but within 60 days	4,733	10,913
Over 60 days but within 90 days	722	987
Over 90 days	2,940	2,460
	27,641	30,921

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

15. BANK BORROWINGS

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current liabilities		
Current portion of term loans from banks	191,747	174,667
Non-current portion of term loans from banks repayable on demand	53,643	43,647
	245,390	218,314

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Secured	214,891	175,197
Unsecured	30,499	43,117
	245,390	218,314

The secured bank loans of the Group as at 30 June 2019 were secured by:

- (i) pledged bank deposits of HK\$6,147,000 (31 December 2018: HK\$6,143,000);
- (ii) mortgage of the leasehold land and buildings of HK\$74,346,000 (31 December 2018: HK\$75,662,000);
- (iii) pledge of the financial assets at fair value through profit or loss of HK\$13,987,000 (31 December 2018: HK\$13,893,000);
- (iv) pledge of the trade receivables of HK\$87,475,000 (31 December 2018: HK\$78,132,000); and
- (v) pledge of the contract assets arising from performance under glass management contracts of HK\$6,796,000 (31 December 2018: HK\$6,985,000).

As at 30 June 2019, the bank loans of the Group of HK\$245,390,000 (31 December 2018: HK\$218,314,000) bear interest ranging from 2.53% to 4.03% (31 December 2018: 2.53% to 5.77%) per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

16. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of current and previous reporting period and at the date of transition to HKFRS 16 are shown as below:

	At 30 June 2019 HK\$'000	At 1 January 2019 HK\$'000	At 31 December 2018 HK\$'000
Minimum lease payments			
– within one year	16,619	19,951	13,011
– after one year but within five years	19,979	27,621	11,745
– over five years	28,472	27,585	–
	65,070	75,157	24,756
Less: Future interest expenses	(11,941)	(12,897)	(919)
Present value of lease liabilities	53,129	62,260	23,837
Present value of minimum lease payments			
– within one year	14,991	18,095	12,437
– after one year but within five years	15,793	22,286	11,400
– over five years	22,345	21,879	–
	53,129	62,260	23,837

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3(d).

17. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	1,000,000	10,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	415,000	4,150

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

18. 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 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	–	–	13,987	13,987

	At 31 December 2018			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	–	–	13,893	13,893

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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)

18. 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	
	2019 HK\$'000	2018 HK\$'000
Investments in life insurance		
Opening balance	13,893	13,596
Gains recognised in profit or loss	94	104
Closing balance	13,987	13,700

(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 2019 and 31 December 2018.

19. OPERATING LEASE COMMITMENT

(a) Operating leases receivable

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within one year	816	816
After one year but within five years	68	476
	884	1,292

(b) Operating leases payable

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within one year	122	7,221
After one year but within five years	–	12,919
After five years	–	30,524
	122	50,664

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Capital expenditure in respect of the additions of property, plant and equipment		
—Contracted for within one year	734	4,438
Capital expenditure in respect of the additions of equipment and machinery for glass management contracts		
—Authorised but not contracted for	—	12,210
—Contracted for within one year	364	23
	364	12,233
Capital expenditure in respect of the construction of recycling plant for EcoPark project		
—Authorised but not contracted for	—	77,768
—Contracted for within one year	925	925
	925	78,693
	2,023	95,364

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

21. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions 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	
	2019	2018
	HK\$'000	HK\$'000
Short term employee benefits	4,579	4,466
Retirement scheme contributions	212	237
	4,791	4,703

(b)

Nature of related party relationship	Nature of transaction	Interested director	For the six months ended 30 June	
			2019	2018
			HK\$'000	HK\$'000
The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	339	701
Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	972	731

INDEPENDENT REVIEW REPORT



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 34 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2019 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 2019 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

29 August 2019

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, 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)	278,256,000	67.05
Chan Shuk Kuen	Family interest ^(Note 2)	278,256,000	67.05
Ng Yuk Kwan Phyllis	Beneficial owner ^(Note 3)	25,000,000	6.02
Mak Che Fai Lawrence	Family interest ^(Note 4)	25,000,000	6.02
Baguio Green (Holding) Limited	Beneficial owner ^(Note 1)	275,000,000	66.27
RAYS Capital Partners Limited	Investment manager/Beneficial owner/ Interest of controlled corporation ^(Note 6)	28,912,000	6.97
Ruan David Ching-chi	Interest of controlled corporation ^(Note 5)	28,912,000	6.97
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner ^(Note 6)	28,464,000	6.86

Notes:

- (1) The entire issued share capital of Baguio Green (Holding) Limited is beneficially owned by Mr. Ng Wing Hong. Therefore, Mr. Ng Wing Hong is deemed to be interested in all the 275,000,000 shares of the Company ("Shares") held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the 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 3,256,000 Shares.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited) by virtue of the SFO. Ms. Chan Shuk Kuen is an executive Director.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 25,000,000 Shares. Ms. Ng Yuk Kwan Phyllis is an executive Director.
- (4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kwan Phyllis and is therefore deemed to be interested in all the Shares held by Ms. Ng Yuk Kwan Phyllis.
- (5) Ruan David Ching-chi had a 50% equity interest in RAYS Capital Partners Limited. Therefore, he is deemed to be interested in all the Shares held by RAYS Capital Partners Limited.
- (6) 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 held by Asian Equity.

Save as disclosed above, as at 30 June 2019, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2019, the shareholding interests of Mr. Ng Wing Hong, Ms. Chan Shuk Kuen and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interest" above and the share option interests of all Directors are presented on page 37 in the section "Share Option Scheme" below. In addition, as at 30 June 2019, 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 under the Listing Rules.

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:	<ul style="list-style-type: none">(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:	<p>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").</p> <p>Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.</p> <p>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.</p>

OTHER INFORMATION

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

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

Price for Subscription of Shares:	<p>The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:</p> <ul style="list-style-type: none">(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:	<p>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.</p>
Maximum entitlement of each eligible participant:	<p>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.</p>
Exercise price:	<p>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.</p>
Minimum holding period:	<p>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.</p>
Period within which the securities must be taken up under an option:	<p>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.</p>
The remaining life of the Share Option Scheme:	<p>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.</p>

OTHER INFORMATION

No share option was granted during the Period, while 204,000 share options were lapsed during the Period due to the resignation of employees who had been granted share options.

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 price per share (HK\$)	
		As at 1 January 2019	Granted during the Period	Lapsed during the Period	As at 30 June 2019		
Directors							
Ms. Ng Yuk Kwan Phyllis	16/10/2015	292,000	-	-	292,000	16/10/2017- 23/04/2024	1.00
Mr. Ng Wing Chuen	16/10/2015	240,000	-	-	240,000	16/10/2017- 23/04/2024	1.00
Ms. Leung Shuk Ping	16/10/2015	216,000	-	-	216,000	16/10/2017- 23/04/2024	1.00
Ms. Chan Shuk Kuen	16/10/2015	216,000	-	-	216,000	16/10/2017- 23/04/2024	1.00
Ms. Cheung Siu Chun	16/10/2015	240,000	-	-	240,000	16/10/2017- 23/04/2024	1.00
Mr. Sin Ho Chiu	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Dr. Law Ka Hung	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Mr. Lau Chi Yin Thomas	16/10/2015	140,000	-	-	140,000	16/10/2017- 23/04/2024	1.00
Subtotal		1,624,000	-	-	1,624,000		
Other Eligible Participants (in aggregate)							
Other employees	16/10/2015	2,960,000	-	(204,000)	2,756,000	16/10/2017- 23/04/2024	1.00
Subtotal		2,960,000	-	(204,000)	2,756,000		
Total		4,584,000	-	(204,000)	4,380,000		

Note: The share options vested on 16 October 2017.

SHARE AWARD PLAN

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

No shares were 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 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, the Company's holding companies or any of the Company's 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 had 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 2019.

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 and 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