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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

INTERIM RESULTS HIGHLIGHTS

	For the six months period ended 30 June		% to Change
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	
Turnover			
Cleaning services	443,471	310,524	42.8%
Landscaping services	70,305	77,034	–8.7%
Pest management	43,558	40,431	7.7%
Waste management and recycling	40,725	32,504	25.3%
	598,059	460,493	29.9%
Cost of services	544,200	413,709	31.5%
Gross profit	53,859	46,784	15.1%
Listing expenses	–	12,915	–100%
Profit from operations	25,517	10,527	142.4%
Profit attributable to owners of the Company	18,466	3,786	387.7%
Basic earnings per share (HK\$)	0.04	0.01	

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Baguio Green Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**Baguio**”) for the six months ended 30 June 2015 (the “**Period**”), together with the comparative figures for the corresponding period in 2014. These interim condensed consolidated financial statements have not been audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group’s external auditors, and the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		For the six months ended 30 June	
	<i>Notes</i>	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Turnover	4	598,059	460,493
Cost of services		(544,200)	(413,709)
Gross profit		53,859	46,784
Other income and gain, net		1,605	1,364
Change in fair value less costs to sell of biological assets		151	–
Selling and marketing expenses		(1,385)	(412)
Administrative expenses		(28,713)	(24,294)
Listing expenses		–	(12,915)
Profit from operations		25,517	10,527
Finance costs	5	(3,609)	(4,020)
Profit before taxation	6	21,908	6,507
Income tax expenses	7	(3,442)	(2,721)
Profit for the period attributable to owners of the Company		18,466	3,786
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets		139	163
Total comprehensive income for the period attributable to owners of the Company		18,605	3,949
Earnings per share			
Basic and diluted (HK\$)	9	0.04	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		172,195	171,777
Available-for-sale financial assets		12,678	12,539
Pledged bank deposits		7,587	7,237
		<u>192,460</u>	<u>191,553</u>
Current assets			
Inventories		4,807	3,669
Trade receivables	10	260,275	244,795
Prepayments, deposits and other receivables		21,940	14,518
Biological assets		4,037	463
Tax recoverable		1,227	1,184
Cash and bank balances		72,829	61,365
		<u>365,115</u>	<u>325,994</u>
Current liabilities			
Trade payables	11	20,029	16,964
Accruals, deposits received and other payables		129,017	105,479
Bank borrowings		116,302	109,741
Obligations under finance lease		24,338	24,183
Income tax payable		2,262	939
		<u>291,948</u>	<u>257,306</u>
Net current assets		<u>73,167</u>	<u>68,688</u>
Total assets less current liabilities		<u>265,627</u>	<u>260,241</u>
Non-current liabilities			
Bank borrowings		5,352	6,609
Obligations under finance lease		48,897	55,820
Deferred tax liabilities		10,467	10,111
		<u>64,716</u>	<u>72,540</u>
Net assets		<u>200,911</u>	<u>187,701</u>
Equity			
Capital and reserves			
Share capital	12	4,150	4,150
Reserves		196,761	183,551
		<u>200,911</u>	<u>187,701</u>
Total equity		<u>200,911</u>	<u>187,701</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000 (Note (a))	Other reserve HK\$'000 (Note (b))	Available- for-sale financial assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	18,330	–	–	(1,477)	79,830	96,683
Profit for the period	–	–	–	–	3,786	3,786
Other comprehensive income for the period	–	–	–	163	–	163
Total comprehensive income for the period	–	–	–	163	3,786	3,949
Dividend paid	–	–	–	–	(32,000)	(32,000)
Effect of Reorganisation	(18,330)	–	18,330	–	–	–
Issue of shares under the Capitalisation Issue	3,200	(3,200)	–	–	–	–
Issue of shares under the Global Offering	950	113,050	–	–	–	114,000
Transaction costs attributable to issue of shares	–	(8,904)	–	–	–	(8,904)
At 30 June 2014 (unaudited)	<u>4,150</u>	<u>100,946</u>	<u>18,330</u>	<u>(1,314)</u>	<u>51,616</u>	<u>173,728</u>
At 1 January 2015 (audited)	4,150	100,850	18,330	(1,140)	65,511	187,701
Profit for the period	–	–	–	–	18,466	18,466
Other comprehensive income for the period	–	–	–	139	–	139
Total comprehensive income for the period	–	–	–	139	18,466	18,605
Dividend paid	–	–	–	–	(5,395)	(5,395)
At 30 June 2015 (unaudited)	<u>4,150</u>	<u>100,850</u>	<u>18,330</u>	<u>(1,001)</u>	<u>78,582</u>	<u>200,911</u>

Notes:

- a. The decrease in share premium of approximately HK\$3,200,000 during the period ended 30 June 2014 represented the capitalisation of the sum by applying such sum in paying up in full at par 319,999,900 shares of the Company (the “**Capitalisation Issue**”).

The increase in share premium of approximately HK\$113,050,000 during the period ended 30 June 2014 represented the difference between the nominal amount of shares issued by the Company and the gross proceeds on issue of shares under the global offering (“**Global Offering**”) for the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Main Board**”) in May 2014.

The decrease in share premium of approximately HK\$8,904,000 during the period ended 30 June 2014 represented the capitalised listing expenses arising from the Global Offering.

- b. The increase in other reserve of approximately HK\$18,330,000 during the period ended 30 June 2014 represented the difference between the nominal amount of shares issued by the Company under the group reorganisation in preparation of the Global Offering (the “**Reorganisation**”) and the aggregate amount of share capital of the Company and its subsidiaries acquired under common control pursuant to the Reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	35,090	8,324
Investing activities		
Purchase of property, plant and equipment	(7,525)	(7,630)
Other cash flow arising from investing activities	713	(6,882)
Net cash used in investing activities	(6,812)	(14,512)
Financing activities		
Proceeds from new bank borrowings	473,910	349,548
Repayment of bank borrowings	(468,606)	(352,500)
Dividend paid	(5,395)	(32,000)
Other cash flows arising from financing activities	(16,667)	75,184
Net cash (used in)/generated from financing activities	(16,758)	40,232
Net increase in cash and cash equivalents	11,520	34,044
Cash and cash equivalents at the beginning of the period	61,365	36,491
Effect of exchange rate changes	(56)	–
Cash and cash equivalents at the end of the period	72,829	70,535
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	72,829	70,535

NOTES TO THE CONDENSED CONSOLIDATED 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 (Holdings) 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 principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the provision of environmental and related service.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules and with HKAS 34 issued by the HKICPA.

The Interim Financial Statements have been prepared under the historical cost convention, except for certain financial instruments (available-for-sale financial assets) which are measured at fair value, and biological assets which are measured at fair value less costs to sell. The Interim Financial Statements are presented in Hong Kong Dollar (“**HK\$**”) which is also the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand except when otherwise stated.

The Interim Financial Statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the impact of the adoption of the new and revised HKASs, Hong Kong Financial Reporting Standards (“**HKFRS**”), amendments and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2015.

HKAS 19	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these Interim Financial Statements and/or disclosures set out in these Interim Financial Statements.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective, in these Interim Financial Statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s financial information.

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 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
Six months ended 30 June 2015 (unaudited)					
Segment revenue	<u>443,471</u>	<u>70,305</u>	<u>43,558</u>	<u>40,725</u>	<u>598,059</u>
Segment results	<u>32,125</u>	<u>12,491</u>	<u>3,321</u>	<u>4,537</u>	<u>52,474</u>
Other income and gain					1,605
Change in fair value less costs to sell of biological assets	–	151	–	–	151
Central administrative costs					(28,713)
Finance costs					<u>(3,609)</u>
Profit before taxation					<u><u>21,908</u></u>

	Cleaning services business <i>HK\$'000</i>	Landscaping services business <i>HK\$'000</i>	Pest management business <i>HK\$'000</i>	Waste management and recycling business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2014 (unaudited)					
Segment revenue	<u>310,524</u>	<u>77,034</u>	<u>40,431</u>	<u>32,504</u>	<u>460,493</u>
Segment results	<u>24,291</u>	<u>14,205</u>	<u>3,307</u>	<u>4,569</u>	<u>46,372</u>
Other income and gain					1,364
Central administrative costs					(37,209)
Finance costs					<u>(4,020)</u>
Profit before taxation					<u><u>6,507</u></u>

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 <i>HK\$'000</i>	Landscaping services business <i>HK\$'000</i>	Pest management business <i>HK\$'000</i>	Waste management and recycling business <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2015 (unaudited)					
Segment assets	309,644	61,373	59,822	92,558	523,397
Unallocated					<u>34,178</u>
Total assets					<u><u>557,575</u></u>
Segment liabilities	132,794	20,983	28,514	39,874	222,165
Unallocated					<u>134,499</u>
Total liabilities					<u><u>356,664</u></u>

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

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 interim period.

5. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank overdrafts	5	124
Bank loans wholly repayable within five years	2,084	2,187
Bank loans wholly repayable beyond five years	112	313
Obligations under finance leases	1,408	1,396
	<u>3,609</u>	<u>4,020</u>

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation for the interim period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	11,994	8,173
Loss on disposal of property, plant and equipment	340	242
Cost of consumables goods	25,218	20,724
Staff costs (including directors' remuneration)		
Wages, salaries and other benefits	461,086	346,649
Provision for long service payments	2,833	1,240
Provision for untaken paid leave	4,098	3,726
Contributions to retirement benefits schemes	15,992	12,415
	<u>484,009</u>	<u>364,030</u>
Operating lease rentals: minimum lease payments	<u>1,708</u>	<u>7,395</u>

7. INCOME TAX EXPENSES

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

The income tax expenses comprise:

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	3,086	1,764
Deferred tax:		
Current period expenses	<u>356</u>	<u>957</u>
Income tax expenses	<u>3,442</u>	<u>2,721</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend paid	5,395	–
Dividend paid by a subsidiary to shareholders	–	32,000
	<u>5,395</u>	<u>32,000</u>

On 19 June 2015, a dividend of HK1.3 cents per share was paid to shareholders as the final dividend for the year ended 31 December 2014.

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.

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$18,466,000 (six months ended 30 June 2014: HK\$3,786,000) and the weighted average number of ordinary shares in issue of approximately 415,000,000 (six months ended 30 June 2014: 340,583,000) during the interim period.

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. TRADE RECEIVABLES

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

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within 60 days	244,251	221,253
61 days to 120 days	12,505	15,467
121 days to 365 days	3,404	7,893
Over 365 days	<u>115</u>	<u>182</u>
	<u>260,275</u>	<u>244,795</u>

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.

11. TRADE PAYABLES

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

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within 30 days	13,568	11,898
31 days to 60 days	4,014	3,195
61 days to 90 days	1,461	485
Over 90 days	986	1,386
	<u>20,029</u>	<u>16,964</u>

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

12. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2014 and 1 January 2015 and 30 June 2015	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 31 December 2014 and 1 January 2015 and 30 June 2015	<u>415,000,000</u>	<u>4,150,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2015 marked a new phase for the Group. While solidifying the Group's core businesses namely cleaning services, waste management and recycling, landscaping and pest management in Hong Kong, we have also been actively exploring business opportunities in the People's Republic of China ("PRC"). During the past six months, the Group has participated in the 14th China International Environmental Protection Exhibition and Conference in Beijing and the 16th IE EXPO 2015 in Shanghai. These events expanded the Group's business network and opened new opportunities in the PRC. The Group also organised exchange tours and plant visits to enhance our knowledge of the latest technologies of the PRC's environmental industry.

With over 35 years of experience and knowledge in the environmental industry and the endeavours invested in the past six months, the Group identified an environmental project with great potential. On 30 July 2015, the Group entered into a Memorandum of Understanding ("MOU") with an independent third party (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) by which we became strategic cooperating partners in respect of six biogas multipurpose utilisation and organic fertiliser recycling projects spreading across Shandong, Henan, Hebei and Guangdong Provinces in the PRC. The Group believes that this project can lead our waste management and recycling business to the PRC market.

Market Overview

During the first half of 2015, the Middle East Respiratory Syndrome outbreak in South Korea and rising demand of higher living standard in Hong Kong have increased the public consciousness regarding the necessity of building a clean and green environment. As such, the Group has seen increasing demand for our cleaning and landscaping services. On the other hand, the Hong Kong Government announced several environmental protection policies to be enacted in the coming years, including the municipal solid waste disposal charging scheme and the levy on glass bottles. The Group views that these key developments have raised public awareness in waste reduction and recycling. The Group considers that many large corporations have started considering total waste management solutions. Businesses in material destruction, waste sorting and recycling is expanding and the Group believes these services will become the development trend in coming years.

Results

For the Period, contributed by the newly gained contracts from public clinics and health centres, the Group's cleaning business has seen strong revenue growth, therefore, driving the Group's revenue to increase by approximately 29.9% year-on-year from approximately HK\$460.5 million to approximately HK\$598.1 million. As the Group's core businesses are labour intensive, the raise in statutory minimum wage has affected the cost of services of the Group. During the Period, cost of services was approximately HK\$544.2 million, surged by approximately 31.5% (first half "1H" 2014: approximately HK\$413.7 million). Gross profit for the Period increased to approximately HK\$53.9 million (1H2014: approximately HK\$46.8

million) while gross profit margin was approximately 9.0% (1H2014: 10.2%). During the Period, the Group did not incur any listing expenses as it did for the first half of 2014 (1H2014: HK\$12.9 million). The profit for the period attributable to owners of the Company amounted to approximately HK\$18.5 million for the Period (1H2014: HK\$3.8 million), representing a 387.7% year-on-year increase. Earnings per share for the Period was 4 HK cents (1H2014: 1 HK cent).

Revenue breakdown of major business segments

With over 35 years of experience, solid reputation and strong track record, the Group has earned long-term trusts from various governmental departments, semi-governmental entities as well as many private enterprises. In the first half of 2015, the Group's cleaning services segment has obtained eminent results with segment revenue increased by 42.8% to approximately HK\$443.5 (1H2014: approximately HK\$310.5 million). During the Period, the Group has successfully obtained a 27-month cleaning services contract for providing cleaning services to 83 clinics and health centres under the Department of Health. The total contract sum amounted to HK\$106.8 million. The increase in statutory minimum wage has driven the overall labour cost to increase and therefore, slightly lowered the gross profit margin of the cleaning business to 7.4% (1H2014: approximately 7.9%).

The Group's waste management and recycling business is gradually gaining tractions. In April 2015, the Group gained a 36-month contract from The Airport Authority Hong Kong rendering waste management recycling services to the Hong Kong International Airport. The service officially commenced on 6 May 2015. In first half of 2015, revenue of the Group's waste management and recycling segment amounted to approximately HK\$40.7 million, representing an increment of approximately 25.3% year-on-year compared to approximately HK\$32.5 million for the corresponding period in 2014. Since the recycling services and material destruction services are still under the development stage, gross profit margin decreased to approximately 11.5% (1H2014: 14.1%).

Highlight of revenue and gross profit margin by segments

Services	For the six months ended 30 June					
	2015			2014		
	Revenue	% to	Gross	Revenue	% to	Gross
	(HK\$ Million)	total revenue	profit margin	(HK\$ Million)	total revenue	profit margin
Cleaning	443.5	74.2%	7.4%	310.5	67.4%	7.9%
Landscaping	70.3	11.7%	17.8%	77.0	16.7%	18.5%
Pest management	43.6	7.3%	8.6%	40.5	8.8%	8.2%
Waste management and recycling	40.7	6.8%	11.5%	32.5	7.1%	14.1%
Total/Overall	598.1	100.0%	9.0%	460.5	100.0%	10.2%

New contracts gained/renewed and contracts on hand

As of 30 June 2015, the Group has a total amount of approximately HK\$1,601.3 million worth of unexpired contracts on hand. Among which, approximately HK\$623.9 million will be recognised by the end of 2015; approximately HK\$697.4 million will be recognised in 2016 and the rest of approximately HK\$280.0 million will be recognised in 2017 and beyond.

	Unexpired 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	1,193.7	469.4	526.5	197.8
Landscaping services	188.3	78.8	73.4	36.1
Pest Management services	68.0	32.2	29.6	6.2
Waste management and recycling services	151.3	43.5	67.9	39.9
Total	1,601.3	623.9	697.4	280.0

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 2015	Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence
Jan 2015	Green Council	Member of the Hong Kong Green Purchasing Charter
Feb 2015	RoadShow	Best Loved Brands Awards (Environmental Service)
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Pest Management Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Landscaping Services Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Cleaning Services Company Limited

Date	Issuer of Award	Award
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Baguio Waste Management Recycling Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Company — Tak Tai Enviroscape Limited
Mar 2015	The Hong Kong Council of Social Service	Caring Employer
May 2015	Food Grace Food Recycling Scheme	Food Grace Outstanding Partnership 2014–2015
May 2015	Hong Kong Sheng Kung Hui Welfare Council Limited and ERB	Certificate of Appreciation — Employment & Program Promotion for Job Fair 2015
May 2015	Friends of the Earth (HK)	Earth Partner — Mars 2014/15
May 2015	CLP Power Safety, Health and Environment Quiz 2015 Contractor Stream Competition	In Appreciation of Team Participation
Jun 2015	The Hongkong Electric Company Limited	Transmission & Distribution Division — Good Environmental, Health & Safety Performance Award — Other Contractor
Jun 2015	The CLP Group	North Region Contractor One Year Disabling Injury Incident Free Record The Safety Performance Award

Corporate Social Responsibility Activities

In addition to focusing on its professional services to improve living standard of Hong Kong citizens, the Group strived to contribute to the society together with our employees. The following are some of the activities organised by the Group during the first half of 2015.

Month	Activity
Jun 2015	Green Day 2015
May 2015	Holiday Farm Day
Apr 2015	Hoops for Hope
Mar 2015	Electrical Appliances for the Elderly Program

Prospects

Looking into the second half of 2015, the Group endeavours to materialise expansion in the PRC while pursuing stable growth of our core businesses in Hong Kong. The signing of the MOU in respect of the biogas multipurpose utilisation and organic fertiliser recycling projects on 30 July 2015 showed the Group's determination to expand its business into the PRC. By processing livestock manure collected from farms to produce biogas and natural gas for electricity generation, turning the residues from the process to organic fertilizer to grow animal feeds for the farm, the projects aim to recycle and turn waste into valuable resources in a complete closed-loop cycle. Such concept echoes the 13th Five-year plan of the PRC Central Government in achieving environmental conservation and sustainable economic development. Other than the new projects, the Group will continue to participate in exhibitions in the PRC in the second half of 2015, aiming to widen the Group's exposure in the PRC market. The Group believes that such efforts will assist Baguio to extend our service offering and expand our business to the PRC. Other than providing environmental services, developing green technologies and products is also the emphasis of the Group's coming business directions.

On 3 August 2015, the Environment Bureau announced the establishment of an Advisory Committee to facilitate the operation of the HK\$1 billion Recycling Fund. The fund will be used to promote the recovery and recycling of waste by assisting the recycling industry to upgrade its operational capabilities and efficiency for sustainable development. With the Hong Kong Government's strong support, the Group is confident that its waste management and recycling services are having high development potential in Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's revenue for each of the six-month period ended 30 June 2015 and 2014 was approximately HK\$598.1 million and approximately HK\$460.5 million, respectively, representing an increase of approximately 29.9%. The increase was mainly because of the overall increase in revenue in our services segments of cleaning, pest management and waste management and recycling with increase in number of contracts and orders during the Period.

Cost of Services

For each of the six-month period ended 30 June 2015 and 2014, the cost of services amounted to approximately HK\$544.2 million and approximately HK\$413.7 million, respectively, representing approximately 91.0% and approximately 89.8% of the Group's revenue for the corresponding periods, respectively. The cost of services primarily comprised of direct wages, direct overhead expenses, consumables and sub-contracting fees. The cost of services in proportion to the Group's revenue increased due to the increase in operation cost incurred from the recycling centre in Fanling which was set up in August 2014. In addition, the raise of statutory minimum wage also increased the cost of services of the Group.

Gross Profit

The Group's gross profit for the Period was approximately HK\$53.9 million, representing an increase of approximately 15.1% from approximately HK\$46.8 million for the corresponding period in 2014. The increase was mainly due to increase in the Group's overall revenue.

Gross Profit Margin

The gross profit margins of the Group for each of the six-month period ended 30 June 2015 and 2014 were approximately 9.0% and approximately 10.2% respectively. The decrease in gross profit margin was mainly due to the depreciation of plant and equipment as well as operating expenses incurred from the Fanling recycling centre which was set up in August 2014. In addition, due to the labour intensive nature of our businesses, the gross profit margin of the Group was also affected by the increase in direct labour cost.

Administrative Expenses

The administrative expenses of the Group for each of the six-month period ended 30 June 2015 and 2014 were approximately HK\$28.7 million and approximately HK\$24.3 million respectively, representing approximately 4.8% and approximately 5.3% of the respective period's revenue. With improvements in management control and operation efficiency, the percentage of administrative staff cost for supporting the growth of business was controlled to a more satisfactory level.

Finance Costs

The finance costs amounted to approximately HK\$3.6 million and approximately HK\$4.0 million for each of the six-month period ended 30 June 2015 and 2014, respectively, representing approximately 0.6% and approximately 0.9% of the Group's revenue respectively. The decrease was primarily due to the decrease in the average level of bank borrowing and factoring loans during the Period.

Profit for the Period Attributable to Owners of The Company

The Group's unaudited net profit attributable to owners of the Company for each of the six-month period ended 30 June 2015 and 2014 were approximately HK\$18.5 million and approximately HK\$3.8 million respectively, representing an increase of approximately 387.7%. Without taking into account of the Group's listing expenses for the six month period ended 30 June 2014, the unaudited net profit attributable to owners of the Company for the Period would represent an increase of approximately HK\$1.8 million or approximately 10.6% from that of the six-month period ended 30 June 2014. The increase was mainly due to the increase in revenue as the Group's businesses continue to expand.

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 obligations under finance leases and equity attributable to owners 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 flow from operating activities principally from rendering comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$35.1 million (1H2014: approximately HK\$8.3 million). As at 30 June 2015, the Group had available cash and bank balances amounting to approximately HK\$72.8 million (31 December 2014: approximately HK\$61.4 million), representing an increase of approximately 18.7% from 31 December 2014. All cash and bank balances were denominated in Hong Kong dollar.

As at 30 June 2015, the Group's total current assets and current liabilities were approximately HK\$365.1 million (31 December 2014: approximately HK\$326.0 million) and approximately HK\$291.9 million (31 December 2014: approximately HK\$257.3 million) respectively, while the current ratio was approximately 1.3 times (31 December 2014: approximately 1.3 times).

As at 30 June 2015, the Group's finance lease payables were approximately HK\$73.2 million (31 December 2014: approximately HK\$80.0 million) for financing the acquisition of motor vehicles for operational usage. During the Period, no financial instruments were used for hedging purposes.

The gearing ratio of the Group was approximately 1.0 times as at 30 June 2015 (31 December 2014: approximately 1.0 times), which was calculated based on the total interest-bearing bank borrowings and obligations under finance lease over equity attributable to owners of the Company.

As at 30 June 2015, the Group had unutilised banking facilities of approximately HK\$368,041,000 (31 December 2014: approximately HK\$281,315,000)

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.

USE OF PROCEEDS

The Group was listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 May 2014 (the “**Listing**”) 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, 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 and 30 June 2015, we have utilized approximately HK\$67.1 million to expand our business. As at 30 June 2015, the unused proceeds were deposited in licensed banks in Hong Kong.

CAPITAL COMMITMENT

As at 30 June 2015, the Group had capital commitment of approximately HK\$6.6 million in respect of the acquisition of motor vehicles, office equipment and machinery contracted but not provided in the financial statements (31 December 2014: approximately HK\$3.7 million).

CHARGES ON THE GROUP’S ASSETS

As at 30 June 2015, the amounts payable under finance leases within one year was approximately HK\$24.3 million (31 December 2014: approximately HK\$24.2 million), and in the second to fifth year inclusive was approximately HK\$48.9 million (31 December 2014: approximately HK\$55.8 million).

As at 30 June 2015, the obligations under finance leases of the Group were secured by corporate guarantee provided by the Company and a subsidiary of the Company.

In addition, we have (i) pledged bank deposit with carrying amounts of approximately HK\$7.6 million as at 30 June 2015 (31 December 2014: approximately HK\$7.2 million); (ii) pledge of the Group’s leasehold land and buildings with carrying amounts of approximately HK\$18.0 million as at 30 June 2015 (31 December 2014: approximately HK\$18.3 million); (iii) pledge of the Group’s available-for-sale financial assets with carrying values of approximately HK\$12.7 million as at 30 June 2015 (31 December 2014: approximately HK\$12.5 million); and (iv) pledge of the Group’s trade receivables with aggregate values of approximately HK\$118.3 million as at 30 June 2015 (31 December 2014: approximately HK\$103.4 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 2015 and 31 December 2014, 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 2015, the Group employed 10,118 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.

INTERIM DIVIDENDS

The Board do not recommend the payment of an interim dividend for the Period.

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

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2015.

AUDIT COMMITTEE

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

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. As at the date of this announcement, no option had been granted by the Company under the Share Option Scheme.

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 our 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 our 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:

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, i.e. 40,000,000 Shares (the “Scheme Limit”).

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

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

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

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

Price for Subscription of Shares:	The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.
Amount payable on acceptance of the option and the period within which such payment must be made:	An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00.
Maximum entitlement of each eligible participant:	The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "Participant Limit"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
Exercise price:	The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.
Minimum holding period:	The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised.

Period within which the securities must be taken up under an option:	In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.
Movements of share options granted:	No share options were granted, exercised, lapsed or cancelled under the Scheme during the year ended 31 December 2014 and the six months ended 30 June 2015 and no share option was outstanding as at the date of this announcement.
The remaining life of the Scheme:	The Scheme remains in force for a period of 10 years commencing on 24 April 2014 unless terminated earlier by Shareholders in general meeting.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.baguio.com.hk). The interim report of the Company for the six months ended 30 June 2015 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 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.