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碧 瑤
BAGUIO

BAGUIO GREEN GROUP LIMITED

碧 瑤 綠 色 集 團 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1397)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2020 amounted to approximately HK\$1,131.8 million (2019: HK\$1,397.5 million), representing a decrease of approximately 19.0% as compared with the preceding year.
- Gross profit for the year ended 31 December 2020 was approximately HK\$63.5 million (2019: HK\$70.5 million), representing a decrease of approximately 9.8% as compared with the preceding year.
- The Group's loss attributable to shareholders of the Company of approximately HK\$11.0 million for the preceding year turned into a profit of approximately HK\$51.4 million for the Year.
- A final dividend of HK3.6 cents (2019: Nil) per share, totalling HK\$14,940,000 (2019: Nil) was recommended by the Board for the year ended 31 December 2020.

The board (the "Board") of directors (the "Directors") of Baguio Green Group Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group" or "Baguio") for the year ended 31 December 2020 ("2020" or the "Year").

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

Facing the global outbreak of the COVID-19 pandemic, Hong Kong, as a densely populated city, has done a better job than many countries in controlling the spread of the virus by demonstrating a high level of resilience and awareness of personal and environmental hygiene. Nonetheless, the Hong Kong economy has been hit hard by four waves of coronavirus infections resulting in a record fall of 6.1% in GDP for the full year of 2020.

With consumers restricted by lock down measures, the surge in consumption of online shopping, food delivery and personal protective equipment (PPE) has drastically increased the amount of household waste, especially single-use items and disposable plastics. According to statistics provided by an environmental protection body, the weekly amount of single-use plastics tableware and food container waste reached 100 million pieces during the Year, 1.2 times higher than in 2019.

The Hong Kong recycling industry has also faced a challenging external environment brought on by global regulatory developments, such as the complete ban of imported plastic waste launched by China in 2018, which severely affected the export of most residential recyclables in Hong Kong, and the recent incorporation of Basel Convention plastic waste regulatory changes by the EPD into domestic law. The latter imposes more stringent import criteria on scrap plastic loads from other countries and consequently brought the planned shipment of tonnes of scrap plastics to a halt. As a consequence, it is expected that more recycling factories without proper licensing, legal status or environmental protection systems will cease to operate, giving rise to opportunities for large-scale and regulated recycling players under market to consolidate and move over the long term.

BUSINESS REVIEW

As a major integrated environmental service provider and a significant employer with a large number of frontline staff in Hong Kong, Baguio has remained at the forefront in confronting many types of challenges endured by the environmental industry and labour market during the course of pandemic. Under COVID-19, Baguio has carried out stringent infection control measures to safeguard the wellbeing of operational staff, including providing all necessary PPE, such as medical surgical masks, alcohol sanitizer and gloves. However, the shortage of PPE during the initial outbreak drove up the cost of supplies, which added further pressure to our operational expenses. Although the price of PPE has stabilized, we expect the added expense of protective paraphernalia for staff to continue.

During the Year, the Group was awarded several service tenders from large private corporations and public institutions for high quality one-stop cleaning and waste management services. As hygiene and sanitary conditions has become an important prerequisite in maintaining a favourable operating environment during the pandemic, large corporations are demanding higher quality one-stop cleaning, waste management and pest control services. This is a primary advantage for the Group in tapping into a larger market segment. During the Year, the pest control business has remained stable due to the unyielding demand for related services. During the COVID-19 pandemic, the need for pest control services has surged, with demand from commercial buildings such as offices, hotels and restaurants bolstered by increased hygiene awareness.

The landscaping business was severely affected during the Year as the demand for landscape construction and maintenance were weakened by the delay of projects. Under the keen market competition, the Group anticipates the competition for landscaping services to continue to be fierce and the profitability will continue to deteriorate as more competitors enter the sector. Leveraging our trusted service and the high standard of landscaping the Group has provided for many years, our strategy is to seek higher quality projects with better returns in order to maintain our market reputation and position. The greening policies associated with town planning rolled out by the government will be highly beneficial for the industry.

In terms of waste management and recycling, during the Year, Baguio never ceased to evolve or promote our services in order to stay abreast of growing market opportunities. For example, we ramped up our waste collection services to better cater to rising social needs. Our waste collection service now spans clinical waste collection from community testing centres, collection of household plastic and glass bottles, and collection of waste paper from Community Recycling Centres, Community Green Stations, recycling spots formed by NGOs, street corner recycling shops, mobile recyclers and frontline collectors.

However, 2020 has been devastating for the entire recycling industry in Hong Kong. As a policy-driven industry, the ongoing delays in the deliberation of Municipal Solid Waste Charging Scheme has hindered the progress of sustainability development of recycling in the city. In addition, the restrictions to the restaurants and bars under the social distancing measures during the pandemic has further affected the supply of recyclable waste.

During the Year, the Group secured contracts with the Environmental Protection Department for providing collection and recycling services of paper recyclable materials as well as the contracts with the Airport Authority of Hong Kong and extended our provision of services from general waste collection to food waste collection and recycling services. In the meantime, the revenue from clinical waste collection jumped rapidly, mainly due to the recent increasing market demand for clinical waste collection services resulting from the successive introduction of various pandemic prevention and control measures against Coronavirus Infectious Disease 2019 (COVID-19) in Hong Kong, such as the opening of quarantine centres in Lei Yue Mun Park & Holiday Village and the implementation of Universal Community Testing Programme with voluntary participation. All of these measures have led to an increase in the collection of clinical waste and an increase in the demand for cleaning services of related facilities.

Nonetheless, the coronavirus crisis has dealt a double whammy to the recycling industry, as the collection of empty bottles came to a near halt as bars, restaurants and nightclubs were closed or suspended during the lockdown.

As one of the leading recycling services providers, Baguio has a long-term vision in facilitating public awareness on waste recycling. We created the iRecycle platform which is powered by blockchain technology for the purpose of 1) connecting green industry stakeholders such as waste producers, merchants, waste collectors and recyclers; 2) arousing green awareness amongst the public and 3) promoting and enhancing proper and hygienic public recycling behavior.

In 2020, we successfully collected 176,564 plastic bottles (Type 1 — PET and Type 2 — HDPE) and 30,447 glass bottles through “iRecycle”. iRecycle’s registered users can earn points (iDollar) in return for discount coupons which are redeemable through our merchant partners. With the support of our partners, such as Shell Hong Kong Limited (Shell) and Crown Gas Stoves (Holdings) Company Limited (CGS), more than 50 bottle collection points and “Door-to-door bottle collection services” were launched. Apart from plastic and glass bottles, Baguio is striving to expand its recycling network and broaden the type of recyclables by exploring the processing of other materials such as PP plastic containers (Type 5) and paper.

Results

For the Year, the Group’s revenue was approximately HK\$1,131.8 million, representing a decrease of approximately 19.0% from approximately HK\$1,397.5 million for 2019. Gross profit decreased by approximately 9.8% to approximately HK\$63.5 million (2019: HK\$70.5 million) and gross profit margin increased by 0.6 percentage points (“p.p.”) to approximately 5.6% (2019: 5.0%). The Group’s loss attributable to shareholders of the Company of approximately HK\$11.0 million for the preceding year turned into a profit of approximately HK\$51.4 million for the Year, changing from net loss margin of approximately 0.8% for the preceding year to net profit margin of approximately 4.5%. Such substantial increase in the Group’s profit was mainly from the receipts of subsidy under the Employment Support Scheme of the Hong Kong Government partially offset by a decrease in gross profit due to keen competition during the Year. Earnings per share was HK12.4 cents (2019: Loss per share HK2.7 cents).

Final Dividend

The Board recommends the payment of a final dividend for the Year at HK3.6 cents (2019: Nil) per ordinary share, totalling HK\$14,940,000 (2019: Nil), subject to approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting (the “Annual General Meeting”) of the Company to be held on 27 May 2021. If so approved by the Shareholders, it is expected that the final dividend will be paid out on or around 2 July 2021 to the Shareholders whose names appear on the register of members of the Company on 17 June 2021.

Revenue breakdown of major business segments

	For the year ended				Change
	31 December 2020		31 December 2019		
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	
	<i>(HK\$ million)</i>	<i>revenue</i>	<i>(HK\$ million)</i>	<i>revenue</i>	
Cleaning	679.5	60.0%	977.3	69.9%	–30.5%
Landscaping	172.4	15.2%	184.2	13.2%	–6.4%
Pest management	111.3	9.9%	71.2	5.1%	+56.3%
Waste management and recycling	168.6	14.9%	164.8	11.8%	+2.3%
Total	<u>1,131.8</u>	<u>100.0%</u>	<u>1,397.5</u>	<u>100.0%</u>	–19.0%

Gross profit margin of major business segments

	For the year ended		Change
	31 December 2020	31 December 2019	
Cleaning	4.5%	2.6%	+1.9 p.p.
Landscaping	10.8%	11.8%	-1.0 p.p.
Pest management	5.8%	7.7%	-1.9 p.p.
Waste management and recycling	4.7%	10.7%	-6.0 p.p.
Overall	5.6%	5.0%	+0.6 p.p.

Riding on our professional management, quality services and stringent control in safety precaution, the Group continued to maintain a high tender success rate at approximately 37% in 2020 (2019: 38%). We continuously strived to expand our services scope in order to enhance our competitiveness. In term of business segments, the Group has delivered satisfactory growth in its pest management by achieving approximately 56.3% revenue growth though the profit margin has dropped due to keen competition. This encouraging result was attributable to the Group's enormous effort in securing new contracts. The demand for professional landscaping and arboriculture services is still keen. However, due to the progress delays of the landscaping projects and increase in cost, the profit margin for the landscaping segment dropped from approximately 11.8% for 2019 to approximately 10.8% for 2020.

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

The Group recorded an increase in the overall gross profit margin from approximately 5.0% to 5.6%. The increase was mainly due to the decrement in cost of services which was relatively higher than that in revenue, especially in the cleaning segment.

Contracts on hand

As of 31 December 2020, the Group had a total amount of approximately HK\$1,662.4 million worth of unexpired contracts on hand, of which, approximately HK\$843.3 million will be recognised by the end of 2021, approximately HK\$617.7 million will be recognised in 2022 and the rest of approximately HK\$201.4 million will be recognised in 2023 and beyond.

	Backlog contract value (HK\$ million)	Contract value to be recognised by 31 December 2021 (HK\$ million)	Contract value to be recognised by 31 December 2022 (HK\$ million)	Contract value to be recognised in 2023 and beyond (HK\$ million)
Cleaning services	1,119.8	562.2	428.3	129.3
Landscaping services	111.9	84.1	22.8	5.0
Pest management services	187.8	92.5	71.5	23.8
Waste management and recycling services	242.9	104.5	95.1	43.3
Total	<u>1,662.4</u>	<u>843.3</u>	<u>617.7</u>	<u>201.4</u>

PROSPECTS

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

On February 8 2021, the Hong Kong Government projected the vision of “Waste Reduction • Resources Circulation • Zero Landfill” through the Waste Blueprint for Hong Kong 2035 (“Waste Blueprint”) which delineates the strategies, goals and measures to cope with the challenges of waste management until 2035. The Government aims to work with the industry and the community to move towards reducing the per capita MSW disposal rate and raise the recovery rate in order to ultimately remove the reliance on landfills for direct waste disposal by developing adequate waste-to-energy facilities. Meanwhile, the EPD has been extending the community recycling network in 18 districts through the establishment of Recycling Stations, Recycling Stores and Recycling Spots in order to form a new community recycling network.

As an integral part of the Waste Blueprint, the EPD proposed the Producer Responsibility Scheme (PPRS) on Plastic Beverage Containers, under which a recycling levy will be collected at the beverage supplier level and rebates will be provided to people to encourage the behavior of returning used beverage containers. Collected containers will then be supplied to local recyclers to transform into marketable recycled materials.

If these government initiatives are rolled out effectively, it will be very beneficial for the Group in ensuring a stable supply of post-consumer plastic bottles for our state-of-the-art, and Hong Kong's first, food-grade ready plastics recycling facility located at EcoPark, which was developed under a joint venture with ALBA Group Asia Limited and Swire Beverages Holdings Limited. This facility is expected to commence operations in the second half of 2021, upon which it is projected to process and recycle 35,000 tonnes of post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high density polyethylene or personal care bottles) annually at a rate of 100 tonnes of plastics per day.

As a major environmental services provider and a large employer in Hong Kong, the Group remains unwavering in its commitment to continuously promote the recycling business in Hong Kong and is confident in its mission to be an industry pioneer. In fighting COVID-19, we hope to do better in serving the long-term needs in clinical waste collection in the city in order to help maintain a hassle-free testing and vaccination environment.

In the future, our iRecycle platform will also aim to achieve waste collection and recycling at the household level by investing more resources in implementing door-to-door waste collection in order to increase the incentives of practicing waste recycling at people's homes. In January 2021, Baguio iRecycle joined forces with foodpanda Hong Kong to promote free door-to-door recycling service for unwanted plastics. Adding plastic food containers to Baguio iRecycle's existing recycling collection service, the partnership could enable food delivery consumers to help make the world a much more sustainable one.

Looking forward, the Group will continue to focus on developing the waste management and recycling business, as well as strengthening our core businesses of cleaning, landscaping and pest management. We are hopeful that the Municipal Solid Waste (MSW) Charging Scheme can be passed in the near future. As a leading green company in Hong Kong, we strive to build a clean and sustainable city and, at the same time, create better returns for our Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2020 and 2019 amounted to approximately HK\$1,131.8 million and HK\$1,397.5 million, respectively, representing a decrease of approximately 19.0%. The decrease was mainly due to the decrease in revenue in the cleaning services segment with some contracts expiring during the Year.

Cost of Services

For the years ended 31 December 2020 and 2019, the cost of services of the Group amounted to approximately HK\$1,068.3 million and HK\$1,327.0 million respectively, representing approximately 94.4% and 95.0% of the Group's revenue for the corresponding years respectively. The cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees.

Gross Profit

The Group's gross profit for the Year was approximately HK\$63.5 million, representing a decrease of approximately 9.8% from approximately HK\$70.5 million for the year ended 31 December 2019.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2020 and 2019 were approximately 5.6% and 5.0% respectively. As mentioned above, the increase in gross profit margin was mainly due to the decrement in cost of services which was relatively higher than that in revenue as a result of effective cost control.

Other Income

The other income of the Group for the years ended 31 December 2020 and 2019 were approximately HK\$95.5 million and HK\$5.2 million respectively, representing an increase of approximately 17.4 times. The substantial increase was mainly attributable to the amount of approximately HK\$84.9 million relating to the subsidies under the Anti-epidemic Fund set up by the Hong Kong Government.

Change in Fair Value Less Costs to Sell of Biological Assets

The Group's biological assets consist of trees, plants and flowers located at the Group's nurseries in the PRC and Hong Kong. The change in fair value of the biological assets for the years ended 31 December 2020 and 2019 were approximately loss of HK\$4.0 million and gain of HK\$5.0 million respectively. The decrease in fair value was mainly due to the decrease in market prices. The Group continued to store and plant these biological assets in the nurseries for future landscaping projects.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the years ended 31 December 2020 and 2019 were approximately HK\$1.2 million and HK\$2.0 million respectively, representing a decrease of approximately 39.5%. These expenses are mainly for the promotional activities and channels to promote our recycling business and to enhance the public awareness of environmental protection and waste recycling.

Administrative Expenses

The administrative expenses of the Group for the years ended 31 December 2020 and 2019 were approximately HK\$95.7 million and HK\$80.2 million respectively, representing an increase of approximately 19.3%, and approximately 8.5% and 5.7% of the respective year's total revenue. The increase was mainly due to the increase in loss on disposal and impairment of motor vehicles, a provision of receivables, and increase in wages and bonus allowances for staff. The Group continued to implement its budget cost control measures for administrative expenses during the Year.

Finance Costs

The finance costs of the Group amounted to approximately HK\$7.8 million and HK\$10.5 million for the years ended 31 December 2020 and 2019 respectively, representing approximately 0.7% of and 0.8% of the Group's total revenue respectively. The decrease was mainly due to the decrease in interest costs on bank borrowings during the Year.

Profit for the Year Attributable to Equity Shareholders of The Company

The Group's loss attributable to shareholders of the Company of approximately HK\$11.0 million for the preceding year turned into a profit of approximately HK\$51.4 million for the Year. The increase was mainly due to the government subsidy from the Anti-epidemic Fund.

FOREIGN CURRENCY EXPOSURE

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering a comprehensive range of environmental services. For the Year, we had net cash generated from operating activities of approximately HK\$162.3 million (2019: HK\$34.4 million). As at 31 December 2020, the Group had available cash and bank balances amounting to approximately HK\$28.5 million (2019: HK\$22.9 million), representing an increase of approximately 24.6%.

As at 31 December 2020, the Group's total current assets and current liabilities were approximately HK\$355.2 million (2019: HK\$423.2 million) and HK\$264.6 million (2019: HK\$419.9 million) respectively, while the current ratio was approximately 1.3 times (2019: 1.0 times). The liquidity position of the Group is maintained at a healthy level.

As at 31 December 2020, the Group's bank borrowings amounted to approximately HK\$107.6 million (2019: HK\$235.1 million), representing a decrease of approximately 54.2%; the Group's lease liabilities were approximately HK\$46.0 million (2019: HK\$46.7 million), representing a decrease of approximately 1.5%, for financing the acquisition of motor vehicles for operational usage and recognised lease liabilities related to the lease contracts in respect of certain lands, office buildings and nurseries. During the Year, no financial instruments were used for hedging purposes (2019: Nil).

As at 31 December 2020, the gearing ratio of the Group was approximately 0.5 times (2019: 1.2 times), which was calculated based on the total interest-bearing bank borrowings and lease liabilities over total equity of the Group.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

For the Year, capital expenditures, which mainly included additions in motor vehicles and equipment, amounted to approximately HK\$17.1 million (2019: HK\$25.3 million). Capital expenditures were funded by banks, finance companies and funds generated from our operating activities.

As at 31 December 2020, the Group had capital commitment contracted for of approximately HK\$0.1 million (2019: HK\$1.2 million) and no capital commitment authorised but not contracted for (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the amounts payable under lease liabilities within one year was approximately HK\$13.3 million (2019: HK\$11.7 million), that after one year but within five years was approximately HK\$12.5 million (2019: HK\$13.2 million), and that after five years was approximately HK\$20.2 million (2019: HK\$21.7 million).

As at 31 December 2020, the lease liabilities of the Group of approximately HK\$4.2 million (2019: HK\$11.2 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 31 December 2020, the Group (i) pledged bank deposits of approximately HK\$6.2 million (2019: HK\$6.2 million); (ii) pledge of cash and cash equivalents of approximately HK\$1.5 million (2019: HK\$0.5 million); (iii) mortgage of the land and buildings of approximately HK\$70.4 million (2019: HK\$73.0 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK\$2.4 million (2019: HK\$14.2 million); (v) pledge of the trade receivables of approximately HK\$59.5 million (2019: HK\$83.7 million); and (vi) pledge of the contract assets arising from performance under glass management contracts of approximately HK\$2.4 million (2019: HK\$2.7 million).

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

INTELLECTUAL PROPERTIES

During the Year, the Group registered the trademark  in Hong Kong for a period of 10 years.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 5,255 employees (2019: 7,457 employees), including both full time and part time. Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

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

The consolidated annual results of the Group for the year ended 31 December 2020 together with the comparative figures of 2019 are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Revenue	5	1,131,781	1,397,455
Cost of services		<u>(1,068,235)</u>	<u>(1,327,000)</u>
Gross profit		63,546	70,455
Other income	6	95,537	5,181
Change in fair value less costs to sell of biological assets	13	(3,956)	5,009
Selling and marketing expenses		(1,203)	(1,990)
Administrative expenses		<u>(95,707)</u>	<u>(80,240)</u>
Profit/(loss) from operations		58,217	(1,585)
Finance costs	7	(7,768)	(10,489)
Share of losses of a joint venture		<u>(1,327)</u>	<u>(648)</u>
Profit/(loss) before taxation	8	49,122	(12,722)
Income tax credit	9	<u>2,254</u>	<u>1,412</u>
Profit/(loss) for the year		51,376	(11,310)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries, net of nil tax		121	(36)
Cash flow hedge: share of net movement in the hedging reserve of a joint venture		<u>414</u>	<u>–</u>
Other comprehensive income		<u>535</u>	<u>(36)</u>
Total comprehensive income for the year		<u>51,911</u>	<u>(11,346)</u>
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		51,376	(11,031)
Non-controlling interests		<u>–</u>	<u>(279)</u>
		<u>51,376</u>	<u>(11,310)</u>

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		51,911	(11,067)
Non-controlling interests		<u>–</u>	<u>(279)</u>
		<u>51,911</u>	<u>(11,346)</u>
Earnings/(loss) per share			
Basic and diluted (HK cents)	<i>11</i>	<u>12.38</u>	<u>(2.66)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		149,837	181,613
Right-of-use assets		54,829	63,679
Interest in a joint venture		8,439	9,352
Financial assets at fair value through profit or loss		14,348	14,176
Prepayments, deposits and other receivables		19,292	18,562
Deferred tax assets		2,367	–
		249,112	287,382
Current assets			
Inventories		3,180	2,635
Contract assets		9,451	9,042
Trade receivables	12	259,529	319,970
Prepayments, deposits and other receivables		26,775	32,125
Tax recoverable		1,072	2,073
Biological assets	13	20,493	28,316
Pledged bank deposits		6,161	6,153
Cash and cash equivalents		28,522	22,887
		355,183	423,201
Current liabilities			
Trade payables	14	23,899	28,001
Contract liabilities		1,750	–
Accruals, deposits received and other payables		117,790	143,118
Bank borrowings		107,642	235,095
Lease liabilities		13,254	11,745
Tax payable		218	1,982
		264,553	419,941
Net current assets		90,630	3,260
Total assets less current liabilities		339,742	290,642
Non-current liabilities			
Lease liabilities		32,749	34,976
Provision		10,548	10,152
Deferred tax liabilities		7,413	8,393
		50,710	53,521
Net assets		289,032	237,121
Capital and reserves			
Share capital	15	4,150	4,150
Reserves		284,882	232,971
Total equity		289,032	237,121

NOTES

1. GENERAL INFORMATION

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

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

2. BASIS FOR PREPARATION

The financial information set out in this announcement does not constitute the Group's annual consolidated financial statements for the year ended 31 December 2020, but is derived from those financial statements.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the changes in accounting policies set out in note 3.

The measurement basis used in the preparation of the financial statements is the historical costs except for biological assets and certain financial instruments that are measured at their fair values at the end of each reporting period. The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Exchange of Hong Kong Limited ("Listing Rules").

3. CHANGES IN ACCOUNTING POLICIES

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

Except for the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("Covid-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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

4. SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

	Cleaning services business <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>
Year ended 31 December 2020					
Revenue from external customers and reportable segment revenue recognised over time	<u>679,465</u>	<u>172,356</u>	<u>111,347</u>	<u>168,613</u>	<u>1,131,781</u>
Segment results	<u>29,438</u>	<u>18,647</u>	<u>6,492</u>	<u>7,766</u>	<u>62,343</u>
Other income					95,537
Change in fair value less costs to sell of biological assets (note 13)					(3,956)
Administrative expenses					(95,707)
Finance costs					(7,768)
Share of losses of a joint venture					<u>(1,327)</u>
Profit before taxation					<u><u>49,122</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>
Year ended 31 December 2019					
Revenue from external customers and reportable segment revenue recognised over time	<u>977,248</u>	<u>184,189</u>	<u>71,222</u>	<u>164,796</u>	<u>1,397,455</u>
Segment results	<u>24,113</u>	<u>21,726</u>	<u>5,612</u>	<u>17,014</u>	68,465
Other income					5,181
Change in fair value less costs to sell of biological assets (note 13)					5,009
Administrative expenses					(80,240)
Finance costs					(10,489)
Share of losses of a joint venture					<u>(648)</u>
Loss before taxation					<u><u>(12,722)</u></u>

Segment assets and liabilities

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

	Cleaning services business <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 2020					
Segment assets	292,163	106,696	40,267	162,909	602,035
Unallocated					<u>2,260</u>
Total assets					<u><u>604,295</u></u>
Segment liabilities	171,502	24,392	35,137	81,700	312,731
Unallocated					<u>2,532</u>
Total liabilities					<u><u>315,263</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 2019					
Segment assets	371,552	119,507	30,585	186,814	708,458
Unallocated					2,125
Total assets					<u>710,583</u>
Segment liabilities	339,946	32,037	21,322	79,078	472,383
Unallocated					1,079
Total liabilities					<u>473,462</u>

Other segment information

	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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2020						
Depreciation	19,116	3,234	2,342	29,205	712	54,609
Additions to non-current assets	9,691	1,944	830	18,503	1,247	32,215
Loss/(gain) on disposal of property, plant and equipment	284	(191)	79	5,807	–	5,979
Loss on disposal of right-of-use assets	167	–	–	–	–	167

	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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2019						
Depreciation	16,665	2,556	1,635	17,553	771	39,180
Additions to non-current assets	15,354	1,591	237	10,351	166	27,699
(Gain)/loss on disposal of property, plant and equipment	(1)	118	(183)	130	–	64

Geographical information

All of the Group's businesses are carried out in Hong Kong and the Group's revenue from external customers is generated in Hong Kong during the years ended 31 December 2020 and 2019.

Information about major customers

For the year ended 31 December 2020, the Group's revenue of HK\$399,749,000 (2019: HK\$695,828,000) for various segments was derived from two customers (2019: two), each of whom has individually accounted for over 10% of the Group's total revenue, which are disclosed as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	201,043	330,043
Customer B	198,706	365,785
	399,749	695,828

5. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Cleaning services	679,465	977,248
Landscaping services	172,356	184,189
Pest management services	111,347	71,222
Waste management and recycling services	168,613	164,796
	1,131,781	1,397,455

6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Administration fee income	3,401	–
Change in fair value of investments in life insurance	172	283
COVID-19-related rent concessions received	1,524	–
Exchange gain	–	386
Government grants*	84,944	313
Income relating to right-of-use assets	3,964	2,356
Interest income	226	45
Rental income	790	1,341
Sundry income	516	457
	<u>95,537</u>	<u>5,181</u>

* During the year ended 31 December 2020, the Group recognised the government grants as follows:

- (i) Employment Support Scheme, which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund of the Government of HK\$80,986,000 (2019: Nil). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees;
- (ii) Transport Trades Subsidy under the Anti-epidemic Fund of HK\$3,190,000 (2019: Nil);
- (iii) subsidies from One-off Rental Support Scheme under the Recycling Fund of HK\$375,000 (2019: Nil);
- (iv) subsidies from the Green Employment Scheme of the Environment Bureau of HK\$174,000 (2019: Nil);
- (v) subsidies for phasing out certain diesel commercial vehicles by the Group of nil (2019: HK\$313,000); and
- (vi) other subsidies under the Anti-epidemic Fund of HK\$219,000 (2019: Nil).

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

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on:		
Bank overdrafts	8	13
Bank borrowings	6,055	8,570
Lease liabilities	1,705	1,906
	<u>7,768</u>	<u>10,489</u>

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
Auditors' remuneration:		
Audit services	1,580	1,405
Other services	150	116
Cost of consumable goods	69,523	59,609
Recognition of credit losses on other receivables	–	2,250
Recognition/(reversal) of credit losses on trade receivables	6,173	(38)
Depreciation:		
Owned property, plant and equipment	40,057	26,224
Right-of-use assets	14,552	12,956
Loss on disposal of property, plant and equipment	5,979	64
Loss on disposal of right-of-use assets	167	–
Impairment loss on property, plant and equipment	1,877	–
	<u>830,857</u>	<u>1,095,264</u>
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	830,857	1,095,264
Provision for long service and severance payments	24,340	18,513
Provision for untaken paid leave	9,305	10,693
Contributions to defined contribution retirement scheme	25,696	33,128
	<u>890,198</u>	<u>1,157,598</u>
Short-term lease payments not included in the measurement of lease liabilities:		
Machinery and motor vehicles	36,848	38,599
Land and buildings	2,005	4,420
	<u>38,853</u>	<u>43,019</u>

9. INCOME TAX CREDIT

	2020 HK\$'000	2019 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	1,114	1,963
Over-provision in respect of prior years	(35)	(45)
	<u>1,079</u>	<u>1,918</u>
Current tax — People's Republic of China Enterprise Income Tax		
Provision for the year	13	4
	<u>1,092</u>	<u>1,922</u>
Deferred tax		
Reversal of temporary differences	(3,346)	(3,334)
	<u>(2,254)</u>	<u>(1,412)</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

The provision for Hong Kong Profits Tax for 2020 has also taken into account a reduction granted by the Hong Kong SAR Government for the year of assessment 2019/20. The Group is eligible for the maximum reduction of HK\$20,000 (2019: a maximum reduction of HK\$20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019) for each Hong Kong subsidiaries within the Group.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2020 HK\$'000	2019 HK\$'000
Final dividend proposed after the end of the reporting period of HK3.6 cents (2019: nil) per ordinary share	<u>14,940</u>	<u>–</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 HK\$'000	2019 HK\$'000
Final dividend in respect of the previous financial year, was approved and paid during the year, of nil (2019: HK0.7 cents) per ordinary share	<u>–</u>	<u>2,905</u>

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings per share for the year ended 31 December 2020 is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK\$51,376,000 (2019: loss of HK\$11,031,000) and the weighted average number of 415,000,000 (2019: 415,000,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 December 2020 and 2019 are the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the years presented.

12. TRADE RECEIVABLES

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

	2020 HK\$'000	2019 HK\$'000
Within 60 days	175,562	236,313
Over 60 days but within 120 days	56,315	69,490
Over 120 days but within 365 days	21,770	13,893
Over 365 days	5,882	274
	<u>259,529</u>	<u>319,970</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 credit terms in accordance with the tender terms. For other contracts, the Group normally allows a credit period ranging from 30 to 60 days depending on the customers' creditworthiness and the length of business relationship.

13. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	2020 HK\$'000	2019 HK\$'000
Plants and flowers		
Balance as at 1 January	28,316	20,772
Purchases	4,042	8,097
Usage in services	(6,144)	(5,471)
Disposal	(1,765)	(91)
Change in fair value less costs to sell (<i>note 4</i>)	<u>(3,956)</u>	<u>5,009</u>
Balance as at 31 December	<u>20,493</u>	<u>28,316</u>

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

The fair value of biological assets of the Group as at 31 December 2020 and 2019 has been arrived at the basis of a valuation carried out at that date by the independent valuer and the independent valuer has appropriate qualifications and experiences in providing biological assets valuation services.

The fair value less costs to sell of plants and flowers are determined using the market based approach which assumes sales of biological assets in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

14. TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	13,281	16,986
Over 30 days but within 60 days	6,450	7,963
Over 60 days but within 90 days	664	809
Over 90 days	3,504	2,243
	<u>23,899</u>	<u>28,001</u>

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

15. SHARE CAPITAL

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

POST BALANCE SHEET EVENTS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed tentatively from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which no transfer of shares of the Company will be registered. To be eligible to attend and vote at the Annual General Meeting which shall be held on 27 May 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021 or at another time and/or date as advised.

The register of members of the Company will be closed tentatively from Thursday, 17 June 2021 to Friday, 18 June 2021, both days inclusive, during which 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 June 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the 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 Year. 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 will be set out in the Corporate Governance Report in the Group's 2020 annual report to be published in due course.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company the consolidated financial statements of the Group for the Year, and reviewed the effectiveness of the risk management and internal control system of the Company 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 as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all Directors, each of the Directors confirmed that he/she has complied with the Model Code throughout the Year.

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 during the Year.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 HKICPA and consequently no assurance has been expressed by the Group’s auditor.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.baguio.com.hk). The annual report of the Company for the Year 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 2021

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 and Ms. Cheung Siu Chun as executive Directors and Mr. Sin Ho Chiu, Dr. Law Ka Hung and Mr. Lau Chi Yin Thomas as independent non-executive Directors.