碧瑤
BAGUIO

Baguio Green Group Limited
碧瑤綠色集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1397)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2014 amounted to approximately HK$1,028.7 million (FY2013: approximately HK$821.3 million), representing an increase of approximately 25.3% as compared with the preceding year.

- Gross profit for the year ended 31 December 2014 was approximately HK$98.2 million (FY2013: approximately HK$83.9 million), representing an increase of approximately 17.1% as compared with the preceding year.

- Net profit for the year ended 31 December 2014 was approximately HK$17.7 million (FY2013: approximately HK$62.5 million), representing a decrease of approximately 71.7% as compared with the preceding year.

- A final dividend of HK1.3 cents per share, totalling HK$5,395,000 was recommended by the Board for the year ended 31 December 2014.

The board of directors (the "Directors" or the "Board") of Baguio Green Group Limited is pleased to announce the consolidated audited annual results of the Company and its subsidiaries for the year ended 31 December 2014 (the "Year").

CHAIRMAN'S STATEMENT

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

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

BUILDING A ONE-STOP WASTE MANAGEMENT AND RECYCLING PLATFORM

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

FORTIFYING EXISTING BUSINESS SEGMENTS

The Group's established businesses of cleaning, landscaping, pest management and waste management of recycling registered stable growth for the year ended 31 December 2014. During the Year, we have continued to utilize our cross-selling platform to increase market penetration. The Group has successfully acquired new contracts from existing and new customers across all sectors. The winning of these contracts represents the customers' recognition of our quality service complying with their stringent requirements and it further expands Baguio's footprint in Hong Kong. Going forward, we will establish closer ties with our existing and potential customers to secure large-scale projects in other sectors.

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

PROSPECTS

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

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

APPRECIATION

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

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

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

Market overview

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

Results

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

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

Revenue Breakdown of Major Business Segments

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

Gross Profit Margin of Major Business Segments

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

Cleaning Services

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

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

Landscaping Services

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

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

Pest Management Services

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

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

Waste Management and Recycling Services

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

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

New Contracts Gained/Renewed and Contract On-Hand

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

AWARDS

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

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

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

INTELLECTUAL PROPERTY RIGHTS

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

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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

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

PROSPECTS

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

More details of the Company's performance for the year by business segments is set out in note 4 to the financial statements.

Cost of Services

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

Gross Profit

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

Gross Profit Margin

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

Gain on Disposal of Investment properties

For the year ended 31 December 2014, the gain on disposal of investment properties dropped by 100%, or approximately by HK$27.4 million compared to the corresponding year of 2013. This was primarily due to the relevant one-off disposal gain in 2013.

Selling and Marketing Expenses

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

Administrative Expenses

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

Finance Costs

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

Profit for the Year Attributable to Owners of The Company

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

FOREIGN CURRENCY RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

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

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

CONTINGENT LIABILITIES

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

USE OF PROCEEDS

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

Summary of use of proceeds

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

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

POST BALANCE SHEET EVENTS

The Group had no material event subsequent to the end of the reporting period and up to the date of this announcement.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit and loss and other comprehensive income on page 17. The Directors recommended the payment of a final dividend of HK$1.3 cents per share, totally approximately HK$5,395,000, to be paid on or around 19 June 2015, to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 3 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. To be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 19 May 2015.

The register of members of the Company will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for the Shareholders to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 May 2015.

CORPORATE GOVERNANCE

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in the Group's annual report to be published in due course.

AUDIT COMMITTEE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the“Model Code”) as set out in Appendix 10 to the Listing Rules.

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities from the date of listing up to 31 December 2014.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s result for the Year have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be despatched to the Shareholders as well as published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By order of the Board of
Baguio Green Group Limited
Ng Wing Hong
Chairman

Hong Kong, 30 March 2015

As at the date of this announcement, the Board comprises Mr. Ng Wing Hong, Ms. Ng Yuk Kwan Phyllis, Mr. Ng Wing Chuen, Ms. Leung Shuk Ping, Ms. Chan Shuk Kuen and Ms. Cheung Siu Chun as executive directors of the Company and Mr. Sin Ho Chiu, Dr. Law Ka Hung and Mr. Lau Chi Yin Thomas as independent non-executive directors of the Company.

The annual consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures of 2013 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*5*	**1,028,711**	821,259
Cost of services		**(930,491)**	(737,394)
Gross profit		**98,220**	83,865
Other income and gain, net	*6*	**3,507**	4,230
Gain on disposal of investment properties		**–**	27,410
Change in fair value less costs to sell of biological assets		**50**	82
Listing expenses		**(13,202)**	(2,193)
Selling and marketing expenses		**(1,701)**	(357)
Administrative expenses		**(53,490)**	(34,380)
Profit from operations		**33,384**	78,657
Finance costs	*8*	**(8,372)**	(8,291)
Profit before taxation	*7*	**25,012**	70,366
Income tax expenses	*9*	**(7,331)**	(7,865)
Profit for the year attributable to owners of the Company		**17,681**	62,501
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets		**337**	390
Total other comprehensive income for the year		**337**	390
Total comprehensive income for the year attributable to owners of the Company		**18,018**	62,891
Earnings per share:			
Basic and diluted (HK$)	*11*	**0.05**	0.20
Dividends	*10*	**37,395**	4,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**171,777**	135,054
Available-for-sale financial assets		**12,539**	12,202
Pledged bank deposit		**7,237**	137
		191,553	147,393
Current assets			
Inventories		**3,669**	3,742
Trade receivables	12	**244,795**	194,190
Prepayments, deposits and other receivables		**14,518**	11,165
Biological assets		**463**	428
Tax recoverable		**1,184**	293
Cash and cash equivalents		**61,365**	36,491
		325,994	246,309
Current liabilities			
Trade payables	13	**16,964**	16,463
Accruals, deposits received and other payables		**105,479**	77,041
Bank borrowings		**109,741**	112,472
Obligations under finance leases		**24,183**	21,291
Income tax payable		**939**	2,776
		257,306	230,043
Net current assets		**68,688**	16,266
Total assets less current liabilities		**260,241**	163,659
Non-current liabilities			
Bank borrowings		**6,609**	9,035
Obligations under finance leases		**55,820**	50,987
Deferred tax liabilities		**10,111**	6,954
		72,540	66,976
Net assets		**187,701**	96,683
Capital and reserves			
Share capital	14	**4,150**	18,330
Reserves		**183,551**	78,353
Total equity		**187,701**	96,683

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of Hong Kong Accounting Standard ("HKAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. APPLICATION OF NEW AND REVISED HKFRSs

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

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

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

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

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

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

- Obtain funds from one or more investors for the purpose of providing them with investment management services;

- Commit to its investor(s) that its business purpose is to invest funds solely for return from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

HK(IFRIC)-Int 21 Levies

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

HKFRS 14 Regulatory Deferral Accounts

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

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

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

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

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

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

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

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

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

— At cost

— In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or

— Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures

The accounting option must be applied by category of investments.

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

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

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

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

Amendments to HKAS 28:

— The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

— A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

— A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

— An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

— New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Annual Improvements to HKFRSs 2010–2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

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

Annual Improvements to HKFRSs 2012–2014 Cycle

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

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

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

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

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

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

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

— Cleaning services business

— Landscaping services business

— Pest management business

— Waste management and recycling business

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

Segment revenue and results

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

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

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (FY2013: nil).

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

Segment assets and liabilities

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

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

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

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

— all assets are allocated to reportable segments other than available-for-sale financial assets, leasehold properties and other assets for corporate use.

— all liabilities are allocated to reportable segments other than bank borrowings, deferred tax liabilities and other liabilities for corporate use.

Other segment information

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

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

Geographical information

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

Information about major customers

For the year ended 31 December 2014, of approximately HK$753,083,000 (FY2013: HK$572,166,000) of the Group's revenue arose from various segment by the Group's two customers (FY2013: two). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2014 (FY2013: Nil).

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

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

5. REVENUE

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

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

6. OTHER INCOME AND GAIN, NET

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

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSES

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

The income tax expenses comprise:

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

10. DIVIDENDS

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

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

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend of HK1.3 cents (FY2013: HK$ nil) per ordinary share	**5,395**	–
Dividend paid by a subsidiary to shareholders	**32,000**	4,000
	37,395	4,000

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

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

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$17,681,000 (FY2013: HK$62,501,000) and the weighted average number of ordinary shares in issue of approximately 378,561,644 (FY2013: 320,000,000), and on the assumption that the 320,000,000 ordinary shares in issue, comprising 100 shares in issue upon completion of the Reorganisation and 319,999,900 shares in issue pursuant to the Capitalisation Issue (as defined in the Prospectus), were outstanding throughout the year.

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

12. TRADE RECEIVABLES

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

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

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

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

13. TRADE PAYABLES

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

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

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

14. SHARE CAPITAL

	Number of shares	Nominal value *HK$*
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2013 and 1 January 2014	10,000,000	100,000
Increase under the Reorganisation	990,000,000	9,900,000
As at 31 December 2014	1,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 December 2013 and 1 January 2014	1	–
Issue of shares under the Reorganisation	99	1
Issue of shares under the Capitalisation Issue	319,999,900	3,199,999
Issue of shares under the Global Offering (as defined in the Prospectus)	95,000,000	950,000
As at 31 December 2014	415,000,000	4,150,000

15. COMPARATIVE FINANCIAL INFORMATION

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