



碧 瑤  
BAGUIO

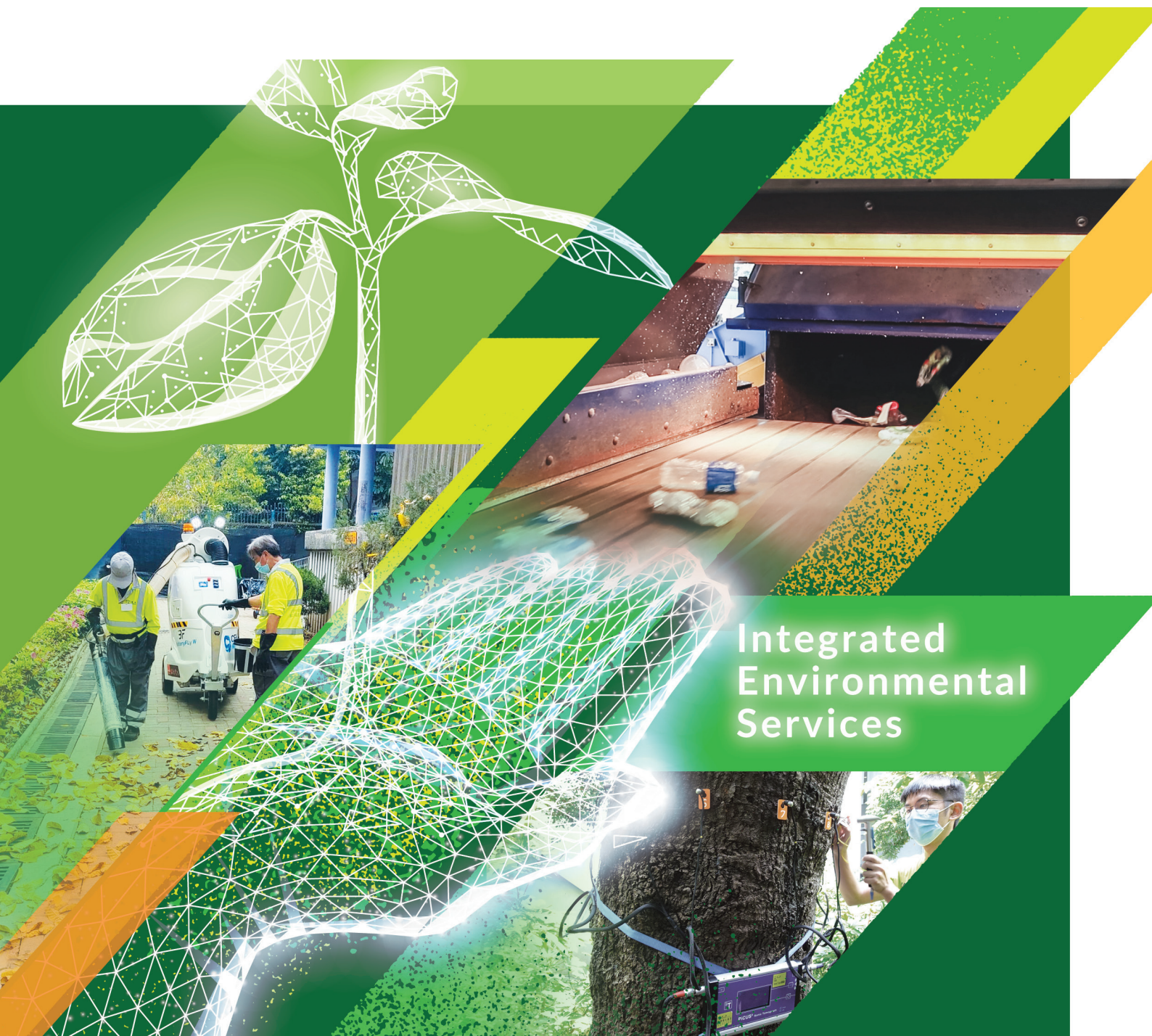


碧瑤綠色集團有限公司  
Baguio Green Group Limited

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

股份代號 Stock Code : 1397

2022  
ANNUAL REPORT 年報



Integrated  
Environmental  
Services

# CONTENTS

Corporate Information	<b>2</b>
Chairman's Statement	<b>3</b>
Management Discussion and Analysis	<b>6</b>
Biographical Details of Directors and Senior Management	<b>16</b>
Report of the Directors	<b>20</b>
Corporate Governance Report	<b>31</b>
Independent Auditor's Report	<b>44</b>
Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>49</b>
Consolidated Statement of Financial Position	<b>50</b>
Consolidated Statement of Changes in Equity	<b>51</b>
Consolidated Statement of Cash Flows	<b>52</b>
Notes to the Consolidated Financial Statements	<b>53</b>
Five-Year Financial Summary	<b>112</b>

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong  
Ms. Cheung Siu Chun

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Cheung Siu Chun

## LEGAL AND COMPLIANCE ADVISERS

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

## AUDITORS

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE ADDRESS

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

## STOCK CODE

01397

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, and together with its subsidiaries, the “Group” or “Baguio”), it is my pleasure to present the consolidated results of the Group for the year ended 31 December 2022 (the “Year”).

## Outstanding result performance reaching Historical High

2022 marks a year with outstanding result performance with net profit\* substantially increased by 3.2 times. Revenue and contracts on hand recorded historical high since Baguio established 43 years ago, signifying Baguio's successful focus on cleaning, collection & recycling, green technology and sustainability related business.

With reference to the contracts on hand as of 31 December 2022, HK\$1.80 billion contract value will be recognised as revenue in 2023. This value is higher than the revenue for the whole year of 2022 (HK\$1.79 billion). With potential new contracts to be obtained in 2023, the revenue growth of 2023 should be considered commendable considering the current unsatisfactory global economic environment.

## Provision of Sustainability Services as the Core Business of the Group

With the increasing emphasis on social and environmental issues, the Group has been actively integrating “Environmental, Social and Governance (ESG)” into its core business. By launching the “ESG+” solution, the Group provides sustainable low-carbon waste management, waste audit, recycling, sustainability professional services and green products, as well as green/ESG data, which can greatly enhance the ESG performance of listed company clients, thereby increasing their chances of securing green financing and becoming an ESG index constituent.

## Huge Opportunities in Northern Metropolis, Lantau Tomorrow and San Tin Technopole

The services provided by Baguio, including cleaning, waste management, recycling, green technology, pest management and landscaping, are closely related to the public. Where there are citizens, Baguio services are needed. It is expected the population of the Northern Metropolis and Lantau Tomorrow (in plan) will increase significantly, driving rigid demand for our service and creating huge opportunities to the Group.

In addition, the planned San Tin Technopole will generate a strong synergistic effect with key innovation and technology development clusters in Shenzhen, driving Hong Kong to become an international innovation and technology center. The total floor area of San Tin Technopole that can be used for innovation and technology purposes is 16.5 times that of Hong Kong Science Park, providing Baguio with strong support for the rapid development of green technology business.

## “Zero Landfill” by 2035 and “Carbon Neutrality” by 2050

According to the Waste Blueprint for Hong Kong 2035, Hong Kong is determined to achieve “Zero Landfill” by 2035. At the same time, the Hong Kong Climate Action Plan 2050 aims to achieve “Carbon Neutrality” by 2050. To achieve these steadfast goals, the Hong Kong SAR government will soon introduce new laws, such as:

1. With the Municipal Solid Waste charging scheme scheduled to be launched in the second half of 2023, it is expected that to further motivate the public to recycle and to increase in recycling volume.
2. With the potential legislation of the Producer Responsibility Scheme on Plastic Beverage Containers this year, when the new regulation becomes effective, producers of plastic beverage containers will add a deposit to the selling price and refund the deposit to consumers when they return their plastic beverage containers. The recycling volume of plastic beverage containers is expected to have a significant increase.
3. The government is studying legislation to require property management companies and owners' organizations of large scale estates, as well as single residential buildings with a large number of households, to collect recyclables (at least including waste paper, plastic and metal) by category and hand them over to downstream recyclers for disposal. It is expected to implement by 2024 or before.

These three new legislations are expected to completely change the public behaviour, greatly stimulate recycling, drive the business volume of Baguio's recycling services, and provide attractive returns for Baguio's investment in recycling facilities which create strong entry barrier to the competition.

## Green technology business will become one of our growth drivers

In 2022, Baguio launched its green technology business to provide various solutions in terms of biotechnology, smart technology, Internet of Things, big data and artificial intelligence. The green technology business has secured a number of government contracts since its launch, including:

1. the Group has been awarded EPD's first service contract for using bioconversion technology (Black Soldier Flies) to help solve Hong Kong's chicken manure problem. The project has commenced production. The Group is actively exploring the application of bioconversion technology to organic waste, so as to capture new opportunities for Baguio.
2. the Group has been awarded a 2-year service contract by the EPD for the provision of Smart Recycling Machines (“SRMs”) and a Big Data Analytics Platform to drive the smart city development in Hong Kong. Upon the completion of the 2-year pilot scheme, the government will review the result of such project. It is probable to significantly increase the amount of SRMs in Hong Kong, which will create vast business opportunities.

Both green technology contracts represent important milestones for Baguio's development, and have strategic significance for rapid development of the Group's green technology business. Baguio is committed to research and development, and will cooperate with universities and research institutes to enable Baguio's green technology products to effectively solve environmental issues, which will bring enormous business opportunities for the Group. It is expected that such business will be one of the main growth drivers of the Group.

# CHAIRMAN'S STATEMENT

## Rapid growth with multiple development directions

Established in 1980, Baguio has rooted in Hong Kong over the past 43 years and developed into one of Hong Kong's largest integrated environmental services groups. With business development, the Group will actively consider M&A and expansion into regions beyond Hong Kong to accelerate business growth in the future.

## Recognition of corporate governance

The year is a fruitful year for Baguio with winning 40 awards, particularly two awards granted by The Hong Kong Institute of Directors:

Directors of the Year Awards 2022 — Board

Directors of the Year Awards 2022 — Board Diversity

In recognition of the Group's achievements in corporate governance over the years and its efforts in Board diversify, showing remarkable achievements in corporate governance of the Group.

## A Few Words of Appreciation

Finally, I would like to extend my most sincere gratitude and appreciation to the Board; to our employees for their hard work, dedication and positive attitude; and to all our customers and business partners for their trust in and support of the Group. Looking forward, we will endeavor to deliver satisfactory returns to our shareholders.

### **Ng Wing Hong**

*Chairman of the Board*

Hong Kong  
30 March 2023

\* *The Group's profit attributable to equity shareholders of the Company*

## ABOUT BAGUIO

Established in 1980, Baguio is one of Hong Kong's largest and most respected integrated environmental services groups. It provides the full spectrum of professional services ranging from professional cleaning, waste collection & recycling, waste management, green technology, and organic fertilizer production to horticulture & landscaping, and pest control. It serves a wide range of customers in many sectors including Government departments, statutory organizations and multinational corporations. Fully committed to ESG, the Group works tirelessly to advance sustainable development and create a cleaner, greener, healthier city.

## MARKET REVIEW

According to Hong Kong Government's Waste Blueprint for Hong Kong 2035, the city has set a target of "Zero Landfill" by 2035. In order to achieve such goal, many companies have made significant improvements in recycling, which creates significant opportunities for the Group's integrated environmental services.

As per the 2023–2024 Budget announced by the Hong Kong Government, since the development of green technology and green finance will be an international trend with market potential, it promotes the development of Hong Kong into an international green technology and financial center through the establishment of the Green Technology and Financial Development Committee, which coincides with the Group's commitment to developing its green technology business. Under the Hong Kong Innovation and Technology Development Blueprint released recently, Hong Kong Government plans to create a low-carbon and sustainable environment through the application of green and smart technology, which will bring new opportunities to the Group's green and smart technology, waste management and recycling business.

In the past year, Hong Kong has experienced its fifth wave of COVID-19 outbreaks, which has brought great challenges to all industries. Coupled with the rising energy prices and supply chain disruptions, enterprises have encountered severe challenges in the operating environment. Although the operating environment was challenging, the increasing awareness of public health by Hong Kong people due to the pandemic as well as the growth in business demand for cleaning and disinfection boosted the Group's development in cleaning and disinfection services. The pandemic has also raised demand for the medical waste collection business of the Group.

In early 2022, Hong Kong Government imposed strict restrictions on dine-in and social distancing measures, resulting in long-time closure of restaurants and bars that reduced overall recycling volume. As the pandemic gradually eased in the second half of the year, Hong Kong Government relaxed restrictions on catering premises and social distancing measures, and the recycling volume gradually returned to the right track. With the resumption of the cross-border travel between Hong Kong, Mainland China and other regions, it is expected that the city's economy is further recovering, and the enterprises' spendings will be returning to the pre-pandemic level, which is conducive to the business development of the Group.

## BUSINESS REVIEW

The Group's core business, cleaning services, recorded a considerable growth in 2022. Revenue of cleaning services increased by approximately 61.2% to approximately HK\$1.33 billion, accounting for approximately 74.2% of the Group's overall revenue during the Year. Total revenue was approximately HK\$1.79 billion, representing an increase of 40.8% as compared to the same period in 2021.

With regard to our cleaning business, the Group secured a number of service contracts worth approximately HK\$1.99 billion in total for street cleansing services in Mong Kok, Sha Tin, Yuen Long, Western and Tai Po districts. Winning these contracts from the Food and Environmental Hygiene Department ("FEHD") of the HKSAR Government signifies that Baguio is a leading player in the Hong Kong cleaning market. The Group currently provides FEHD street cleansing services in a total of eight Hong Kong districts. To make Hong Kong more sustainable, Baguio has introduced various innovative green technologies including electric vehicles, high-tech disinfection facilities, intelligent cleaning, and Internet of Things (IoT) technology, which increased the operational efficiency and helped the establishment of a sustainable environment. Demand for cleaning services increased due to the pandemic enabled the Group to secure the cleaning services projects with high profit margin. The above factors contributed to an increase in gross profit margin of cleaning business to 9.3% from 8.8% in last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

With regard to the waste management and recycling business, the Group secured two new contracts with FEHD for the provision of waste collection services during the Year, worth approximately HK\$140 million. The Group is contracted by the Environmental Protection Department (“EPD”) of the HKSAR Government to handle over 5,000 recycling spots (including plastic, glass bottles, metals and waste paper) across Hong Kong. During the Year, Baguio won a new 33-month EPD Plastic Recycling Pilot Scheme contract to provide plastic collection services for three districts (Eastern, Kwun Tong and Central & Western). Baguio also provides plastic collection services for Recycling Stations of “GREEN@COMMUNITY” and Reverse Vending Machines (“RVMs”), which were introduced by EPD and other institutions in Hong Kong. In addition, the Group also provides collection and management services of glass bottles for the Hong Kong Island, the New Territories and Islands District.

With the Municipal Solid Waste (MSW) charging scheme scheduled to be launched in the second half of 2023, the recycling volume is expected to increase rapidly. To support the expected growth in the volume of the plastic recycling business, a new high-speed and fully-automated plastic-sorting facility was introduced to the Group’s recycling plant. Enhanced by Near-Infrared (“NIR”) technology, the new facility facilitates rapid separation of all plastic types and colours. It not only increases the processing volume, but also strengthens Baguio’s plastic-sorting capability to precisely separate the collected plastic recyclables into different types for quality conversion to support accelerated growth. When fully operational, its plastic processing capacity per year could exceed 10,000 tonnes, equivalent to 400 million bottles.

In addition to Plastic Recycling business, during the Year, the Group has been awarded a 2-year service contract by the EPD for the provision of Smart Recycling Machines (“SRMs”), each with two compartments, and a Big Data Analytics Platform (“the Platform”) to drive the smart city development in Hong Kong.

Throughout the years, Baguio has been managing EPD’s traditional 3-colour bins in thousands of locations in Hong Kong Island, Kowloon and New Territories. The Company draws upon its invaluable collection experience in designing the SRM to help bring recycling in Hong Kong to the next stage. The SRMs are connected with the EPD’s GREEN\$ Electronic Participation Incentive Scheme to incentivize people with GREEN\$ points for recycling. They are equipped with Internet of Things as well as wireless technologies. Transaction data are transmitted back to the back-end system in real time. This improves the efficiency of the recycling operation providing a better service for the community. Fill-level sensors are installed so that the recyclable collection party could arrive just in time to collect the recyclables. Not too early to waste logistic cost and create unnecessary carbon emissions and not too late to create any environmental nuisances. The Platform will also analyze transaction data to help the Hong Kong Government strategically deploy recycling resources at the right time and place to maximize effectiveness.

During the Year, the Group has been awarded EPD’s first service contract for using bioconversion technology (Black Soldier Flies) to help solve Hong Kong’s chicken manure problem. The project has commenced production.

Both green technology contracts (SRMs and Bioconversion technology) represent important milestones for Baguio’s development, and has strategic significance for rapid development of the Group’s green technology business. It is expected that the green technology business will be one of the main growth drivers of the Group.

With regard to recyclable food waste collection services, the Group secured two contracts for the provision of recyclable food waste collection services in Kowloon District and New Territories West, worth approximately HK\$68.9 million. With the aim of increasing the collection and recycling of food waste, Baguio has deployed a designated team to do the community outreach, educate the stakeholders and establish a comprehensive collection network to make food waste recycling easy and convenient for the public. Food waste collected will be delivered to O.PARK1 in Siu Ho Wan (Hong Kong’s first organic resources recovery centre) located in Lantau Island where it will be turned into renewable energy. Among the total four EPD’s similar contracts granted, the Group has secured half of them, highlights Baguio’s position as Hong Kong’s market leader in food waste collection.



# MANAGEMENT DISCUSSION AND ANALYSIS

For the landscaping services, Baguio secured a contract for the provision of landscaping services to Hong Kong University of Science and Technology and Tung Chung East Promenade. For pest management business, the Group won the FEHD's contract for pest management services in the Wong Tai Sin and Tai Po districts during the Year worth approximately HK\$150 million. During the Year, the Group successfully introduced a variety of advanced technologies to address pest problems in an accurate, safe and effective manner, thus enhancing the Group's competitive edge.

## Results

For the Year, the Group's revenue was approximately HK\$1,793.1 million, representing an increase of approximately 40.8% from approximately HK\$1,273.8 million for 2021. Gross profit increased by approximately 38.5% to approximately HK\$151.0 million (2021: HK\$109.0 million) and gross profit margin decreased by 0.2 percentage points ("p.p.") to approximately 8.4% (2021: 8.6%). Profit attributable to equity shareholders of the Company amounted to approximately HK\$53.7 million, representing in a year-on-year increase of approximately 3.2 times (2021: HK\$12.8 million), with net profit margin increased by 1.9 p.p. to approximately 2.9% (2021: 1.0%). Earnings per share was HK12.9 cents (2021: HK3.1 cents).

## Final Dividend

The Board recommends the payment of a final dividend for the Year at HK3.8 cents (2021: HK0.9 cents) per ordinary share, totalling HK\$15,770,000 (2021: HK\$3,735,000), 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 31 May 2023. If so approved by the Shareholders, it is expected that the final dividend will be paid on or around 10 July 2023 to the Shareholders whose names appear on the register of members of the Company on 26 June 2023.

## Revenue breakdown of major business segments

	For the year ended				
	31 December 2022		31 December 2021		Change
	Revenue (HK\$ million)	% of total revenue	Revenue (HK\$ million)	% of total revenue	
Cleaning	1,330.7	74.2%	825.5	64.8%	+61.2%
Waste management and recycling	243.2	13.6%	234.0	18.4%	+3.9%
Landscaping	122.2	6.8%	112.3	8.8%	+8.8%
Pest management	97.0	5.4%	102.0	8.0%	-4.9%
Total	1,793.1	100.0%	1,273.8	100.0%	+40.8%

## Gross profit margin of major business segments

	For the year ended		
	31 December 2022	31 December 2021	Change
Cleaning	9.3%	8.8%	+0.5 p.p.
Waste management and recycling	3.4%	9.4%	-6.0 p.p.
Landscaping	10.0%	5.4%	+4.6 p.p.
Pest management	7.4%	7.7%	-0.3 p.p.
Overall	8.4%	8.6%	-0.2 p.p.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 43.7% in 2022 (2021: 39.5%).

We continuously strive to expand our services scope in order to enhance our competitiveness. During the year, the Group was driven by the strong performance with the increase in revenue of approximately 61.2% from cleaning segment. This encouraging result was attributable to the Group's enormous effort in securing new contracts with the FEHD and the Leisure and Cultural Services Department for the provision of cleaning services. In addition, the award of new contracts from landscaping with higher profit margin and effective cost control, the profit margin for this segment was improved satisfactorily approximately from 5.4% to 10.0%.

However, the waste management and recycling segment was affected by the initial operation costs in our new projects, its relevant income in short run may not be proportional to its expenditure. In addition, high service level demand in pest management services market with keen competition, together with the high energy price also affect the gross profit margin.

The overall gross profit margin of the Group slightly decreased approximately from 8.6% to 8.4%, but with increase in revenue amount, the overall gross profit of the Group were improved approximately from HK\$109.0 million to HK\$151.0 million.

## Contracts on hand

As of 31 December 2022, the Group had a total amount of approximately HK\$3,589.5 million worth of unexpired contracts on hand, of which, approximately HK\$1,795.1 million will be recognised by the end of 2023, approximately HK\$1,164.6 million will be recognised in 2024 and the rest of approximately HK\$629.8 million will be recognised in 2025 and beyond.

	<b>Backlog contract value</b> (HK\$ million)	<b>Contract value to be recognised by 31 December 2023</b> (HK\$ million)	<b>Contract value to be recognised by 31 December 2024</b> (HK\$ million)	<b>Contract value to be recognised in 2025 and beyond</b> (HK\$ million)
Cleaning services	2,726.3	1,373.5	935.5	417.3
Waste management and recycling services	530.1	244.7	131.3	154.1
Landscaping services	143.4	93.1	35.0	15.3
Pest management services	189.7	83.8	62.8	43.1
Total	3,589.5	1,795.1	1,164.6	629.8

# MANAGEMENT DISCUSSION AND ANALYSIS

## AWARDS

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

Date	Issued of Award	Award
Feb 2022	Hong Kong Council of Social Service	10 years+ Caring Company 2021/22 — Baguio Cleaning Services Company Limited
Feb 2022	Hong Kong Council of Social Service	10 years+ Caring Company 2021/22 — Baguio Landscaping Services Limited
Feb 2022	Hong Kong Council of Social Service	5 years+ Caring Company 2021/22 — Baguio Green Group Limited
Feb 2022	Hong Kong Council of Social Service	5 years+ Caring Company 2021/22 — Baguio Waste Management & Recycling Limited
Feb 2022	Hong Kong Council of Social Service	5 years+ Caring Company 2021/22 — Tak Tai Enviroscape Limited
Feb 2022	Hong Kong Council of Social Service	5 years+ Caring Company 2021/22 — Baguio Pest Management Limited
Mar 2022	Green Road	Green Road — Recycling Booth cum Environmental Education Workshop — Certificate of Appreciation
Mar 2022	Greeners Action	Charter of the Lai See Reuse and Recycle Program 2022
Jun 2022	Green Council	Hong Kong Green Day 2022 — Certificate of Appreciation Bronze Sponsor
Jun 2022	Green Council	Hong Kong Green Awards 2022 Experience Sharing Seminar — Certificate
Jun 2022	Oriental Media Corporation	Elite Listed Enterprise Award (Innovative Recycling)
Jul 2022	World Green Organisation	Green Office Award Labelling Scheme (GOALS)
Aug 2022	Promoting Happiness Index Foundation	Happiness at work 2022 — Happy Company
Aug 2022	Environmental Campaign Committee	Hong Kong Green Organisation Certification — Wastewi\$e Certificate — Good Level
Aug 2022	Green Council	21st Eco-Model Tournament — Certificate of Appreciation
Aug 2022	Environmental Campaign Committee	Certificated as Hong Kong Green Organisation
Aug 2022	JCI North District	Mountain Clean 2022 — Green Sponsors
Aug 2022	Bank of China & The Federation of Hong Kong Industries	Corporate Environmental Leadership Awards 2021 — EcoPartner + EcoPioneer (5 Years+)
Sep 2022	Green HK Advisory Committee Limited	Green HK2021 — Green Enterprise
Sep 2022	Green Council	UNSDG Achievement Awards 2022 — Merit
Sep 2022	The Federation of Hong Kong Industries	Industry Cares Recognition Scheme 2022 — The Most Innovative Award
Sep 2022	The Federation of Hong Kong Industries	Industry Cares Recognition Scheme 2022 — Outstanding Caring Awards
Sep 2022	The Federation of Hong Kong Industries	Industry Cares Recognition Scheme 2022 — Caring Certificate (Enterprise Group)
Sep 2022	MTR Corporation Limited	2021 Hong Kong Passenger Services “Safety First, Quality Always” Award Scheme — Excellence Staff (Contractor) — Silver Award
Oct 2022	Hong Kong Management Association	Certificate of Excellence in Environmental, Social and Governance Reporting
Oct 2022	Alaya Consulting	Commendation for the Outstanding ESG Improvement Award
Nov 2022	Standard Chartered Bank	2022 Standard Chartered Corporate Achievement Awards: Sustainable Corporate (Environmental) — Outstanding Award

# MANAGEMENT DISCUSSION AND ANALYSIS

Date	Issued of Award	Award
Nov 2022	Hong Kong Toilet Association	Best Cleaning Staff Award 2022
Nov 2022	The Hong Kong Institute of Directors	Directors Of The Year Awards 2022 — Board
Nov 2022	The Hong Kong Institute of Directors	Directors Of The Year Awards 2022 — Board Diversity
Nov 2022	Green Council	Green Run 2022 — Certificate of Appreciation
Dec 2022	Hong Kong Institute of Certified Public Accountants	Commendation on Progress in ESG Practices under Self-nomination Awards of the Hong Kong Institute of CPA's 2022 Best Corporate Governance and ESG Awards
Dec 2022	Community Investment and Inclusion Fund	Social Capital Builder Logo Awards
Dec 2022	CT goodjobs	Top Workplace Companies Award (Gold)
Dec 2022	CT goodjobs	Best Innovative L&D Initiative Award (Gold)
Dec 2022	CT goodjobs	Best Employee Health & Safety Programme Award (Gold)
Dec 2022	Television Broadcasts Limited	TVB ESG Awards 2022 — Special Recognition

## MEMBERSHIPS AND CHARTERS

As we implement our sustainability strategy, our involvement in these organisations provides us with opportunities to share best practices with the industry, enabling us to pursue continuous improvement along our sustainability journey.

### Memberships:

- Business Environment Council
- Environmental Contractors Management Association
- Federation of Hong Kong Industries
- Hong Kong Brand Development Council
- Hong Kong Cleaning Association
- Hong Kong Environmental Industry Association
- Hong Kong Federation of Restaurants & Related Trades Limited
- Hong Kong General Chamber of Commerce
- Hong Kong Greening Contractors Association
- Hong Kong Pest Management Association
- Hong Kong Waste Disposal Industry Association
- Hong Kong Waste Management Association
- National Pest Management Association
- Occupational Safety & Health Council
- Pest Control Personnel Association of Hong Kong
- The Chamber of Hong Kong Listed Companies

### Charters:

- Environmental Protection Department — Green Event Pledge
- Equal Opportunities Commission — The Racial Diversity & Inclusion Charter for Employers
- Green Council — Sustainable Procurement Charter
- Labour Department — Good Employer Charter
- Occupational Safety & Health Council and Department of Health — Joyful@Healthy Workplace Charter
- Proper Operation of Refuse Collection Vehicles Steering Committee — The Charter on Proper Operation of Refuse Collection Vehicles
- The Labour and Welfare Bureau, The Rehabilitation Advisory Committee, and The Hong Kong Joint Council for People with Disability — Talent-Wise Employment Charter
- World Green Organization — Paper Towel Saving Campaign

## PROSPECTS

In 2022, new contracts awarded to the Group amounted to a total of HK\$3.08 billion. As a result, the Group recorded a historical high for its contracts on hand of approximately HK\$3.59 billion, representing a surge of approximately 67.3% from approximately HK\$2.15 billion as of 31 December 2021. The increase in the amount of contracts on hand (generally with a term of 2–3 years) not only signifies Baguio's successful focus on cleaning, collection & recycling, green technology and sustainability related business with growth potential, but also provides support to the income growth in the coming years. With reference to the contracts on hand as of 31 December 2022, HK\$1.80 billion contract value will be recognised as revenue in 2023. This value is higher than the revenue for the whole year of 2022 (HK\$1.79 billion). With potential new contracts to be obtained in 2023, the revenue growth of 2023 should be considered commendable considering the current unsatisfactory global economic environment.

In addition, approximately 80% of the Group's revenue was currently generated from contracts with government and quasi-government organizations, indicating a significant market potential from non-government customers. In the future, the Group will actively explore further business opportunities from non-government customers through introducing one-stop service of the Group.

Referring to the Waste Blueprint for Hong Kong 2035 published by the Hong Kong Government, Hong Kong is working to achieve the "Zero Landfill" by 2035. As the recycling market leader in Hong Kong, Baguio is determined to assist Hong Kong to achieve this ambition by providing various recycling services, including waste collection. Meanwhile, the Group is actively exploring the application of bioconversion technology (Black Soldier Flies) to help solve Hong Kong's waste problem other than chicken waste (such as organic waste), bringing growth momentum to the Baguio's green technology business.

With the increasing emphasis on social and environmental issues, the Group has been actively integrating "Environmental, Social and Governance (ESG)" into its core business. By launching the "ESG+" solution, the Group provides sustainable low-carbon waste management, waste audit, recycling, sustainability professional services and green products, as well as green/ESG data, which can greatly enhance the ESG performance of listed company clients, thereby increasing their chances of securing green financing and becoming an ESG index constituent.

In partnership with Jardine Engineering Corporation Limited, the Group formed a Pilot Biochar Production Plant at the EcoPark in Tuen Mun which is scheduled to be put into operation within this year. By converting wood waste into high-quality biochar with pyrolysis technology, the production plant effectively turns waste into useful resources.

With the Municipal Solid Waste (MSW) Charging Scheme scheduled to be launched in the second half of 2023, it is expected to further motivate the public to recycle and to increase the recycling volume. With the implementation of the Producer Responsibility Scheme on Plastic Beverage Containers, producers of plastic beverage containers will add a deposit to the selling price and refund the deposit to consumers when they return their plastic beverage containers. The recycling volume of plastic beverage containers is expected to have a significant increase. The two schemes are expected to directly drive the growth of Baguio's recycling business and create solid returns from our investment in recycling facilities which creates a strong entry barrier to the competition.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the years ended 31 December 2022 and 2021 amounted to approximately HK\$1,793.1 million and HK\$1,273.8 million respectively, representing an increase of approximately 40.8%. The increase was mainly due to the increase in revenue in the cleaning segment, with increase in number of contracts and orders during the Year.

### Cost of Services

For the years ended 31 December 2022 and 2021, the cost of services of the Group amounted to approximately HK\$1,642.1 million and HK\$1,164.8 million respectively, representing approximately 91.6% and 91.4% of the Group's revenue for the corresponding years respectively. The cost of services primarily comprised direct wages, direct overhead expenses, material consumables and sub-contracting fees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

The Group's gross profit for the Year was approximately HK\$151.0 million, representing an increase of approximately 38.5% from approximately HK\$109.0 million for the year ended 31 December 2021.

## Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2022 and 2021 were approximately 8.4% and 8.6% respectively. As mentioned above, though there was a strong performance in cleaning segment, which were partially offset by the initial operation costs from new projects in waste management and recycling segment together with high energy price.

## Other Income, Gain and Losses

The other income, gain and losses of the Group for the years ended 31 December 2022 and 2021 were approximately HK\$29.8 million and HK\$22.2 million respectively, representing an increase of approximately 34.3%. The substantial increase was mainly related to the subsidies under the Anti-epidemic Fund granted by the Hong Kong Government which was recognised during the Year.

## 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 2022 and 2021 were approximately loss of HK\$2.5 million and HK\$4.2 million respectively. The decrease in fair value was mainly due to the sales market affected by the COVID-19 pandemic.

## Selling and Marketing Expenses

The selling and marketing expenses of the Group for the years ended 31 December 2022 and 2021 were approximately HK\$2.2 million and HK\$1.8 million respectively, representing an increase of approximately 27.2%. 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 2022 and 2021 were approximately HK\$100.9 million and HK\$92.5 million respectively, representing an increase of approximately 9.1%, and approximately 5.6% and 7.3% of the respective year's total revenue. The increase was mainly due to the increase in wages and allowances for staff and office overhead to support new business development, and to strengthen and expand ERP system enhancing the competitiveness. 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\$8.2 million and HK\$4.7 million for the years ended 31 December 2022 and 2021 respectively, representing approximately 0.5% of and 0.4% of the Group's total revenue respectively. The increase was mainly due to the increase in the level of working capital loan and interest rate on bank borrowings during the Year.

## Profit for the Year Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for the years ended 31 December 2022 and 2021 approximately HK\$53.7 million and HK\$12.8 million respectively, representing an increase of approximately 3.2 times. The increase was mainly due to the factors described above.

## 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\$90.4 million (2021: HK\$88.0 million). As at 31 December 2022, the Group had available cash and bank balances amounting to approximately HK\$29.0 million (2021: HK\$32.3 million), representing a decrease of approximately 10.1%.

As at 31 December 2022, the Group's total current assets and current liabilities were approximately HK\$530.9 million (2021: HK\$381.8 million) and HK\$490.0 million (2021: HK\$318.8 million) respectively, while the current ratio was approximately 1.1 times (2021: 1.2 times). The liquidity position of the Group is maintained at a healthy level.

As at 31 December 2022, the Group's bank borrowings amounted to approximately HK\$176.4 million (2021: HK\$123.6 million), representing an increase of approximately 42.7%; the Group's lease liabilities were approximately HK\$41.4 million (2021: HK\$37.7 million), representing an increase of approximately 9.6%, 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; the Group's other loan from a non-controlling shareholder of a subsidiary amounted to approximately HK\$5.6 million (2021: Nil) for financing the acquisition of property, plant and equipment for operational usage. During the Year, no financial instruments were used for hedging purposes (2021: Nil).

As at 31 December 2022, the gearing ratio of the Group was approximately 0.7 times (2021: 0.6 times), which was calculated based on the total interest-bearing bank borrowings, lease liabilities and other loan 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\$138.7 million (2021: HK\$73.4 million). Capital expenditures were funded by banks and funds generated from our operating activities.

As at 31 December 2022, the Group had capital commitment contracted for of approximately HK\$6.0 million (2021: HK\$4.4 million).

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: Nil).

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, the amounts payable under lease liabilities within one year was approximately HK\$10.2 million (2021: HK\$9.3 million), that after one year but within five years was approximately HK\$14.5 million (2021: HK\$9.9 million), and that after five years was approximately HK\$16.7 million (2021: HK\$18.5 million).

As at 31 December 2022, the lease liabilities of the Group of nil (2021: approximately HK\$0.9 million) were guaranteed by the Company and a subsidiary of the Company.

In addition as at 31 December 2022, the Group had (i) pledged bank deposits of approximately HK\$7.2 million (2021: HK\$7.2 million); (ii) pledge of cash and cash equivalents of approximately HK\$0.4 million (2021: HK\$0.7 million); (iii) mortgage of the land and buildings of approximately HK\$65.1 million (2021: HK\$67.7 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK\$2.6 million (2021: HK\$2.5 million); (v) pledge of the trade receivables of approximately HK\$104.6 million (2021: HK\$75.6 million); and (vi) pledge of the contract assets of approximately HK\$4.9 million (2021: HK\$4.1 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2022, the Group employed 8,894 employees (2021: 5,621 employees), including both full time and part time employees. Remuneration packages are generally structured by reference to market terms together with 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 together with 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.



## DIRECTORS

### Executive Directors

**Ng Wing Hong (吳永康)**, aged 68, is the Chairman and an Executive Director of the Company. Mr. Ng was appointed as our Executive Director and the Chairman on 23 January 2014. Mr. Ng is also one of the founders and controlling shareholders of our Group. Mr. Ng has over 40 years of experience in the environmental service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In 1980, Mr. Ng together with his brother, Mr. Ng Wing Sun formed a partnership under the name of Baguio Cleaning Services Company Limited which started off as a cleaning service provider in Hong Kong. He is a director of all subsidiaries of the Company.

Mr. Ng graduated from the University of Hong Kong in October 1977 with a Bachelor of Science degree. He also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983, a Bachelor of Laws degree from the University of London (external degree) in August 1990 and a Postgraduate Certificate in Laws from the University of Hong Kong in September 1991. Mr. Ng was admitted as an associated member of the Association of Chartered Certified Accountants in September 1988 and became a fellow of the Association of Chartered Certified Accountants in September 1993. He was also a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2000. He was admitted as an associate member of The Chartered Governance Institute in March 1988 and an associate member of The Hong Kong Chartered Governance Institute in August 1994. He became a fellow member of The Hong Kong Chartered Governance Institute in March 2014. Mr. Ng is the brother of Mr. Ng Wing Chuen and Ms. Ng Yuk Kwan Phyllis.

**Ng Yuk Kwan Phyllis (吳玉群)**, aged 54, is an Executive Director, the Chief Executive Officer and Compliance Officer of the Company. She was appointed as our Executive Director and Chief Executive Officer on 23 January 2014. She joined our Group as an Assistant General Manager in November 1995 and was promoted as a General Manager in February 2000. Ms. Ng has over 25 years of experience in the environmental service industry and is primarily responsible for the overall management of our Group and for overseeing the corporate development department and project development department. She is a director of certain subsidiaries of the Company.

Ms. Ng graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1991 and a Master of Business Administration degree from University of South Australia in April 1999 and a Master of Corporate Finance degree from The Hong Kong Polytechnic University in September 2016. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by the Hong Kong Polytechnic University in June 2009, the ISO 9000:2000 Series Internal Quality Auditor Training Course co-organised by the Hong Kong Productivity Council and SGS International Certification Services in November 2002 and the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She obtained Professional Diploma in Corporate Governance & Directorship jointly awarded by Hong Kong Institute of Directors and Hong Kong Productivity Council in June 2014. Ms. Ng is the sister of Mr. Ng Wing Hong and Mr. Ng Wing Chuen.

**Ng Wing Chuen (吳永全)**, aged 72, is an Executive Director of the Company. He was appointed as our Executive Director on 23 January 2014. He joined our Group since 1982 as one of Baguio Cleaning Services Company Limited's directors. He is currently in charge of the overall management and strategic planning of our Group. He is a director of certain subsidiaries of the Company.

Mr. Ng was awarded a graduate diploma in international marketing from Central Connecticut State University, USA in July 1993. Mr. Ng is the brother of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Leung Shuk Ping (梁淑萍)**, aged 50, is an Executive Director of the Company. She was appointed as our Executive Director on 23 January 2014. She joined our Group in August 1997 as a secretary and resigned in October 2010 with her last position as a Senior Administration Manager. She rejoined our group as the Operation Director in June 2012. Ms. Leung has over 20 years of experience in administration and business management. She currently oversees the operation department, administration department, IT department, SHEQ department and fleet management department of our Group.

Ms. Leung was awarded a Certificate in Business Management in January 2001 and a Diploma in Business Management in April 2008 from the School of Continuing Education Hong Kong Baptist University. She completed the IMS Internal Auditor Course for ISO 9001:2008 and ISO 14001:2004 and OHSAS 18001:2007 held by the British Standards Institution in December 2013. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by Hong Kong Polytechnic University in 2009. She completed the Certificate Programme on Inventory Management organised by the Hong Kong Management Association on July 1991. She was awarded a Diploma in Company Direction in October 2018 by The Hong Kong Institute of Directors.

**Cheung Siu Chun (張笑珍)**, aged 58, is an Executive Director, Chief Financial Officer and Company Secretary of the Company. She was appointed as an Executive Director, Chief Financial Officer and Company Secretary on 23 January 2014. She joined our Group in November 1999 as our Financial Controller and resigned in November 2004. She rejoined our Group in August 2005 and in July 2012, she became our Finance Director. Ms. Cheung currently oversees the Group's finance department, procurement and logistics department and is responsible for the Group's accounting, cost control, corporate finance and cash management affairs.

She was awarded a post-experience certificate in accountancy from the Hong Kong Polytechnic University in September 2001, a Master of Business Administration degree from University of South Australia in April 2004. Ms. Cheung was admitted as a fellow member of the Association of Chartered Certified Accountants in June 1999 and a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2013. She was admitted as a fellow member of the Taxation Institute of Hong Kong in January 2014. She was admitted as a life full member of Association of Women Accountants (Hong Kong) Limited in December 2007. She was also admitted as an associate member of the Institute of Chartered Accountants in England and Wales in February 2008 and became a fellow member of the Institute of Chartered Accountants in England and Wales in August 2019. Ms. Cheung was granted a Certificate of Completion of the Best Practices for ERP Implementation and Enterprise Collaboration Applications Workshop by the Hong Kong Productivity Council in June 2004. Ms. Cheung was also admitted as an associate member of The Chartered Governance Institute, and an associate member of The Hong Kong Chartered Governance Institute in December 2016 respectively. In December 2021, Ms. Cheung awarded the title of certified Environmental, Social and Governance Analyst (CESGA) from the European Federation of Financial Analysts Societies.

### Independent Non-executive Directors

**Sin Ho Chiu (洗浩釗)**, aged 67, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and he is also the chairman of our Remuneration Committee. He served as the sales director and general manager of GrafTech Hong Kong Limited from May 2011 to March 2022 and the legal representative of the Beijing representative office of GrafTech Hong Kong Ltd from May 2017 to March 2022. From February 2011 to August 2021, Mr. Sin served as the legal representative of Shanghai GrafTech Trading Company Limited. From October 2001 to April 2011, Mr. Sin served and was promoted as the business director of Asia Pacific in GrafTech International Trading Inc. Between September 1999 and September 2001, Mr. Sin served as the treasurer and controller of Union Carbide Asia Pacific Inc. Between September 1987 and August 1999, Mr. Sin served as the finance manager of Union Carbide Asia Limited.

Mr. Sin graduated from the Chinese University of Hong Kong with a Bachelor of Science in December 1979 and a Master of Business Administration in December 1983.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Law Ka Hung (羅家熊)**, aged 67, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and is also the chairman of our Nomination Committee. He has been appointed as independent non-executive director of HKC International Holdings Limited (stock code: 248) since December 2012.

Dr. Law was awarded a Bachelor of Business Administration in Accounting degree from the University of Texas at Arlington in December 1981, a Master of Science degree from Warwick University in July 1988 and a Doctor of Business Administration degree from the Hong Kong Polytechnic University in November 2001. He has been admitted as a full member of the Hong Kong Computer Society since January 1989.

**Lau Chi Yin Thomas (劉志賢)**, aged 64, was appointed as an Independent Non-executive Director of the Company on 24 April 2014 and is also the chairman of our Audit Committee. Mr. Lau is currently a responsible officer of United Gain Investment Limited, a licenced corporation of the Securities and Futures Commission of Hong Kong, with main areas of business in advising on securities and asset management. He has been serving as a member of the Disciplinary Committee Panel of the Social Workers Registration Board since January 2008. Between April 2008 and September 2011, Mr. Lau was appointed as a director of Zhanjiang Guolian Aquatic Products Co., Ltd. (湛江國聯水產開發股份有限公司) (Shenzhen stock code: 300094). Between April 2008 and December 2011, Mr. Lau was appointed as a member of the supervisory board of Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. (珠海恒基達鑫國際化工倉儲股份有限公司) (Shenzhen stock code: 002492).

Mr. Lau obtained a Bachelor of Science degree from the University of Hong Kong in July 1981 and a Master of Business Administration degree from the Chinese University of Hong Kong in December 1983. Mr. Lau has been a Chartered Financial Analyst since September 2001. He is a member of the international CFA Institute as well as a member of the Hong Kong Society of Financial Analysts. Mr. Lau is a holder of CFA certificate in ESG Investing.

### SENIOR MANAGEMENT

**Chow Kam Hung Ronnie (周榆桐)**, aged 49, was appointed as Chief Strategy Officer in November 2021. He oversees strategy, corporate development, M&A, investment, ESG and Sustainability strategy, investor relations, innovation and development of green technology business of the Group.

Over 25 years of experience in financial market, M&A, investment, strategy and management. Mr. Chow has participated in various large-scale international M&A transactions, strategic consultancy engagements, cross-border financing, and massive bank restructuring and advisory deals. He has extensive management experience and worked in various international conglomerates, including HSBC Group, AXA Group, Accenture, etc.

Mr. Chow graduated from the University of Hong Kong with a First Class Honours degree. He is also a graduate of the Business & Sustainability Programme of the University of Cambridge. He has various professional qualifications, including Chartered Financial Analyst (CFA), Certified Environmental, Social and Governance Analyst (CESGA), Fellow Life Management Institute (FLMI), Associate of the Hong Kong Institute of Bankers (AHKIB).

**Chan Pak Hang (陳百恆)**, age 43 was appointed as Deputy Chief Financial Officer in November 2022. Mr. Chan has more than 18 years of experience in the fields of accounting, finance and auditing. Prior to joining the Company, he held positions at a number of organisations, including a Big 4 accountancy firm and various mainboard listed companies in Hong Kong.

Mr. Chan received a Bachelor degree in Information Engineering and a Master degree of Philosophy from The Chinese University of Hong Kong. He also earned a Bachelor of Laws (LL.B.) degree from Manchester Metropolitan University and is pursuing the Postgraduate Certificate in Laws (PCLL) at the University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Association of Chartered Certified Accountants (ACCA), and the Charterholder of Chartered Financial Analyst (CFA).

**Ho Sing Fai (何成輝)**, aged 43, was appointed as Head of Human Resources in August 2020. Mr. Ho oversees the full spectrum of human resources functions including resourcing and staffing, talent management, compensations and benefit, performance management, employee relations and reward management.

Mr. Ho has over 20 years of experience in service industry, customer relations, learning & development, culture change and human resources management.

Mr. Ho was awarded a Master degree of Science in Strategic Human Resources Management from the Hong Kong Baptist University.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Wong Siu Man (黃紹文博士)**, aged 52, was appointed as General Manager — Recycling in July 2019. Dr. Wong oversees the full spectrum of glass bottles recycling, iRecycle business including mobile app promotion, relationship management and business development. Dr. Wong was appointed as the Head of ESG services in March 2023, and he oversees the iRecycle business and also the business development of integrated ESG services of the Group.

Dr. Wong has over 25 years of experience in business development, corporate training, marketing and management in Hong Kong and China in different industries including financial planning, luxury retail, tertiary education and telecommunications.

Dr. Wong was awarded a Bachelor degree of Business Administration in Marketing from the Hong Kong Baptist University, a Master degree of Art in Communication from the Hong Kong Baptist University, a Master degree of Social Science in Counseling from The University of South Australia, a Bachelor degree of Science in Psychology from the Upper Iowa University, and a Doctor degree in Enterprise Management from The Shanghai University of Finance and Economic.

**Lam Chi Keung (林志強)**, aged 58 is General Manager of Recycling Business Unit. He was appointed as the General Manager of rPlastic Company in March 2022. Mr. Lam oversees the full spectrum of plastic recycling operations, including facilities management, operational cost control, and stakeholder relations. His role has been expanded to manage other recycling facilities and operations including glass bottle recycling, organic animal waste bioconversion, food waste collection, Biochar operation since March 2023.

Mr. Lam has over 30 years' senior managerial experience and executive leadership roles with multinational conglomerates which include AEG Daimler Benz, General Electric Company, Ingersoll Rand Company, CECO Environmental Company.

Mr. Lam earned his Bachelor Degree of Electrical Engineering from the Hong Kong Polytechnic University. He was also awarded a Certificate of Entrepreneurial General Manager Program by the Duke University USA and a Diploma of Executive Management by the Hong Kong University of Science & Technology.

Mr. Lam possesses Electrical Engineering profession with Chartered Engineer of Engineering Council and Corporate Member of MIET, UK. He is also certified with Lean Six Sigma Black Belt.

**Lui Po Yi (呂寶儀)**, aged 56, was appointed as Assistant General Manager — Landscaping in October 2018. Ms. Lui is responsible for the overall management of Baguio Landscaping Services Limited and Tak Tai Enviroscape Limited.

Ms. Lui has over 25 years of experience in operations management, including business and sales operations, procurement and vendor management, governance and compliance in public listed companies. Ms. Lui has a solid background in project management, quality assurance and business process improvement.

Ms. Lui was awarded a Bachelor degree in Social Science (Honors), Anthropology & Economics from The Chinese University of Hong Kong. She completed the IMS Internal Auditor Course for ISO 9001:2015 and ISO 14001:2015 and ISO 45001:2018 held by the British Standards Institution. Ms. Lui is the vice-chairman of Hong Kong Greening Contractors Association since 2019.

**Kwan Hoi Hong (關海航)**, aged 54, was appointed as Assistant General Manager — Cleaning in April 2021. Mr. Kwan oversees the full spectrum of cleaning operations, including facilities management, operational cost control, and stakeholder relations. Mr. Kwan graduated from The University of California, Davis with a Bachelor degree of Science in Managerial Economics. Mr. Kwan has extensive experience in the manufacturing industry and factory management, especially in process improvement, quality control and system implementation between Hong Kong and China.

# REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## 1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its major subsidiaries are set out in note 16 to the consolidated financial statements. During the Year, there were no significant changes in the nature of the Group's principal activities.

## 2. BUSINESS REVIEW

A review of the Group's business during the Year is provided in the section headed "Management Discussion and Analysis" on pages 6 to 15 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control system is provided in the section headed "Corporate Governance Report" on pages 31 to 43 of this annual report. The Group firmly believes that sustainability plays an important role in its development and is actively applying its ideas to every detail of the business operations and devoted to delivering a better future for the society and the Company as well. The Group will publish an independent sustainability report according to Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on the websites of the Stock Exchange and the Company in April 2023.

## 3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's assets and liabilities by reportable segments of operations for the year ended 31 December 2022 is set out in note 4 to the consolidated financial statements. All of the Group's businesses were carried out in Hong Kong during the Year and all of the Group's revenue from external customers was generated in Hong Kong, Mainland China and Southeast Asia during the Year.

## 4. RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of this annual report. The Directors recommended the payment of a final dividend of HK3.8 cents per ordinary share, totalling approximately HK\$15,770,000, to be paid on or around 10 July 2023, to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 26 June 2023.

The Board considers sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Under the policy on payment of dividends adopted by the Company, dividends may be recommended, declared and paid to shareholders from time to time.

## 5. DIVIDEND POLICY

Dividend Policy aims to set out the approach to achieve the intention of the Company to create long term value for the shareholders of the Company through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet the working capital requirement and capturing future growth opportunities.

The Board may propose/declare the payment of dividend(s) after taking into account the following matter factors:

- Group's financial results and general financial condition;
- the level of the Group's debts to equity ratio and return on equity;
- liquidity position and capital requirement of the Group;
- the Group's current and future operations;
- the Group's business development strategies and future expansion plans;

- the general market conditions;
- any relevant requirements of the Listing Rules and applicable laws, rules and regulations and the memorandum and articles of association of the company; and
- any other factors that the Board considers relevant.

The Board will review the Dividend Policy from time to time to ensure the effectiveness of the Dividend Policy. The Board will update, amend and/or modify the Dividend Policy at any time in the interest of the Company and the shareholders of the Company.

## 6. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 43 to the consolidated financial statements and in the consolidated statement of changes in equity on page 51, respectively.

## 7. SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 32 to the consolidated financial statements.

## 8. DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK\$102.6 million, of which approximately HK\$15.8 million has been proposed be paid to the Shareholders as a final dividend for the Year. Under the laws of Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

## 9. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

## 10. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2022 are set out in the note 28 to the consolidated financial statements.

## 11. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## 12. 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.

## 13. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2022 and of the assets and liabilities of the Group as at 31 December 2022 and for the previous four financial years are set out on page 112 of this annual report.

## 14. DIRECTORS

The Directors during the Year and up to the date of this report are as follows:

### **Executive Directors:**

Mr. Ng Wing Hong (*Chairman*)

Ms. Ng Yuk Kwan Phyllis (*Chief Executive Officer and Compliance Officer*)

Mr. Ng Wing Chuen

Ms. Leung Shuk Ping

Ms. Cheung Siu Chun (*Chief Financial Officer and Company Secretary*)

### **Independent Non-executive Directors:**

Mr. Sin Ho Chiu

Dr. Law Ka Hung

Mr. Lau Chi Yin Thomas

Pursuant to Article 84(1) of the Articles of Association of the Company, Dr. Law Ka Hung, Mr. Lau Chi Yin Thomas and Mr. Ng Wing Chuen are subject to retirement by rotation at the forthcoming annual general meeting and, being eligible, to offer themselves for re-election. Mr. Lau Chi Yin Thomas will offer himself for re-election. Dr. Law Ka Hung and Mr. Ng Wing Chuen shall retire and will not seek re-election at the forthcoming annual general meeting.

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and, as at the date of this report, still considers them to be independent.

## 15. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as of the date of publication of this report are set out on pages 16 to 19 of this annual report.

## 16. DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company and is subject to termination by either party giving not less than three months' written notice.

Each of the Independent Non-executive Director has entered into a letter of appointment with the Company and is subject to termination by either party giving not less than one month's written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 17. PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group is currently in force and remained in force throughout the financial year.

Throughout the year, the Company has maintained appropriate directors and officers liability insurance cover providing indemnity against liability, including but not limited to liability in respect of legal action against the Directors and officers thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

## 18. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year except as disclosed under the section headed "Connected Transactions" on pages 24 to 25 in this report of the Directors and note 40 to the consolidated financial statements.

## 19. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

## 20. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2022, so far as is known to the Directors or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") or as otherwise notified to the Company:

Name	Capacity/ Nature of Interest	Number of Issued Shares Held	Approximate Percentage Holding (%)
Ng Wing Hong	Interest of controlled corporation/ Beneficial owner <sup>(Note 1)</sup>	279,256,000	67.29
Chan Shuk Kuen	Family interest <sup>(Note 2)</sup>	279,256,000	67.29
Ng Yuk Kwan Phyllis	Beneficial owner <sup>(Note 3)</sup>	26,736,000	6.44
Mak Che Fai Lawrence	Family interest <sup>(Note 4)</sup>	26,736,000	6.44
Baguio Green (Holding) Limited	Beneficial owner <sup>(Note 1)</sup>	275,000,000	66.27
David Michael Webb	Interest of controlled corporation/ Beneficial owner <sup>(Note 5)</sup>	20,812,000	5.01
Preferable Situation Assets Limited ("PSA")	Beneficial owner <sup>(Note 5)</sup>	11,566,800	2.79

Notes:

- (1) The entire issued share capital of Baguio Green (Holding) Limited is beneficially owned by Mr. Ng Wing Hong. Therefore, Mr. Ng Wing Hong is deemed to be interested in all the 275,000,000 Shares of the Company ("Shares") held by Baguio Green (Holding) Limited. Mr. Ng Wing Hong is a controlling shareholder (as defined under the Listing Rules) and an executive Director. In addition, Mr. Ng Wing Hong also directly held 4,256,000 Shares.
- (2) Ms. Chan Shuk Kuen is the spouse of Mr. Ng Wing Hong and is therefore deemed to be interested in all the Shares held/ owned by Mr. Ng Wing Hong (by himself or through Baguio Green (Holding) Limited) by virtue of the SFO.
- (3) Ms. Ng Yuk Kwan Phyllis directly held 26,736,000 Shares. Ms. Ng Yuk Kwan Phyllis is an executive Director.
- (4) Mr. Mak Che Fai Lawrence is the spouse of Ms. Ng Yuk Kwan Phyllis and is therefore deemed to be interested in all the Shares held by Ms. Ng Yuk Kwan Phyllis.
- (5) The entire issued share capital of PSA is wholly owned by Mr. David Michael Webb. Therefore, Mr. David Michael Webb is deemed to be interested in all the 11,566,800 Shares held by PSA. In addition, Mr. David Michael Webb also directly held 9,245,200 Shares.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.



## 21. DIRECTORS' INTERESTS DISCLOSEABLE UNDER THE SFO

As at 31 December 2022, the shareholding interests of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interest" above and the share option interests of all Directors are presented on pages 26 to 29 in the section "Share Option Scheme" below. In addition, as at 31 December 2022, Ms. Cheung Siu Chun, an executive Director and the company secretary of the Company, held 800,000 Shares. Other than as disclosed here, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

## 22. CONNECTED TRANSACTIONS

During the Year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

### **Continuing connected transactions subject to reporting, announcement and annual review but exempt from the circular and independent shareholders' approval requirements**

Baguio Cleaning and Nexus Solutions Limited ("NSL") entered into an IT service agreement (the "IT Agreement") on 28 January 2014 pursuant to which NSL has agreed to provide information technology services to our Group with hardware and networking support for three years, entered into a supplemental IT Agreement on 29 December 2016 to extend for a period of 35 months commencing from 27 January 2017 up to and including 31 December 2019, and further entered into a second supplemental IT Agreement on 2 January 2020 to extend three years up to and including 31 December 2022. Details are set out in the announcement of the Company dated 2 January 2020.

NSL is owned as to approximately 87% by Mr. Ng Wing Hong, the chairman, a controlling shareholder and an executive Director of the Company, through his wholly owned company, IT Holdings Limited.

During the Year, the transaction amounts of the IT product and services provided by NSL to the Group was approximately HK\$4,548,000, which did not exceed the HK\$6,000,000 annual cap for the year.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Other related party transactions as disclosed in note 40(c) (ii), (iii) and (iv) to the consolidated financial statements in respect of information technology service fee, purchase of cleaning equipment and materials together with rental expenses and other services fee also constitute continuing connected transactions under the Listing Rules and are regarded as de minimis transaction category pursuant to Rule 14A.76(1) of the Listing Rules.

Saved as disclosed above, there is no other related party transaction or continuing related party transaction as set out in note 40 to the consolidated financial statements that falls under the definition of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## 23. CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed “Connected Transactions” in this report of the Directors:

- (i) No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the Year or at the end of the Year; and
- (ii) No contract of significance for the provision of services to the Company or any of its subsidiaries by controlling shareholder of the Company or any of its subsidiaries subsisted during the Year or at the end of the Year.

## 24. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group’s five largest customers accounted for 67.7% (2021: 54.3%) of the total sales for the year and sales to the largest customer included therein amounted to 44.3% (2021: 26.3%). Purchases from the Group’s five largest suppliers accounted for 35.6% (2021: 31.5%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 10.6% (2021: 10.8%).

None of the directors or any of their associates or any shareholders which, to the best of the knowledge of the directors, own more than 5% of the Company’s issued share capital, had any beneficial interest in the Group’s five largest customers and suppliers.

## 25. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

## 26. EMOLUMENT AND REMUNERATION POLICY

The Company has a remuneration committee for reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance of the Directors and senior management and comparable market practices.

## 27. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 12 to the consolidated financial statements.

No director has waived or has agreed to waive any emolument during the Year.

## 28. SHARE OPTION SCHEME

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

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

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

**Eligible Participants:**

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

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

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

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

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

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

Price for Subscription of Shares:	<p>The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:</p> <ul style="list-style-type: none"><li>(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</li><li>(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.</li></ul>
Amount payable on acceptance of the option and the period within which such payment must be made:	<p>An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00.</p>
Maximum entitlement of each eligible participant:	<p>The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "Participant Limit"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.</p>
Exercise price:	<p>The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme.</p>
Minimum holding period:	<p>The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised.</p>
Period within which the securities must be taken up under an option:	<p>In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant.</p>
The remaining life of the Share Option Scheme:	<p>The Share Option Scheme remains in force for a period of 10 years commencing on 24 April 2014 unless terminated earlier by Shareholders in general meeting.</p>

# REPORT OF THE DIRECTORS

On 16 October 2015, the Company granted share options to certain eligible participants to subscribe for an aggregate of 5,216,000 ordinary shares of HK\$0.01 each in the Capital of the Company, represented approximately 1.26% of all the Shares in issue as at the date of this report.

In addition, on 26 January 2022, the Company granted share options to certain Directors and an employee to subscribe for an aggregate of 11,120,000 ordinary shares of HK\$0.01 each in the Capital of the Company, represented approximately 2.68% of all the Shares in issue as at the date of this report, while 11,324,000 (2021: 216,000) share options were cancelled/lapsed during the Year due to the resignation of an employee who had been granted share options or the vesting criteria was unable to be met.

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

Name or category of participants	Date of grant (Notes)	Number of underlying shares comprised in share options				Outstanding as at 31 December 2022	Exercise period	Exercise price per share (HK\$)
		Outstanding as at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled/lapsed during the Year			
<b>Directors</b>								
Ms. Ng Yuk Kwan Phyllis	16/10/2015	292,000	-	-	-	292,000	16/10/2017– 23/04/2024	1.00
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2023– 31/12/2024	0.53
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2024– 31/12/2024	0.53
					Sub-total	292,000		
Mr. Ng Wing Chuen	16/10/2015	240,000	-	-	-	240,000	16/10/2017– 23/04/2024	1.00
Ms. Leung Shuk Ping	16/10/2015	216,000	-	-	-	216,000	16/10/2017– 23/04/2024	1.00
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2023– 31/12/2024	0.53
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2024– 31/12/2024	0.53
					Sub-total	216,000		
Ms. Cheung Siu Chun	16/10/2015	240,000	-	-	-	240,000	16/10/2017– 23/04/2024	1.00
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2023– 31/12/2024	0.53
	26/1/2022	-	1,390,000	-	(1,390,000)	-	1/1/2024– 31/12/2024	0.53
					Sub-total	240,000		
Mr. Sin Ho Chiu	16/10/2015	140,000	-	-	-	140,000	16/10/2017– 23/04/2024	1.00
Dr. Law Ka Hung	16/10/2015	140,000	-	-	-	140,000	16/10/2017– 23/04/2024	1.00
Mr. Lau Chi Yin Thomas	16/10/2015	140,000	-	-	-	140,000	16/10/2017– 23/04/2024	1.00
<b>Sub-total</b>		1,408,000	8,340,000	-	(8,340,000)	1,408,000		

Name or category of participants	Date of grant (Notes)	Number of underlying shares comprised in share options					Outstanding as at 31 December 2022	Exercise period	Exercise price per share (HK\$)
		Outstanding as at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	Outstanding as at 31 December 2022			
<b>Other Eligible Participants (in aggregate)</b>									
Other employees	16/10/2015	2,656,000	-	-	(204,000)	2,452,000	16/10/2017-23/04/2024	1.00	
	26/1/2022	-	2,780,000	-	(2,780,000)	-	1/1/2023-31/12/2024	0.53	
<b>Sub-total</b>		2,656,000	2,780,000	-	(2,984,000)	2,452,000			
<b>Total</b>		4,064,000	11,120,000	-	(11,324,000)	3,860,000			

*Notes:*

- (1) The share options, those granted on 16 October 2015, vested on 16 October 2017.
- (2) The share options, those granted on 26 January 2022, will vest on 1 January 2023 or 1 January 2024, subject to the conditions mentioned in the announcement as at 26 January 2022.
- (3) The closing prices of the shares of the Company quoted on the Stock Exchange immediately before the date of grant of share options on 16 October 2015 and 26 January 2022 were HK\$0.94 and HK\$0.53, respectively.
- (4) The estimated fair value of the options granted on the 26 January 2022, the date of grant, was HK\$1,269,000. The fair value of share options granted to certain Directors and an employee is recognised as staff cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the monte carlo simulation model, taking into account the terms and conditions upon which the options were granted.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the Share Option Scheme during the Year.

## 29. SHARE AWARD PLAN

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

No share was granted under the Share Award Plan up to the date of this report.

## 30. RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

## 31. EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the reporting period.

## 32. CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the 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 is set out in the Corporate Governance Report on pages 31 to 43 of this annual report.

## 33. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital is held by the public as at the date of this report.

## 34. AUDIT COMMITTEE

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

## 35. AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Mr. Ng Wing Hong**

*Chairman*

Hong Kong, 30 March 2023

The Board is pleased to present the Corporate Governance Report for the year ended 31 December 2022.

## 1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The board of directors (the “Board”) of the Company believes that good governance is essential to achieving the Group’s objectives of maximizing shareholders’ value and safeguarding the interests of the shareholders. During the Year, the Company has complied with all code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules.

## 2. CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group’s corporate culture with the core principles of integrity and accountability to guide the behaviours of its employees and ensure that the Company’s purpose, values and business strategies are aligned to it.

## 3. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

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

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

## 4. BOARD OF DIRECTORS

The Board currently comprises a total of eight members, with five executive directors, and three independent non-executive directors:

### Executive Directors:

Mr. Ng Wing Hong (*Chairman*)

Ms. Ng Yuk Kwan Phyllis (*Chief Executive Officer and Compliance Officer*)

Mr. Ng Wing Chuen

Ms. Leung Shuk Ping

Ms. Cheung Siu Chun (*Chief Financial Officer and Company Secretary*)

### Independent Non-executive Directors:

Mr. Sin Ho Chiu

Dr. Law Ka Hung

Mr. Lau Chi Yin Thomas

Mr. Ng Wing Hong, Ms. Ng Yuk Kwan Phyllis and Mr. Ng Wing Chuen are siblings.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules.

The biography details of the directors of the Company are set out under the section headed “Biographical Details of Directors and Senior Management” on pages 16 to 19 of this annual report.



## Chairman and Chief Executive Officer

The Chairman and the Chief Executive officer of the Company are Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis, respectively. Mr. Ng Wing Hong is the brother of Ms. Ng Yuk Kwan Phyllis. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

## Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These Independent Non-executive Directors are seasoned individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The Independent Non-executive Directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise.

The Company has received confirmations of independence from all existing Independent Non-executive Directors and considers them independent, in accordance with Rule 3.13 of the Listing Rules. All Directors have a term of office of three years and are required to retire and, being eligible, can offer themselves for re-election at the Company's forthcoming annual general meeting in accordance with the Articles of Association the Company.

## Board Independence

The Company recognises that board independence is critical to good corporate governance and board effectiveness. The participation of Independent Non-executive Directors in the Board brings independent and objective judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all Shareholders have been duly considered. To ensure independent views and input are available to the Board, the following mechanisms are established by the Board:

- Three out of the eight directors are independent non-executive directors which represents more than one-third of the Board. The chairman of remuneration committee, nomination committee, and audit committee are independent non-executive directors. All independent non-executive directors continue to devote adequate time contribution to the Company;
- All independent non-executive directors share their views and opinions through regular quarterly Board/Committee meetings;
- The Chairman meets with all independent non-executive directors at least annually without the presence of other directors which provides a platform for the Chairman to listen to independent views on various issues concerning the Group;
- External independent professional advice would be provided to independent non-executive directors upon reasonable request to assist them to perform their duties to the Company;
- Directors are provided with monthly reports covering highlights of the Company's major business and financial updates to keep abreast of the Group's business performance and enable them to bring informed decisions in the best interest of the Company and the Shareholders; and
- The Nomination Committee will continue to assess the continued independence of existing independent non-executive directors on an annual basis. All independent non-executive directors are required to confirm in writing annually their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules.
- The independent non-executive directors whom had served more than 9 years should be subject to a separate resolution to be approved by shareholders. The Company shall disclose the length of tenure of each such independent non-executive director in the circular to shareholders.

During the Year, the Board reviewed the implementation and effectiveness of the abovementioned mechanisms and considered that such mechanisms remain effective.

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, and through her, to the senior management, to execute the Board's strategy and implementing its policies through the day-to-day management and operation of the Company.

The Board determines which functions are reserved to the Board and which are delegated to the senior management. It delegates appropriate aspects of its management and administrative functions to senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, mergers and acquisitions, risk management and internal control systems, corporate structure, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors, announcements of interim and final results and payment of dividends.

During the Year, the Board has reviewed the above arrangements for delegation of responsibilities to senior management and considered it to be appropriate.

## Awards on Corporate Governance

During the Year, the Company won the awards of "Directors Of The Year Awards 2022 — Board " and "The Year Awards 2022 — Board Diversity " from The Hong Kong Institute of Directors. The awards recognised the Board for demonstrating strong leadership and upholding ambitious standards of corporate governance. In addition, the Board has always been dedicated to promoting Board diversity.

The Group have been granted many other awards. They are shown on pages 10 to 11 of the annual report.

## Directors and Officer's Liabilities

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors and officers against losses or liabilities sustained or incurred arising from or incidental to execution of their duties. The insurance coverage is reviewed on an annual basis or any intervals as deemed appropriate by the Board.

## Directors' Continuous Professional Development

During the Year, to develop and refresh their knowledge and skills, all Directors have participated in appropriate continuous professional development training which covered updates on laws, rules and regulations as well as the updated corporate governance policies and also directors' duties and responsibilities. The following shows the training of each of the directors received during the Year:

	Attending seminars/webinars	Reading materials
<b>Executive Directors</b>		
Mr. Ng Wing Hong	✓	✓
Ms. Ng Yuk Kwan Phyllis	✓	✓
Mr. Ng Wing Chuen		✓
Ms. Leung Shuk Ping	✓	✓
Ms. Cheung Siu Chun	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Sin Ho Chiu	✓	✓
Dr. Law Ka Hung	✓	✓
Mr. Lau Chi Yin Thomas	✓	✓

## 5. DIVERSITY AND WORKFORCE

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Board takes diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board will review the Board Diversity Policy on a regular basis to ensure its continual effectiveness.

In addition, the Board promotes the importance of gender diversity, the current composition of the Board consists of 5 males and 3 females. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board.

As at 31 December 2022, the gender ratio of the workforce of the Group was 42.2%: 57.8% male to female. As to senior management, our Assistant General Manager in Landscaping Segment is female. Although the Company does not currently have a specific diversity policy on hiring employees or appointing senior management, as an equal opportunity employer, the Company applies the principle of "Fairness, Openness and Impartiality" to all employment practices, as mentioned in the paragraphs of **Upholding Our Employees** from pages 29 to 36 of the Sustainability Report. The Board is satisfied that the Company has achieved gender diversity in its workforce.

## 6. BOARD COMMITTEES

The Board has established a remuneration committee, a nomination committee, an audit committee and a sustainability steering committee. They are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities.

There was satisfactory attendance for meetings of the board committees during the Year. The minutes of the committee meetings were circulated to all members of the Board unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

### Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Company and the remuneration of all directors of each subsidiary of the Company.

The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy in respect of all directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also makes recommendations to the Board on the remuneration of independent non-executive directors. No director should be involved in deciding that director's own remuneration.

The committee consults the chairman and the chief executive officer about remuneration proposals for other executive directors.

The Company's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at market levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Company's profits and performance.

## Members of the remuneration committee are:

Mr. Sin Ho Chiu (*Independent non-executive director*) (*Chairman*)

Mr. Lau Chi Yin Thomas (*Independent non-executive director*)

Dr. Law Ka Hung (*Independent non-executive director*)

Mr. Ng Wing Hong (*Executive director*)

The terms of reference of the remuneration committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the remuneration committee had held seven meetings to discuss and review the remuneration packages of the directors and senior management of the Company. All members of the remuneration committee have attended the seven meetings.

Details of emoluments of the Directors and five highest paid individuals are set out in note 12 to the consolidated financial statements.

The remuneration paid to members of senior management by band during the year is set out below:

	Number of employee	
	2022	2021
Up to HK\$1,000,000	3	5
HK\$1,000,001 — HK\$1,500,000	3	1
HK\$1,500,001 — HK\$2,000,000	—	—
HK\$2,000,001 — HK\$2,500,000	1	—

## Nomination Committee

The purpose of the nomination committee is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman, the vice chairman and the chief executive officer of the Company.

The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

The Nomination Committee has also adopted a nomination policy (the “Nomination Policy”) which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Diversity Policy. The procedure of appointing and re-appointing a Director is summarized as follows:

- nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;
- evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy;
- performing due diligence in respect of each candidate and making recommendation for the Board’s consideration and approvals;
- in case of nomination of an independent non-executive Director, assessing the candidate’s independence under the relevant Code Provisions and the Listing Rules;
- where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under Code Provision A.5.5;
- in the context of re-appointment of retiring Directors, reviewing the candidate’s overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meeting; and
- convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

**Members of the nomination committee are:**

Dr. Law Ka Hung (*Independent non-executive director*) (*Chairman*)

Mr. Sin Ho Chiu (*Independent non-executive director*)

Mr. Lau Chi Yin Thomas (*Independent non-executive director*)

Ms. Ng Yuk Kwan Phyllis (*Executive director*)

The terms of reference of the nomination committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the nomination committee had held one meeting to review the structure, size and composition of the Board. All members of the nomination committee have attended the above meeting.

## Audit Committee

The purpose of the audit committee is to establish formal and transparent arrangements to consider how the Board applies financial reporting, risk management and internal control principles and maintains an appropriate relationship with the Company’s external auditors.

The committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and considering any questions of its resignation or dismissal.

The committee reports to the Board any suspected fraud and irregularities, significant risks, failures of internal control or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## Members of the audit committee are:

Mr. Lau Chi Yin Thomas (*Independent non-executive director*) (*Chairman*)

Mr. Sin Ho Chiu (*Independent non-executive director*)

Dr. Law Ka Hung (*Independent non-executive director*)

The members of the committee possess appropriate professional qualifications and/or experience in financial matters.

The audit committee reviewed, together with senior management and the external auditors, the financial statements for the six months ended 30 June 2022 and for the year ended 31 December 2022, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, risk management and internal control systems and continuing connected transactions of the Company.

The terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

During the Year, the audit committee had held three meetings for considering the annual results of the Company for the year ended 31 December 2021, considering the interim results of the Company for the six months ended 30 June 2022 and planning the annual audit of the Company for the year ended 31 December 2022 respectively. All members of the Audit Committee have attended the above meetings.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the Company's forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditors for 2023.

## Sustainability Steering Committee

The Company attaches great importance to sustainability. Our sustainability steering committee is established during the Year to manage and monitor the sustainability matters. The purpose of the committee is to devise and review the Company's sustainability direction and strategy, and reports to the Board of Directors.

Duties of the committee:

- acting as a bridge of communication among the Board of Directors, ESG Working Group, business units and departments of the Company;
- disseminating sustainability-related decisions and advice made by the Board of Directors to ESG Working Group, business units and departments of the Company effectively, accurately, and clearly;
- incorporating sustainability issues into the consideration of the Company's potential risks and business development opportunities;
- setting sustainability directions and targets of the Company, and assisting business units and departments in the implementation of the related policies; and
- reporting the Company's sustainability performance and progress to the Board of Directors regularly.

Striving for effective implementation of sustainability strategy, the ESG working group is also formed by representatives from business units and departments of the Company to facilitate conveyance of commitment, derive related work, and ensure continuous performance improvement.

## Members of the sustainability steering committee are:

Ms. Ng Yuk Kwan Phyllis (*Executive director*)(Chairman)

Ms. Cheung Siu Chun (*Executive director*)

Ms. Leung Shuk Ping (*Executive director*)

Mr. Ng Tai Hong (*Senior Manager of Corporate Development Department, the representative of sustainability unit*)

The Chairman of the committee has the right to appoint representatives from business units and departments as committee members or attend committee meeting, when deemed necessary.

The terms of reference of the sustainability steering committee are available on the website of the Company.

During the Year, the sustainability steering committee had held 4 meetings to devise and to review the Company's sustainability direction and strategy.

The Group will publish an independent sustainability report according to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules on the websites of the Stock Exchange and the Company in April 2023.

## 7. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the year, a total of four board meetings were held. The attendance of each Director at the board meetings and general meetings during the Year is set out below:

	Number of meetings held during the year				Annual General Meeting
	Attended/Eligible to attend				
	Board Meeting	Remuneration Committee	Nomination Committee	Audit Committee	
<b>Executive Directors</b>					
Mr. Ng Wing Hong	4/4	7/7	1/1	2/3	1/1
Ms. Ng Yuk Kwan Phyllis	4/4	5/7	1/1	2/3	1/1
Mr. Ng Wing Chuen	4/4				1/1
Ms. Leung Shuk Ping	4/4				1/1
Ms. Cheung Siu Chun	4/4	7/7	1/1	3/3	1/1
<b>Independent Non-executive Directors</b>					
Mr. Sin Ho Chiu	4/4	7/7	1/1	3/3	1/1
Dr. Law Ka Hung	4/4	7/7	1/1	3/3	1/1
Mr. Lau Chi Yin, Thomas	4/4	7/7	1/1	3/3	1/1

Prior notices of the board meetings were despatched to the Directors setting out the matters to be discussed at the meetings. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary was responsible for keeping minutes of the meetings of the Board and Board Committees.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the Listing Rules.

## 8. CORPORATE GOVERNANCE FUNCTIONS

The Board has the following responsibilities:

- (a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;
- (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) to review and monitor the training and continuous professional development of the directors and senior management; and
- (d) to develop, review and monitor the code of conduct applicable to the directors and employees.

## 9. FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements for the Company. The directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions.

The Board aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. Management provides such explanation and information to the directors to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

The Board considers that, through a review made by the audit committee, the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function are adequate.

The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 44 to 48 of this annual report.

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the Company's ESG performance and reporting. In this respect, the Audit Committee communicates any material issues to the Board. The Board is of the view that the risk management and internal control systems of the Group are effective and adequate.

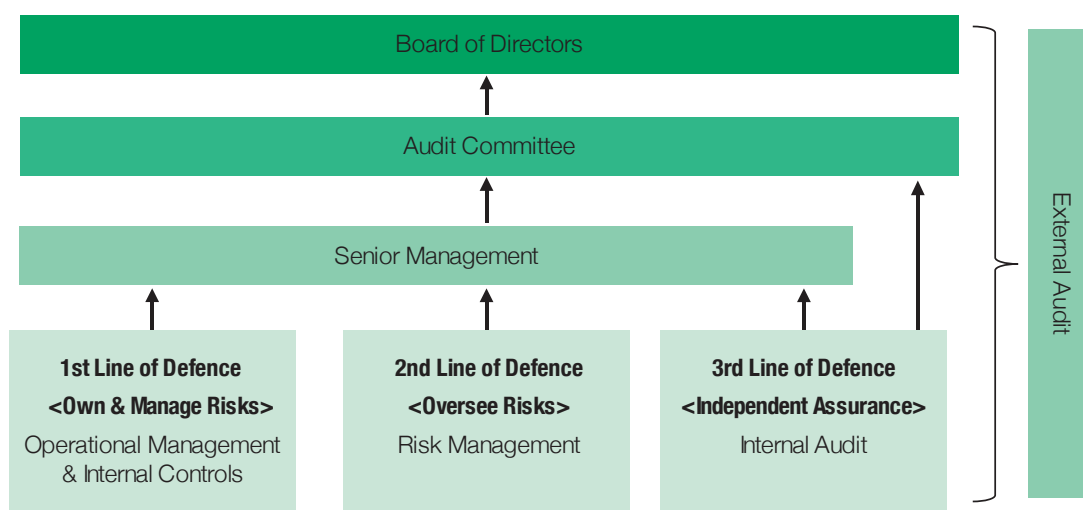


## Our Enterprise Risk Management Framework and Governance Structure

Baguio established its enterprise risk management framework in 2016 which follows the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) Enterprise Risk Management-Integrated Framework 2016. It is our belief that having an effective risk management system is a cornerstone in achieving our strategic priorities. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal controls system to manage risks.

Through a risk identification and assessment process with both top down and bottom up approaches, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework is guided by a three lines of defence system, which allows the Board to manage risks effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

### Baguio Risk Governance Structure



### 1st Line of Defense — Operational Management & Internal Controls

The first line of defense refers to the operational management and internal controls carried out by the risk owners. Internal controls and monitoring procedures over regulatory compliance and risk management are integrated into the daily operations subject to a set of clear policy and procedures, which are reviewed on a regular basis to ensure their effectiveness. Every major department has its own set of its operating policy and procedures to ensure that its operating activities are governed by the operational guidelines within a control framework.

### 2nd Line of Defence — Risk Management

The second line of defence refers to the risk management activities performed by the risk management team led by our risk facilitator in order to monitor and improve the effectiveness of risk controls. The risk management team carries out annual review of the Group’s risks profile and maintains a risk register of the Group. From a holistic angle, the second line of defence identifies emerging issues and assists departments to develop processes and controls to manage risks. In particular, the risk management team provides guidelines to business functions to facilitate the risk management process, support management in assessing known and emerging risks and assist in developing the respective internal controls.

## 3rd Line of Defence — Internal Audit

The third line of defence refers to the internal audit function of the Group. The internal audit provides an independent and objective assurance of the Group's risk management and internal control system. The internal audit function reports directly to the Audit Committee and dotted line to the Group's senior management. During the Year, the Group engaged RSM Consulting (Hong Kong) Limited as outsourced independent service provider to perform internal audit on an annual basis with an internal audit plan to review the Group's key procedures, system and controls. Key findings and recommendations for improvement and the corresponding implementation are regularly reported to the Board through the Audit Committee.

## External Auditors

The external auditors of the Group also test the key controls to the extent that they will be relied on for the audit and communicate with the Audit Committee any significant deficiencies in material control identified during the audit.

## Principal Risks

The Group will review the principal risks constantly. In view of the continuous change in business environment and global economy, the principal risks are compiled through prioritization, aggregation and filtering from a Group's perspective, taking into account of the risks from each department and business unit. In additions, the principal risks, based on different risk areas, will be classified into 4 risk areas including strategic and business risks, operational risks, financial risks, compliance risks and ESG risks for control and risk management respectively.

## Our Risk Control Mechanism

The Group maintains a central risk register as a formal record that keeps track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, the risk management team and senior management with a holistic overview of Baguio's major risks and records what management has done to monitor and mitigate these risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the relevant department or business unit and the Group as a whole. The addition or deletion of risk is considered at least annually after performing the annual risk evaluation. Continual review and refinement of policies, process and structures are being conducted. In light of the changing external and internal environment, the monitoring of "emerging risk" will be a focus. Such review process can ensure the Group proactively manage the risks it faces. All executives of the Group with risk management responsibility are granted access to the register so that they are aware of and alert to those risks which require their attention and follow-up action, as and when necessary.

In addition to the risk register, the Group also maintains detailed risk management procedures regarding risk management activities. These procedures are incorporated into each department's own operation manual and are referenced by the risk register. Department heads and risk owners are responsible for updating the risk management procedures at least annually, and monitoring the implementation of the procedures in actual practice.

Our risk management is an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually and quarterly risk management meetings are held to update the progress of risk monitoring efforts. We also continue to focus on embedding risk process and controls into the business operations of the Group in order to raise awareness of risk responsibilities and to ensure that risk management is part of relevant business processes for securing continuous improvements while at the same time maintaining a simple and practical risk management approach.

## 11. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to know basis and regarding closely to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012.

## 12. AUDITORS’ REMUNERATION

For the Year, KPMG charged the Group approximately HK\$1.9 million for the audit services and approximately HK\$164,000 for other non-audit services.

## 13 WHISTLEBLOWING POLICY AND ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Board has adopted the Whistleblowing Policy and system in accordance with the principles set out in the corporate governance code D.2.6 for employees and those who deal with the Group to raise concern, in confidence and anonymity, if required and appropriate, with the Audit Committee of the Company about possible improprieties in any matter related to the Group. The Board has also adopted the Anti-Bribery and Anti-Corruption Policy setting out responsibilities of the Group’s employees to identify and prevent bribery and corruption incidents in order to protect the integrity and reputation of the Group.

## 14. COMPANY SECRETARY

The company secretary of the Company, Ms. Cheung Siu Chun, is the executive Director and Chief Finance Officer of the Company. The biographical details of Ms. Cheung are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Cheung has taken not less than 15 hours of relevant professional training during the Year. The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company’s affairs. She reports to the Chairman and is responsible for advising the Board on governance matters.

## 15. SHAREHOLDERS’ RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Company’s Articles of Association, an extraordinary general meeting shall be called by the Board on the written resolution of any one or more shareholders of the Company, provided that such shareholder(s) held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be called for the transaction of any business specified in the written requisition to the Board or the company secretary of the Company; and shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for putting forward proposals at general meetings

There are no statutory provisions granting the right to shareholders to put forward or move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

## Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board to the following:

Address: Unit A, 4/F., Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.  
Fax: 2544-8668  
Email: info@baguio.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## 16. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analyst's briefing, road shows, participating in investors' conferences and making corporate presentations during these events.

To enhance transparency, the Company endeavors to maintain open dialogue with shareholders through a wide array of channels such as the annual general meetings and other general meetings. Shareholders are encouraged to participate in these meetings. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at <http://www.baguio.com.hk> where up-to-date information and updates on the Company's business operations and developments, financial information and other information are available for public access.

The Board reviews the shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regards to the requirements of Part 2 in the Corporate Governance Code. The Board has reviewed the implementation and effectiveness of the shareholders' communication policy during its meetings, and is of the view that the shareholders' communication policy has been effectively implemented based on the measures adopted above.

## 17. COMPLIANCE OF NON-COMPETITION UNDERTAKING

The Company has entered into a deed of non-competition dated 24 April 2014 (the "Non-competition Deed") with Baguio Green (Holding) Limited and Mr. Ng Wing Hong, both being the controlling shareholders of the Company (the "Controlling Shareholders"), pursuant to which the Controlling Shareholders procure that its/his/her associates (other than the members of our Company) not to, engage in any competing business involving the environmental industry.

The Company has received the annual confirmation from the Controlling Shareholders in compliance with the terms of the deed of non-competition. The Independent Non-executive Directors has reviewed the annual confirmation from the Controlling Shareholders relating to the compliance with the non-competition undertaking by the Controlling Shareholders under the deed of non-competition and are satisfied that the same has been complied with by the Controlling Shareholders under the deed of non-competition.



## Independent auditor's report to the shareholders of Baguio Green Group Limited

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Baguio Green Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 111, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to note 5 to the consolidated financial statements and the accounting policies on note 2(f).	
The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from provision of professional cleaning, landscaping, pest management, waste management and recycling services is recognised when the services are rendered, with reference to the contractual terms and completion of the specific transaction assessed on the basis of the actual extent of services provided as at the reporting date as a proportion of the total services to be provided under the terms of the service contract.</p> <p>The Group enters into significant volume of service contracts with a wide range of customers. The extent of services may subsequently be altered upon request from customers.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and could be subject to risk of manipulation to meet specific targets or expectations and because subsequent alterations to the services to be provided under service contracts increases the risk of error in the timing of revenue recognition.</p>	<p>Our audit procedures to assess the timing of revenue recognition included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management’s key internal controls in relation to revenue recognition;</li> <li>• inspecting, on a sample basis, customer contracts to identify terms and conditions relating to the provision of services and assessing the Group’s revenue recognition policies with reference to the requirements of the prevailing accounting standards;</li> <li>• forming expectation on the amount of revenue to be recognised for the year in respect of key customer contracts based on the terms and service periods stipulated in the contracts and comparing our expectations with the revenue recorded by the Group for the year;</li> <li>• inspecting correspondence with customers in relation to requests to alter the services in service contracts, on a sample basis, and assessing whether the related service revenue was recognised in accordance with the agreed altered terms and the Group’s revenue recognition policies;</li> <li>• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including service contracts and service records, to determine whether the related revenue had been recognised in the appropriate financial period; and</li> <li>• inspecting underlying documentation for manual journal entries relating to revenue which were raised during the year which were considered to be material or met other specific risk-based criteria.</li> </ul>

Accruals for staff costs	
Refer to note 27 to the consolidated financial statements and the accounting policies on note 2(i).	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's staff costs comprise salaries and other staff benefits, including untaken paid leave and long service payments.</p> <p>The Group has a large number of staff, the costs of which account for a very substantial portion of the Group's total expenses. The Group experiences high staff turnover, especially when new service contracts are awarded or existing service contracts expire without renewal.</p> <p>We identified accruals for staff costs as a key audit matter because the Group's business model is labour-intensive and staff costs are critical to the Group's performance and because given the large number and high turnover of the Group's staff, there is a risk that staff costs are incorrectly calculated and/or under/over-accrued at the end of the reporting period.</p>	<p>Our audit procedures to assess accruals for staff costs included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to accruals for staff costs;</li> <li>performing analytical procedures on the Group's salary expenses, which included forming an expectation of the current year's salaries and comparing our expectations with actual amounts recorded by the Group and investigating any significant differences identified;</li> <li>re-calculating accruals for staff benefits, other than salaries, on a sample basis, and comparing the assumptions adopted in the calculations with relevant records maintained by the Human Resources Department;</li> <li>comparing actual payments during the current year with the accruals for staff costs at the last reporting date to assess the accuracy of management's estimating process; and</li> <li>comparing actual payments subsequent to the reporting date with the amount of staff costs accrued at the reporting date to assess whether there were any significant under/over-accrued balances.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



# INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsui Kin Wa.

## **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Hong Kong Dollars)

	Note	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	5	<b>1,793,121</b>	1,273,809
Cost of services		<b>(1,642,149)</b>	(1,164,804)
<b>Gross profit</b>		<b>150,972</b>	109,005
Other income, gains and losses	6	<b>29,760</b>	22,154
Change in fair value less costs to sell of biological assets	22	<b>(2,492)</b>	(4,223)
Selling and marketing expenses		<b>(2,238)</b>	(1,759)
Administrative expenses		<b>(100,861)</b>	(92,482)
<b>Profit from operations</b>		<b>75,141</b>	32,695
Finance costs	7	<b>(8,236)</b>	(4,691)
Share of losses of a joint venture	15	<b>(1,747)</b>	(6,278)
<b>Profit before taxation</b>	8	<b>65,158</b>	21,726
Income tax	9	<b>(13,753)</b>	(8,882)
<b>Profit for the year</b>		<b>51,405</b>	12,844
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of subsidiaries, net of nil tax		<b>(209)</b>	59
Cash flow hedge: share of net movement in the hedging reserve of a joint venture	15	<b>–</b>	(414)
<b>Other comprehensive income</b>		<b>(209)</b>	(355)
<b>Total comprehensive income for the year</b>		<b>51,196</b>	12,489
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		<b>53,709</b>	12,847
Non-controlling interests		<b>(2,304)</b>	(3)
		<b>51,405</b>	12,844
<b>Total comprehensive income for the year attributable to:</b>			
Equity shareholders of the Company		<b>53,500</b>	12,492
Non-controlling interests		<b>(2,304)</b>	(3)
		<b>51,196</b>	12,489
<b>Earnings per share</b>			
Basic and diluted (HK cents)	11	<b>12.94</b>	3.10

The notes on pages 53 to 111 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022  
(Expressed in Hong Kong Dollars)

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	277,976	190,023
Right-of-use assets	14	40,544	38,442
Interest in a joint venture	15	–	1,747
Financial assets at fair value through profit or loss	17	14,872	14,669
Prepayments, deposits and other receivables	18	29,508	31,628
Deferred tax assets	31	2,343	2,643
		<b>365,243</b>	279,152
<b>Current assets</b>			
Inventories	19	3,050	3,531
Contract assets	20	10,723	10,418
Trade receivables	21	452,134	297,146
Prepayments, deposits and other receivables	18	19,288	18,062
Tax recoverable		1,280	7
Biological assets	22	8,292	13,209
Pledged bank deposits	23	7,176	7,164
Cash and cash equivalents	24	28,982	32,254
		<b>530,925</b>	381,791
<b>Current liabilities</b>			
Trade payables	25	36,758	32,269
Contract liabilities	26	410	756
Accruals, deposits received and other payables	27	263,675	152,428
Bank borrowings	28	176,356	123,605
Lease liabilities	29	10,153	9,282
Tax payable		2,601	426
		<b>489,953</b>	318,766
<b>Net current assets</b>		<b>40,972</b>	63,025
<b>Total assets less current liabilities</b>		<b>406,215</b>	342,177
<b>Non-current liabilities</b>			
Other payables	27	1,188	1,620
Lease liabilities	29	31,201	28,439
Provision	30	14,352	10,969
Deferred tax liabilities	31	23,363	14,568
		<b>70,104</b>	55,596
<b>Net assets</b>		<b>336,111</b>	286,581
<b>Capital and reserves</b>			
Share capital	32	4,150	4,150
Reserves	33	333,468	282,434
<b>Total equity attributable to equity shareholders of the Company</b>		<b>337,618</b>	286,584
<b>Non-controlling interests</b>		<b>(1,507)</b>	(3)
<b>Total equity</b>		<b>336,111</b>	286,581

Approved by the Board of Directors on 30 March 2023 and signed on its behalf by:

**Ng Wing Hong**  
Director

**Ng Yuk Kwan Phyllis**  
Director

The notes on pages 53 to 111 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Hedging reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2021	4,150	100,850	18,330	1,656	(52)	414	163,684	289,032	-	289,032
Profit for the year	-	-	-	-	-	-	12,847	12,847	(3)	12,844
Other comprehensive income for the year	-	-	-	-	59	(414)	-	(355)	-	(355)
Total comprehensive income for the year	-	-	-	-	59	(414)	12,847	12,492	(3)	12,489
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	-	(14,940)	(14,940)	-	(14,940)
Share options lapsed	-	-	-	(84)	-	-	84	-	-	-
<b>As at 31 December 2021 and 1 January 2022</b>	<b>4,150</b>	<b>100,850</b>	<b>18,330</b>	<b>1,572</b>	<b>7</b>	<b>-</b>	<b>161,675</b>	<b>286,584</b>	<b>(3)</b>	<b>286,581</b>
Profit for the year	-	-	-	-	-	-	53,709	53,709	(2,304)	51,405
Other comprehensive income for the year	-	-	-	-	(209)	-	-	(209)	-	(209)
Total comprehensive income for the year	-	-	-	-	(209)	-	53,709	53,500	(2,304)	51,196
Capital contributions received by a non-wholly owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	800	800
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	-	(3,735)	(3,735)	-	(3,735)
Equity-settled share-based payments	-	-	-	1,269	-	-	-	1,269	-	1,269
Share options lapsed	-	-	-	(1,348)	-	-	1,348	-	-	-
<b>As at 31 December 2022</b>	<b>4,150</b>	<b>100,850</b>	<b>18,330</b>	<b>1,493</b>	<b>(202)</b>	<b>-</b>	<b>212,997</b>	<b>337,618</b>	<b>(1,507)</b>	<b>336,111</b>

The notes on pages 53 to 111 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Hong Kong Dollars)

	Note	2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>			
Profit before taxation		65,158	21,726
Adjustments for:			
Depreciation	8	64,928	49,600
Reversal of credit losses on trade receivables	8	(1,782)	(622)
Share of losses of a joint venture	15	1,747	6,278
COVID-19-related rent concessions received	6	(973)	(1,946)
Gain on disposal of property, plant and equipment	8	(2,989)	(2,784)
Gain on disposal of right-of-use assets	8	–	(197)
Change in fair value less costs to sell of biological assets	22	2,492	4,223
Change in fair value of investments in life insurance	17	(203)	(321)
Equity-settled share-based payments		1,269	–
Interest income	6	(222)	(203)
Finance costs	7	8,236	4,691
Changes in working capital:			
Decrease/(increase) in inventories		481	(351)
Decrease in biological assets		2,425	3,061
Increase in contract assets		(305)	(967)
Increase in trade receivables		(153,206)	(36,995)
(Increase)/decrease in prepayments, deposits and other receivables		(2,426)	1,513
Increase in trade payables		4,489	8,370
Decrease in contract liabilities		(346)	(994)
Increase in accruals, deposits received and other payables		105,366	34,638
<b>Cash generated from operations</b>		<b>94,139</b>	<b>88,720</b>
Income tax paid		(3,756)	(730)
<b>Net cash generated from operating activities</b>		<b>90,383</b>	<b>87,990</b>
<b>Investing activities</b>			
Interest received		24	5
Increase in pledged bank deposits		(12)	(1,003)
Proceeds from disposal of property, plant and equipment		6,560	7,794
Proceeds from disposal of right-of-use assets		–	1,400
Payment for the purchase of property, plant and equipment		(135,229)	(76,270)
<b>Net cash used in investing activities</b>		<b>(128,657)</b>	<b>(68,074)</b>
<b>Financing activities</b>			
Proceeds from new bank borrowings	24(a)	1,638,165	1,037,343
Repayments of bank borrowings	24(a)	(1,585,414)	(1,021,380)
Interest paid for bank borrowings	24(a)	(6,654)	(3,221)
Capital element of lease rentals paid	24(a)	(11,861)	(12,727)
Interest element of lease rentals paid	24(a)	(1,301)	(1,470)
Dividend paid to equity shareholders of the Company		(3,735)	(14,940)
Capital contributions received by a non-wholly owned subsidiary from a non-controlling shareholder		800	–
New loan from a non-controlling shareholder of a subsidiary	24(a)	5,600	–
<b>Net cash generated from/(used in) financing activities</b>		<b>35,600</b>	<b>(16,395)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,674)</b>	<b>3,521</b>
<b>Cash and cash equivalents at 1 January</b>		<b>32,254</b>	<b>28,522</b>
Effect of foreign exchange rate changes		(598)	211
<b>Cash and cash equivalents at 31 December</b>	24	<b>28,982</b>	<b>32,254</b>

The notes on pages 53 to 111 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 1. GENERAL INFORMATION

The Company was incorporated with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock 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 (“BVI”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit A, 4/F., Dragon Industrial Building, No. 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in a joint venture and are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (“CO”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of estimation uncertainty in the application of HKFRSs are discussed in note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices include within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

### (c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Amendments to HKFRS 3, *Reference to the conceptual framework*
- Annual improvements to HKFRSs 2018–2020 cycle

None of the above amendments have had a significant financial effect to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(r).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)(iii)), unless the investment is classified as held for sale.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)(iii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services and sales of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a service or product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method.

Further details of the Group's revenue and other income recognition policies are described below.

Services income are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For services that are provided on ad-hoc basis, service income is recognised when the services are rendered.

Revenue from sales of goods is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(n)(i)).

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(m) and 2(n)(iii)).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Leased assets *(Continued)*

#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(f).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(g)(i), then the Group classifies the sub-lease as an operating lease.

### (h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (i) Employee benefits

#### (i) Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement schemes and the cost of non-monetary benefits are charged to consolidated statement of profit or loss and other comprehensive income in the year in which the associated services are rendered by employees.

#### (ii) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualified for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium) or the option expires (when it is released directly to retained earnings).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(n)(i).

### (k) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the difference will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Investment property

Investment properties are land and/or building which are owned or held under a leasehold interest (see note 2(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(n)(iii)). Depreciation is calculated on the straight-line basis to write off the cost of investment property held under a leasehold interest over its estimated useful life which is the lease term of 20 years.

Useful lives and depreciation method are review and, if appropriate, adjusted at the end of each reporting period. Any gain or loss on retirement or disposal of an investment property is recognised in profit or loss on the date of retirement or disposal.

### (m) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 2(g)), are stated in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses (see note 2(n)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(h)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its estimated residual value, if any, over its estimated useful life. The estimated useful lives for each class of property, plant and equipment are as follows:

Land and buildings	Over the shorter of term of lease or 50 years
Furniture and fixtures	1 to 10 years
Motor vehicles	7 to 10 years
Equipment and machinery	1 to 10 years
Leasehold improvements	Over the shorter of term of lease or 12 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Property, plant and equipment *(Continued)*

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, if any, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

### (n) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECL on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and
- contract assets as defined in HKFRS 15 (see note 2(p)).

Financial assets measured at fair value are not subject to the ECL assessment.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Credit losses and impairment of assets *(Continued)*

#### (i) Credit losses from financial instruments and contract assets *(Continued)*

##### *Measurement of ECLs (Continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Credit losses and impairment of assets *(Continued)*

#### (i) Credit losses from financial instruments and contract assets *(Continued)*

##### *Basis of calculation of interest income*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for that financial asset because of the financial difficulties of the issuer.

##### *Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Credit losses and impairment of assets *(Continued)*

#### (ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within accruals, deposits received and other payables at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in accruals, deposits received and other payables in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(n)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Credit losses and impairment of assets *(Continued)*

#### (iii) Impairment of other non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss:

- property, plant and equipment, including right-of-use assets;
- interest in joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)); and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (o) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost represents the invoiced cost of inventories and is calculated using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(f)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(r)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(f)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(r)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### (q) Provisions, contingent liabilities and onerous contracts

#### (i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When it is probable that the costs of services to fulfill the obligations under the contracts will exceed the total contract revenue, a provision for onerous contracts would be made. In estimating such provision, management takes into account the costs to fulfill the obligations under the contracts and any compensation or penalties arising from failure of fulfilling such obligations.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that are not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements unless the probability of outflow of economic resources is remote. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Provisions contingent liabilities and onerous contracts *(Continued)*

#### (ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

### (r) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

All regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

#### *Investments in life insurance*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- Fair value through other comprehensive income (“FVOCI”), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- Fair value through profit or loss (“FVPL”), if the investment does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Trade and other receivables*

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(p)).

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method, less allowance for credit losses (see note 2(n)(i)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

#### **Financial liabilities and equity instruments**

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### ***Trade and other payables***

Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Except for financial guarantee liabilities measured in accordance with note 2(n)(ii), subsequent to initial recognition, trade and other payables are measured at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

#### ***Interest-bearing borrowings***

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(h)).

### (s) Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

### (t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (u) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges).

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (w) Related parties

- (i) A person, or close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) the entity and the Group are members of the same group (which means that each parent, subsidiary and follow subsidiary is related to the others).
  - (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) both entities are joint ventures of the same third party.
  - (4) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
  - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) the entity is controlled or jointly controlled by a person identified in (i).
  - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or influenced by, that person in their dealings with the entity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 3. ACCOUNTING ESTIMATES

Notes 34 and 36 contain information about the assumptions and their risk factors relating to share options granted and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

### (a) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. This estimate is based on the historical experience of the useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

### (b) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the year in which such determination is made.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>					
Revenue from external customers					
– recognised over time	1,330,697	207,209	122,213	97,006	1,757,125
– recognised at point in time	–	35,996	–	–	35,996
Reportable segment revenue	1,330,697	243,205	122,213	97,006	1,793,121
Segment results	121,287	8,012	12,252	7,183	148,734
Other income, gains and losses					29,760
Change in fair value less costs to sell of biological assets (note 22)					(2,492)
Administrative expenses					(100,861)
Finance costs					(8,236)
Share of losses of a joint venture					(1,747)
Profit before taxation					65,158

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>					
Revenue from external customers					
– recognised over time	825,451	193,690	112,321	102,011	1,233,473
– recognised at point in time	–	40,336	–	–	40,336
Reportable segment revenue	825,451	234,026	112,321	102,011	1,273,809
Segment results	71,563	21,725	6,069	7,889	107,246
Other income, gains and losses					22,154
Change in fair value less costs to sell of biological assets (note 22)					(4,223)
Administrative expenses					(92,482)
Finance costs					(4,691)
Share of losses of a joint venture					(6,278)
Profit before taxation					21,726

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 4. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

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

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>					
Segment assets	611,699	175,200	68,538	36,583	892,020
Unallocated					4,148
Total assets					896,168
Segment liabilities	405,704	98,028	21,899	31,720	557,351
Unallocated					2,706
Total liabilities					560,057

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Total HK\$'000
<b>As at 31 December 2021</b>					
Segment assets	363,973	171,922	83,035	38,888	657,818
Unallocated					3,125
Total assets					660,943
Segment liabilities	244,669	81,281	23,798	23,015	372,763
Unallocated					1,599
Total liabilities					374,362

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 4. SEGMENT INFORMATION (Continued)

### Other segment information

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>						
Depreciation	31,443	27,034	2,273	3,442	736	64,928
Additions to non-current assets	103,351	49,675	1,666	465	1,503	156,660
(Gain)/loss on disposal of property, plant and equipment	(380)	(1,976)	(295)	(339)	1	(2,989)

	Cleaning services business HK\$'000	Waste management and recycling business HK\$'000	Landscaping services business HK\$'000	Pest management business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>						
Depreciation	18,751	25,325	2,510	2,337	677	49,600
Additions to non-current assets	55,571	15,798	241	10,791	102	82,503
Gain on disposal of property, plant and equipment	(593)	(785)	(249)	(1,157)	–	(2,784)
Gain on disposal of right-of-use assets	(101)	–	(96)	–	–	(197)

### Geographical information

The following sets out information about the geographical region of the Group's revenue from external customers, which is based on the location to which the services and goods are delivered.

	2022 HK\$'000	2021 HK\$'000
Hong Kong	1,769,911	1,246,408
Mainland China	11,062	12,389
Southeast Asia	12,148	15,012
	<b>1,793,121</b>	1,273,809

All of the Group's non-current assets are either based in Hong Kong or related to the Group's operations in Hong Kong as at 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 4. SEGMENT INFORMATION *(Continued)*

### Information about major customers

For the year ended 31 December 2022, the Group's revenue of HK\$794,570,000 (2021: HK\$335,402,000) for various segments was derived from the same single customer, whom has individually accounted for over 10% of the Group's total revenue in 2022 and 2021.

## 5. REVENUE

### (a) Disaggregation of revenue

The principal activity of the Group is environmental and related services and goods. Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2022 HK\$'000	2021 HK\$'000
Cleaning services	1,330,697	825,451
Waste management and recycling services	207,209	193,690
Landscaping services	122,213	112,321
Pest management services	97,006	102,011
Sales of recycling materials	35,996	40,336
	<b>1,793,121</b>	1,273,809

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and geographic information of revenue is disclosed in note 4.

### (b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The aggregated amounts of transaction price allocated to the remaining performance obligations under the Group's existing contracts are as follows:

	Cleaning services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Pest management services HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>					
Expected to be recognised within one year	1,373,494	244,729	93,136	83,800	1,795,159
Expected to be recognised after one year	1,352,766	285,404	50,271	105,913	1,794,354
	<b>2,726,260</b>	<b>530,133</b>	<b>143,407</b>	<b>189,713</b>	<b>3,589,513</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 5. REVENUE (Continued)

### (b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date (Continued)

	Cleaning services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Pest management services HK\$'000	Total HK\$'000
<b>As at 31 December 2021</b>					
Expected to be recognised within one year	888,506	157,213	79,266	76,828	1,201,813
Expected to be recognised after one year	616,851	255,153	46,869	24,564	943,437
	<b>1,505,357</b>	<b>412,366</b>	<b>126,135</b>	<b>101,392</b>	<b>2,145,250</b>

The amounts represent revenue expected to be recognised in the future from the Group's service contracts for the respective services. The Group will recognise the expected revenue in future when services are rendered, which is expected to occur over the next 12 to 54 months (2021: next 12 to 57 months).

## 6. OTHER INCOME, GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Administration fee income	2,415	637
Change in fair value of investments in life insurance	203	321
Compensation income from services contracts	–	8,900
COVID-19-related rent concessions received	973	1,946
Gain on disposal of property, plants and equipment	2,989	2,784
Gain on disposal of right-of-use assets	–	197
Government grants*	17,489	2,312
Income relating to right-of-use assets	4,119	3,971
Interest income	222	203
Rental income	494	582
Sundry income	856	301
	<b>29,760</b>	<b>22,154</b>

\* During the year ended 31 December 2022, 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\$11,320,000 (2021: Nil). The purpose of the funding is to provide financial support to employers to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required employ a sufficient number of employees with reference to its proposed employee headcounts;
- (ii) subsidies from the Green Employment Scheme of the Environment Bureau of HK\$875,000 (2021: HK\$1,166,000);
- (iii) subsidies for phasing out certain diesel commercial vehicles by the Group of HK\$5,147,000 (2021: HK\$1,041,000); and
- (iv) other subsidies of HK\$147,000 (2021: HK\$105,000).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
<b>Interest on:</b>		
Bank overdrafts	6	10
Bank borrowings	6,648	3,211
Lease liabilities	1,301	1,470
Others	281	–
	<b>8,236</b>	<b>4,691</b>

## 8. PROFIT BEFORE TAXATION

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

	2022 HK\$'000	2021 HK\$'000
Auditors' remuneration:		
Audit services	1,884	1,680
Other services	164	129
Cost of consumable goods	82,482	79,941
Depreciation:		
Owned property, plant and equipment	50,685	35,805
Right-of-use assets	14,243	13,795
Gain on disposal of property, plant and equipment	(2,989)	(2,784)
Gain on disposal of right-of-use assets	–	(197)
Reversal of credit losses on trade receivables	(1,782)	(622)
Staff costs (including directors' remuneration):		
Wages, salaries and other benefits	1,300,214	906,156
Provision for long service and severance payments	39,530	23,339
Provision for untaken paid leave	17,274	11,213
Contributions to defined contribution retirement scheme	40,558	29,483
Equity-settled share-based payments	1,269	–
	<b>1,398,845</b>	<b>970,191</b>
Short-term lease payments not included in the measurement of lease liabilities:		
Machinery and motor vehicles	50,725	41,962
Land and buildings	6,522	5,948
	<b>57,247</b>	<b>47,910</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 9. INCOME TAX

### (a) Income tax charged to profit or loss represents:

	2022 HK\$'000	2021 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	4,555	1,964
Under-provision in respect of prior years	87	18
	4,642	1,982
Current tax — People's Republic of China ("PRC")		
Enterprise Income Tax		
Provision for the year	16	21
	4,658	2,003
Deferred tax		
Origination and reversal of temporary differences ( <i>note 31</i> )	9,095	6,879
	13,753	8,882

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2021.

The provision for Hong Kong Profits Tax for 2022 has also taken into account a reduction granted by the Hong Kong SAR Government for the year of assessment 2021/22. The Group is eligible for the maximum reduction of HK\$10,000 (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021) 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.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	65,158	21,726
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	10,606	3,427
Tax effect of non-taxable income	(2,946)	(319)
Tax effect of non-deductible expenses	1,333	1,266
Tax effect of tax losses not recognised	3,675	3,692
Under-provision in respect of prior years	87	18
Others	998	798
Income tax expense	13,753	8,882



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 10. DIVIDENDS

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

	2022 HK\$'000	2021 HK\$'000
Final dividend proposed after the end of the reporting period of HK3.8 cents (2021: HK0.9 cents) per ordinary share	15,770	3,735

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

	2022 HK\$'000	2021 HK\$'000
Final dividend in respect of the previous financial year, was approved and paid during the year, of HK0.9 cents (2021: HK3.6 cents) per ordinary share	3,735	14,940

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK\$53,709,000 (2021: HK\$12,847,000) and the weighted average number of 415,000,000 (2021: 415,000,000) ordinary shares in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2022 and 2021 are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### Directors' emoluments

Directors' emoluments disclosed with reference to section 383(1) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement scheme contributions HK\$'000	Sub-total HK\$'000	Equity-settled share-based payments HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>							
<b>Executive Directors</b>							
Mr. Ng Wing Hong	-	2,338	587	-	2,925	-	2,925
Ms. Ng Yuk Kwan Phyllis	180	2,383	720	246	3,529	315	3,844
Mr. Ng Wing Chuen	-	1,137	143	-	1,280	-	1,280
Ms. Leung Shuk Ping	180	1,424	482	18	2,104	315	2,419
Ms. Cheung Siu Chun	180	1,520	457	186	2,343	315	2,658
<b>Independent Non-executive Directors</b>							
Mr. Sin Ho Chiu	195	-	-	-	195	-	195
Dr. Law Ka Hung	195	-	-	-	195	-	195
Mr. Lau Chi Yin Thomas	195	-	-	-	195	-	195
	<b>1,125</b>	<b>8,802</b>	<b>2,389</b>	<b>450</b>	<b>12,766</b>	<b>945</b>	<b>13,711</b>

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement scheme contributions HK\$'000	Sub-total HK\$'000	Equity-settled share-based payments HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>							
<b>Executive Directors</b>							
Mr. Ng Wing Hong	-	2,250	-	-	2,250	-	2,250
Ms. Ng Yuk Kwan Phyllis	165	2,310	600	244	3,319	-	3,319
Mr. Ng Wing Chuen	-	1,097	90	-	1,187	-	1,187
Ms. Leung Shuk Ping	165	1,355	385	18	1,923	-	1,923
Ms. Chan Shuk Kuen (Note)	-	-	-	-	-	-	-
Ms. Cheung Siu Chun	165	1,450	385	185	2,185	-	2,185
<b>Independent Non-executive Directors</b>							
Mr. Sin Ho Chiu	195	-	-	-	195	-	195
Dr. Law Ka Hung	195	-	-	-	195	-	195
Mr. Lau Chi Yin Thomas	195	-	-	-	195	-	195
	<b>1,080</b>	<b>8,462</b>	<b>1,460</b>	<b>447</b>	<b>11,449</b>	<b>-</b>	<b>11,449</b>

Note: Ms. Chan Shuk Kuen resigned as executive director with effect from 18 February 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### Five highest paid individuals

The five highest paid individuals in the Group during the year included four directors (2021: five) whose emoluments are disclosed above. The emoluments of the remaining one (2021: Nil) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Wages, salaries and other benefit	2,030	–
Contributions to defined contribution retirement scheme	21	–
Equity-settled share-based payments	324	–
	<b>2,375</b>	–

The emoluments were within the following band:

	Number of individuals	
	2022	2021
HK\$2,000,001 to HK\$2,500,000	1	–

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Equipment and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>							
As at 1 January 2021	81,688	36,352	40,476	141,294	4,946	-	304,756
Additions	-	2,035	10,712	58,501	2,125	-	73,373
Disposals	-	(402)	(2,155)	(24,787)	-	-	(27,344)
Exchange adjustments	-	6	-	7	-	-	13
Transfer from right-of-use assets	-	-	122	16,230	-	-	16,352
As at 31 December 2021 and 1 January 2022	<b>81,688</b>	<b>37,991</b>	<b>49,155</b>	<b>191,245</b>	<b>7,071</b>	-	<b>367,150</b>
Additions	-	7,943	9,323	107,559	1,867	12,056	138,748
Disposals	-	(5,457)	(8,222)	(26,596)	(1,920)	-	(42,195)
Exchange adjustments	-	(19)	-	(21)	-	-	(40)
Transfer from right-of-use assets	-	-	75	7,802	-	-	7,877
As at 31 December 2022	<b>81,688</b>	<b>40,458</b>	<b>50,331</b>	<b>279,989</b>	<b>7,018</b>	<b>12,056</b>	<b>471,540</b>
<b>Accumulated depreciation and impairment losses</b>							
As at 1 January 2021	11,311	27,202	30,038	84,483	1,885	-	154,919
Charge for the year	2,641	3,922	6,875	20,699	1,668	-	35,805
Written back on disposals	-	(401)	(2,099)	(19,834)	-	-	(22,334)
Exchange adjustments	-	5	-	2	-	-	7
Transfer from right-of-use assets	-	-	122	8,608	-	-	8,730
As at 31 December 2021 and 1 January 2022	<b>13,952</b>	<b>30,728</b>	<b>34,936</b>	<b>93,958</b>	<b>3,553</b>	-	<b>177,127</b>
Charge for the year	2,662	4,735	7,579	33,563	2,146	-	50,685
Written back on disposals	-	(5,345)	(7,516)	(24,499)	(1,264)	-	(38,624)
Exchange adjustments	-	(16)	-	(7)	-	-	(23)
Transfer from right-of-use assets	-	-	75	4,324	-	-	4,399
As at 31 December 2022	<b>16,614</b>	<b>30,102</b>	<b>35,074</b>	<b>107,339</b>	<b>4,435</b>	-	<b>193,564</b>
<b>Net book value</b>							
<b>As at 31 December 2022</b>	<b>65,074</b>	<b>10,356</b>	<b>15,257</b>	<b>172,650</b>	<b>2,583</b>	<b>12,056</b>	<b>277,976</b>
As at 31 December 2021	67,736	7,263	14,219	97,287	3,518	-	190,023

The land and buildings are situated on land in Hong Kong held under medium term leases.

As at 31 December 2022, the land and buildings with carrying amount of HK\$65,074,000 (2021: HK\$67,736,000) were mortgaged for banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 14. RIGHT-OF-USE ASSETS

	Leasehold investment properties HK\$'000	Properties leased for own use HK\$'000	Equipment and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 1 January 2021	22,061	17,805	34	14,929	54,829
Additions	–	6,225	–	8	6,233
Depreciation charge for the year	(1,231)	(10,535)	(34)	(1,995)	(13,795)
Disposals	–	–	–	(1,203)	(1,203)
Transfer to property, plant and equipment	–	–	–	(7,622)	(7,622)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>20,830</b>	<b>13,495</b>	<b>–</b>	<b>4,117</b>	<b>38,442</b>
Additions	–	21,431	–	–	21,431
Lease modification ( <i>note 24(a)</i> )	(1,330)	(278)	–	–	(1,608)
Depreciation charge for the year	(1,191)	(12,413)	–	(639)	(14,243)
Transfer to property, plant and equipment	–	–	–	(3,478)	(3,478)
<b>As at 31 December 2022</b>	<b>18,309</b>	<b>22,235</b>	<b>–</b>	<b>–</b>	<b>40,544</b>

The analysis of income and expense items in relation to leases charged/(credited) to profit or loss is as follows:

	2022 HK\$'000	2021 HK\$'000
COVID-19-related rent concessions received	(973)	(1,946)
Income relating to right-of-use assets	(4,119)	(3,971)
Depreciation charge of right-of-use assets	14,243	13,795
Interest on lease liabilities ( <i>note 7</i> )	1,301	1,470
Short-term lease payments not included in the measurement of lease liabilities	57,247	47,910

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 14. RIGHT-OF-USE ASSETS *(Continued)*

During the year ended 31 December 2022, the Group received rent concessions for its leased properties amounting to HK\$973,000 (2021: HK\$1,946,000) in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases not recognised as lease liabilities at the end of the reporting period are set out in notes 24(b), 29 and 38 respectively.

### (a) Leasehold investment properties

The Group obtained the right to use a leasehold land from a government authority in Hong Kong through tenancy agreement with a term of 20 years. The leasehold land could only be used for the construction and operation of a plant (the "Plant") for the recovery, recycling and reprocessing of waste plastic.

During the year ended 31 December 2019, the Group entered into a subcontracting agreement with the joint venture, New Life Plastics Limited ("NLP"), pursuant to which, NLP was given the exclusive right to use the above leasehold land for the construction and operation of the Plant during the lease term of the land, and certain monthly fee will be paid to the Group by NLP.

Accordingly, the leasehold land has been accounted for as investment property since the date when the subcontracting agreement was entered into.

The fair value of the leasehold land as at 31 December 2022 and 2021 approximates its carrying value.

The undiscounted future payments receivable from NLP under the above-mentioned non-cancellable subcontracting agreement is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	4,200	3,850
After one year but within five years	16,800	16,800
After five years	45,827	50,027
Total	66,827	70,677

### (b) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses and nurseries through tenancy agreements. The leases typically run for an initial period of 2 to 12 years (2021: 2 to 12 years).

### (c) Other leases

The Group leases production equipment and machinery together with motor vehicles under leases expiring within 1 to 2 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 15. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follows:

Name of joint venture	Form of business structure	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
NLP	Incorporated	Hong Kong	HK\$30,000,000	33.33%	–	33.33%	Provision of plastic recycling services ( <i>Note</i> )

*Note:* NLP is engaged in the business of constructing and operating the Plant at Lot T6 of EcoPark for the recovery, recycling and reprocessing (including, without limitation, by way of washing, crushing, grinding and flake production) of (a) polyethylene terephthalate ("PET") and high density polyethylene ("HDPE") waste bottles; and (b) other PET and HDPE waste plastic which is from time to time capable of being recovered, recycled or reprocessed by the Plant (the "Specified Waste Plastics") in Hong Kong.

NLP, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of NLP and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2022 HK\$'000	2021 HK\$'000
<b>Gross amounts of NLP's</b>		
Current assets	13,147	50,055
Non-current assets	258,040	277,192
Current liabilities	(10,645)	(34,321)
Non-current liabilities	(348,303)	(287,684)
Equity	(87,761)	5,242
Included in the above assets and liabilities:		
Cash and cash equivalents	5,672	8,878
Current financial liabilities (excluding trade and other payables and provisions)	(2,183)	(1,488)
Non-current financial liabilities (excluding trade and other payables and provisions)	(336,901)	(276,715)
Revenue	1,213	–
Loss for the year	(93,004)	(18,833)
Other comprehensive income	–	(1,243)
Total comprehensive income	(93,004)	(20,076)
Group's share of losses of a joint venture ( <i>Note</i> )	(1,747)	(6,278)
Group's share of other comprehensive income	–	(414)
Included in the above loss:		
Interest expense	13,359	5,519
<b>Reconciled to the Group's interest in NLP</b>		
Gross amounts of NLP's net (liabilities)/assets	(87,761)	5,242
Group's effective interest	33.33%	33.33%
Group's share of NLP's net assets and carrying amount of the Group's interest ( <i>Note</i> )	–	1,747

*Note:* The Group has discontinued the recognition of its share of losses of a joint venture because the share of losses of a joint venture exceeded the Group's interest in a joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of a joint venture for the current year and cumulatively were HK\$29,253,000 (2021: Nil) and HK\$29,253,000 (2021: Nil) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 16. PARTICULARS OF SUBSIDIARIES

As at 31 December 2022, details of the Company's subsidiaries which principally affected the results, assets or liabilities of the Group set out below. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/operation	Injected/issued and paid up capital	Proportion of the Company's ownership interest				Principal activities
			2022		2021		
			Direct	Indirect	Direct	Indirect	
Baguio Cleaning Services Company Limited	Hong Kong	HK\$10,000,000	–	100%	–	100%	Provision of cleaning services
Baguio Green Technology Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Development and exploration of green technology products
Baguio iRecycle Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Provision of recycling services
Baguio Landscaping Services Limited	Hong Kong	HK\$2,000,000	–	100%	–	100%	Provision of landscaping services
Baguio Pest Management Limited	Hong Kong	HK\$200,000	–	100%	–	100%	Provision of pest management services
Baguio rPaper Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Provision of paper recycling services
Baguio rPlastic Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Provision of source, collect and sort waste plastics bottles
Baguio Waste Management & Recycling Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Provision of waste management and recycling services
Batio Glass Recycling Limited	Hong Kong	HK\$1,000,000	–	100%	–	100%	Provision of glass recycling services
Modern Automobile Company Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Provision of automobile repair services
Organic Tech Limited	Hong Kong	HK\$2,000,100	–	60%	–	–	Provision of bioconversion of organic waste services
Tak Tai Enviroscope Limited	Hong Kong	HK\$8,100,000	–	100%	–	100%	Provision of plant nursing, landscaping and related services
碧瑤綠色科技(深圳)有限公司*	PRC	RMB1,670,210	–	100%	–	100%	Development and exploration of environmental and recycling business

\* Registered as a wholly-foreign owned enterprise in PRC.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets at fair value through profit and loss</b>		
Investments in life insurance	<b>14,872</b>	14,669

Investments in life insurance represent investments in life insurance policies for the key management, executed in Hong Kong. There are no fixed maturity and no quoted market price for such investments. The return of the investments will be based on the guarantee minimum return rate. As at 31 December 2022, the investments in life insurance of HK\$2,576,000 (2021: HK\$2,508,000) were pledged for banking facilities granted to the Group.

The fair values are determined based on the surrender value of the life insurance policies at the end of each reporting period.

During the year ended 31 December 2022, a fair value gain of HK\$203,000 (2021: HK\$321,000) was recognised and credited to profit or loss.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments	<b>12,218</b>	16,886
Deposits	<b>8,634</b>	8,506
Other receivables	<b>27,944</b>	24,298
	<b>48,796</b>	49,690
Less: Non-current prepayments	<b>(1,243)</b>	(5,195)
Non-current deposits	<b>(4,038)</b>	(4,039)
Loan to a joint venture	<b>(3,300)</b>	(3,300)
Interest receivable from a joint venture	<b>(620)</b>	(422)
Non-current receivable from a joint venture	<b>(20,307)</b>	(18,672)
Non-current portion	<b>(29,508)</b>	(31,628)
Current portion	<b>19,288</b>	18,062

Included in non-current portion of deposits as at 31 December 2022 are performance deposits of HK\$1,407,000 (2021: HK\$1,409,000) and rental deposits of HK\$2,631,000 (2021: HK\$2,630,000), in respect of certain service contracts and rental contracts of the Group, which are recoverable at the end of the service contracts and rental contracts.

The loan to a joint venture is unsecured, interest bearing at 6% per annum and repayable by September 2029, and is subject to the repayment of other financing obtained from external financial institutions by the joint venture.

Non-current receivable from a joint venture represents the right to receive payment from the joint venture in respect of the reinstatement costs relating to the leasehold land from the government authority at the end of the lease term of the leasehold land under the subcontracting agreement with the joint venture.

Included in other receivables as at 31 December 2022 is an amount due from a joint venture of HK\$8,986,000 (2021: HK\$7,703,000) which is unsecured, interest free and expected to be recovered the majority portion after one year.

All of the remaining current portion of prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 19. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Consumable goods	3,050	2,474
Recycling materials	–	1,057
	<b>3,050</b>	3,531

## 20. CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Arising from performance under waste management and recycling contracts	5,357	4,070
Arising from performance under landscaping contracts	5,366	6,348
	<b>10,723</b>	10,418

The service fees under waste management and recycling contracts are received after the processed recycling materials has been delivered to the designated locations specified in the contracts. The landscaping contracts include payment schedules which require stage payments over the service periods once milestones are reached.

As at 31 December 2022, contract assets of HK\$2,034,000 (2021: HK\$4,508,000) are expected to be recovered after one year.

As at 31 December 2022, the Group's contract assets arising from performance under waste management and recycling contracts of HK\$4,863,000 (2021: HK\$4,070,000) were pledged for certain banking facility granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 21. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables, net of loss allowance	<b>452,134</b>	297,146

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:

	2022 HK\$'000	2021 HK\$'000
Within 60 days	<b>359,602</b>	221,198
Over 60 days but within 120 days	<b>79,293</b>	48,304
Over 120 days but within 365 days	<b>12,311</b>	23,430
Over 365 days	<b>928</b>	4,214
	<b>452,134</b>	297,146

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.

As at 31 December 2022, included in the Group's trade receivables in respect of non-government organisations which were past due and net of loss allowance are balances totalling HK\$35,884,000 (2021: HK\$60,654,000) with the following ageing analysis:

	2022 HK\$'000	2021 HK\$'000
Overdue by:		
Within 60 days	<b>24,385</b>	33,809
Over 60 days but within 120 days	<b>7,541</b>	12,338
Over 120 days but within 365 days	<b>3,030</b>	10,295
Over 365 days	<b>928</b>	4,212
	<b>35,884</b>	60,654

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 36(b).

The Group's trade receivables of HK\$104,610,000 (2021: HK\$75,588,000) as at 31 December 2022 were pledged for certain banking facilities granted to the Group.

As at 31 December 2022, included in the trade receivables is an amount due from a joint venture of HK\$4,572,000 (2021: HK\$23,000,000) which is unsecured, interest free and recoverable in accordance with payment terms as set out in the service agreement entered into with the joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 22. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	2022 HK\$'000	2021 HK\$'000
Plants and flowers		
Balance as at 1 January	13,209	20,493
Purchases	3,082	1,567
Usage in services	(4,630)	(2,665)
Disposal	(877)	(1,963)
Change in fair value less costs to sell (note 4)	(2,492)	(4,223)
Balance as at 31 December	8,292	13,209

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 2022 and 2021 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. The biological assets were classified as Level 2 under the fair value hierarchy.

## 23. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank borrowings.

## 24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	28,982	32,254

As at 31 December 2022, the balances that were placed with banks or on hand in the PRC and included in the cash and bank balances amounted to HK\$626,000 (2021: HK\$339,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

The Group's cash and cash equivalents of HK\$406,000 (2021: HK\$742,000) as at 31 December 2022 were pledged for certain banking facilities granted to the Group.

### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (a) Reconciliation of liabilities arising from financing activities (Continued)

	Payable to a non-controlling shareholder HK\$'000 (note 27)	Bank borrowings HK\$'000 (note 28)	Lease liabilities HK\$'000 (note 29)	Total HK\$'000
<b>As at 1 January 2021</b>	–	107,642	46,003	153,645
<b>Changes from financing cash flows:</b>				
Proceeds from new bank borrowings	–	1,037,343	–	1,037,343
Repayments of bank borrowings	–	(1,021,380)	–	(1,021,380)
Interest paid for bank borrowings	–	(3,221)	–	(3,221)
Capital element of lease rentals paid	–	–	(12,727)	(12,727)
Interest element of lease rentals paid	–	–	(1,470)	(1,470)
Total changes from financing cash flows	–	12,742	(14,197)	(1,455)
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases	–	–	6,233	6,233
COVID-19-related rent concessions received (note 6)	–	–	(1,946)	(1,946)
Interest expenses (note 7)	–	3,221	1,470	4,691
Effect of foreign exchange rate changes	–	–	158	158
Total other changes	–	3,221	5,915	9,136
<b>As at 31 December 2021 and 1 January 2022</b>	<b>–</b>	<b>123,605</b>	<b>37,721</b>	<b>161,326</b>
<b>Changes from financing cash flows:</b>				
Proceeds from new bank borrowings	–	1,638,165	–	1,638,165
Repayments of bank borrowings	–	(1,585,414)	–	(1,585,414)
Interest paid for bank borrowings	–	(6,654)	–	(6,654)
Capital element of lease rentals paid	–	–	(11,861)	(11,861)
Interest element of lease rentals paid	–	–	(1,301)	(1,301)
New loan from a non-controlling shareholder	5,600	–	–	5,600
Total changes from financing cash flows	5,600	46,097	(13,162)	38,535
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases	–	–	18,481	18,481
COVID-19-related rent concessions received (note 6)	–	–	(973)	(973)
Lease modification (note 14)	–	–	(1,608)	(1,608)
Interest expenses (note 7)	281	6,654	1,301	8,236
Effect of foreign exchange rate changes	–	–	(406)	(406)
Total other changes	281	6,654	16,795	23,730
<b>As at 31 December 2022</b>	<b>5,881</b>	<b>176,356</b>	<b>41,354</b>	<b>223,591</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

### (b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	57,247	47,910
Within financing cash flows	13,162	14,197
	<b>70,409</b>	62,107

These amounts of HK\$70,409,000 (2021: HK\$62,107,000) relate to lease rentals paid.

## 25. TRADE PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	36,758	32,269

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	21,214	17,284
Over 30 days but within 60 days	10,595	6,957
Over 60 days but within 90 days	861	884
Over 90 days	4,088	7,144
	<b>36,758</b>	32,269

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

## 26. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Billings in advance of performance under recycling contracts	410	756

The Group receives advances from customers when they enter into the service agreements. These advances are recognised as contract liabilities until performance obligations of the relevant services are completed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 26. CONTRACT LIABILITIES (Continued)

### Movements in contract liabilities

	2022 HK\$'000	2021 HK\$'000
Balance as at 1 January	756	1,750
Increase in contract liabilities as a result of billing in advance of recycling activities	1,944	6
Decrease in contract liabilities as a result of recognising revenue during the year	(2,290)	(1,000)
Balance as at 31 December	410	756

As at 31 December 2022 and 2021, the billings in advance of performance expected to be recognised as income within one year.

## 27. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accruals of staff costs	240,571	143,010
Deposits received	1,416	888
Payable to a non-controlling shareholder	5,881	–
Other accrual expenses and payables	16,995	10,150
	264,863	154,048
Less: Non-current other payables	(1,188)	(1,620)
	263,675	152,428

Non-current other payables are unsecured, interest free and repayable after one year.

Payable to a non-controlling shareholder included a loan of HK\$5,600,000, which is unsecured, interest bearing at 6% per annum and repayable within one year; and interest payable of HK\$281,000, which is interest-free.

All of the remaining accruals, deposits received and other payables are expected to be settled or recognised as income within one year or repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 28. BANK BORROWINGS

The analysis of the carrying amount of the bank borrowings at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Current liabilities</b>		
Current portion of term loans from banks	<b>119,510</b>	57,248
Non-current portion of term loans from banks repayable on demand	<b>56,846</b>	66,357
	<b>176,356</b>	123,605

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

	2022 HK\$'000	2021 HK\$'000
Secured	<b>173,880</b>	116,431
Unsecured	<b>2,476</b>	7,174
	<b>176,356</b>	123,605

The secured bank loans of the Group as at 31 December 2022 were secured by:

- (i) pledged bank deposits of HK\$7,176,000 (2021: HK\$7,164,000);
- (ii) pledge of cash and cash equivalents of HK\$406,000 (2021: HK\$742,000);
- (iii) mortgage of the land and buildings of HK\$65,074,000 (2021: HK\$67,736,000);
- (iv) pledge of the financial assets at fair value through profit or loss of HK\$2,576,000 (2021: HK\$2,508,000);
- (v) pledge of the trade receivables of HK\$104,610,000 (2021: HK\$75,588,000); and
- (vi) pledge of the contract assets of HK\$4,863,000 (2021: HK\$4,070,000).

As at 31 December 2022, the bank borrowings of the Group of HK\$176,356,000 (2021: HK\$123,605,000) bear interest ranging from 2.09% to 7.25% (2021: 1.66% to 3.10%) per annum.

As at 31 December 2022, banking facilities of HK\$333,242,000 (2021: HK\$257,076,000) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2022, such facilities were utilised to the extent of HK\$125,115,000 (2021: HK\$91,079,000). The Group regularly monitors its compliance with these covenants. As at 31 December 2022, none of the covenants relating to the drawn down facilities had been breach (2021: Nil). Further details of the Group's management of liquidity risk are set out in note 36(b).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 29. LEASE LIABILITIES

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

	2022 HK\$'000	2021 HK\$'000
Minimum lease payments		
— within one year	11,224	10,439
— after one year but within five years	17,708	13,280
— after five years	20,268	22,801
	<b>37,976</b>	36,081
Less: Future interest expenses	<b>(7,846)</b>	(8,799)
Present value of lease liabilities	<b>41,354</b>	37,721
Present value of minimum lease payments		
— within one year	10,153	9,282
— after one year but within five years	14,524	9,899
— after five years	16,677	18,540
	<b>31,201</b>	28,439
	<b>41,354</b>	37,721

## 30. PROVISION

	2022 HK\$'000	2021 HK\$'000
Provision for reinstatement costs of leasehold land		
Balance as at 1 January	10,969	10,548
Additional provision made	3,383	421
Balance as at 31 December	<b>14,352</b>	10,969

Under the tenancy agreement of the leasehold land located with the government authority, the Group has a contractual obligation to hand back the leasehold land in its original condition. Therefore, the Group recognises a provision for these reinstatement costs, based on the best estimate of the expected reinstatement costs in respect of the modifications made to the leasehold land. The expected timing of utilising the provision is either when the Group terminates the tenancy agreement or when the tenancy agreement expires.

As at 31 December 2022, the Group had recognised the receivable of HK\$11,402,000 (2021: HK\$10,969,000) for the right to receive payment from the joint venture in respect of the reinstatement costs, which is disclosed in note 18.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 31. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation HK\$'000	Biological assets HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2021	12,844	2,256	(10,054)	5,046
Charged/(credited) to profit or loss (note 9)	3,156	(697)	4,420	6,879
<b>As at 31 December 2021 and 1 January 2022</b>	<b>16,000</b>	<b>1,559</b>	<b>(5,634)</b>	<b>11,925</b>
Charged/(credited) to profit or loss (note 9)	8,816	(1,559)	1,838	9,095
<b>As at 31 December 2022</b>	<b>24,816</b>	<b>–</b>	<b>(3,796)</b>	<b>21,020</b>

Reconciliation to the consolidated statement of financial position is as follows:

	2022 HK\$'000	2021 HK\$'000
Net deferred tax assets recognised	(2,343)	(2,643)
Net deferred tax liabilities recognised	23,363	14,568
	<b>21,020</b>	<b>11,925</b>

### Deferred tax assets not recognised

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of the estimated unused tax losses of HK\$63,011,000 (2021: HK\$41,238,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entity. Included in unrecognised tax losses are loss of HK\$714,000 (2021: HK\$694,000) which will expire at various dates up to 2027 (2021: up to 2026). Other losses do not expire under current tax legislation.

## 32. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
<b>Authorised:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000	10,000
<b>Issued and fully paid:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	415,000	4,150

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 33. RESERVES

### Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 43 to the financial statements.

### Nature and purpose of reserves

(i) **Share premium**

The application of the share premium account is governed by the Company Law of Cayman Islands.

(ii) **Share option reserve**

This reserve represents the grant date fair value of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Group that was recognised in accordance with the accounting policy in note 2(i)(ii).

(iii) **Other reserve**

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiary arising from the reorganisation in prior years.

(iv) **Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(v) **Hedging reserve**

The hedging reserve comprises share of effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges of a joint venture, which are pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(u).

## 34. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 24 April 2014 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group or others who contribute to the development and growth of the Group, to take up options at nominal consideration to subscribe for shares of the Company. The options vest after two years from the date of grant and are then exercisable within a period up to 23 April 2024. Each option gives the holder the right to subscribe for one ordinary share in the Company.

A summary of the share option scheme of the Company are set out in the section headed "Share Option Scheme" in the Report of the Directors of the annual report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 34. SHARE OPTION SCHEME (Continued)

The following table discloses details of the Company's share options in issue under the share option scheme during the year.

Name of category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				As at 1 January 2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	As at 31 December 2022
Directors	16/10/2015	16/10/2017 to 23/4/2024	1.00	1,408,000	-	-	-	1,408,000
	26/1/2022	1/1/2023 to 31/12/2024	0.53	-	4,170,000	-	(4,170,000)	-
	26/1/2022	1/1/2024 to 31/12/2024	0.53	-	4,170,000	-	(4,170,000)	-
			<b>Sub-total</b>	<b>1,408,000</b>	<b>8,340,000</b>	<b>-</b>	<b>(8,340,000)</b>	<b>1,408,000</b>
Employees	16/10/2015	16/10/2017 to 23/4/2024	1.00	2,656,000	-	-	(204,000)	2,452,000
	26/1/2022	1/1/2023 to 31/12/2024	0.53	-	2,780,000	-	(2,780,000)	-
			<b>Sub-total</b>	<b>2,656,000</b>	<b>2,780,000</b>	<b>-</b>	<b>(2,984,000)</b>	<b>2,452,000</b>
			<b>Total</b>	<b>4,064,000</b>	<b>11,120,000</b>	<b>-</b>	<b>(11,324,000)</b>	<b>3,860,000</b>
Weighted average exercise price (HK\$)				<b>1.00</b>	<b>0.53</b>	<b>-</b>	<b>0.54</b>	<b>1.00</b>

Name of category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options			
				As at 1 January 2021	Exercised during the year	Cancelled/lapsed during the year	As at 31 December 2021
Directors	16/10/2015	16/10/2017 to 23/4/2024	1.00	1,624,000	-	(216,000)	1,408,000
Employees	16/10/2015	16/10/2017 to 23/4/2024	1.00	2,656,000	-	-	2,656,000
			<b>Total:</b>	<b>4,280,000</b>	<b>-</b>	<b>(216,000)</b>	<b>4,064,000</b>
Weighted average exercise price (HK\$)				<b>1.00</b>	<b>-</b>	<b>1.00</b>	<b>1.00</b>

The share options, those granted on 16 October 2015, vested on 16 October 2017; while the share options, those granted on 26 January 2022, will vest on 1 January 2023 or 1 January 2024, subject to the conditions mentioned in the announcement dated 26 January 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 34. SHARE OPTION SCHEME (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the following assumptions adopted in the model used:

Date of grant	16/10/2015	26/1/2022		
	Share options of Directors and employees	Share options of Directors	Share options of Directors	Share options of an employee
Exercise period	16/10/2017 to 23/4/2024	1/1/2023 to 31/12/2023	1/1/2024 to 31/12/2024	1/1/2023 to 31/12/2024
Fair value at measurement date	HK\$0.39	HK\$0.11	HK\$0.12	HK\$0.12
Share price	HK\$0.94	HK\$0.53	HK\$0.53	HK\$0.53
Exercise price	HK\$1.00	HK\$0.53	HK\$0.53	HK\$0.53
Expected volatility	44.58%	51.19%	51.30%	51.30%
Option life	10 Years	10 Years	10 Years	10 Years
Expected dividends	1.383%	1.698%	1.698%	1.698%
Risk-free interest rate	1.473%	0.671%	0.704%	0.704%
Model used	Binomial	Monte Carlo	Monte Carlo	Monte Carlo

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted in 2015; however, the share options granted in 2022 will vest if the average closing price of the Company's Shares for the thirty trading days ending on 30 December 2022 (both dates inclusive) on the Stock Exchange is higher by 20% or more than the exercise price of the options granted to the grantees.

## 35. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders of the Group and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maximise the returns to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain new bank borrowings. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements, except for banking facilities which require the fulfillment of covenants relating to certain of the Group's financial ratio as disclosed in note 28 to the financial statements.

The capital structure of the Group mainly consists of debts, which include loan from a non-controlling shareholder of a subsidiary, bank borrowings and lease liabilities, and equity attributable to equity shareholders of the Company, comprising issued share capital and reserves respectively. 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 a gearing ratio. This ratio is expressed by as a percentage of total borrowings over the total equity. The Group's overall strategy remains unchanged during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 35. CAPITAL MANAGEMENT *(Continued)*

The gearing ratio as at 31 December 2022 and 2021 are as follows:

	2022 HK\$'000	2021 HK\$'000
Total borrowings <i>(Note)</i>	223,310	161,326
Total equity	336,111	286,581
Gearing ratio	66%	56%

*Note:* Total borrowings included loan from a non-controlling shareholder of a subsidiary, bank borrowings and lease liabilities as disclosed in notes 27, 28 and 29 respectively.

## 36. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	14,872	14,669
Amortised cost		
— Trade receivables	452,134	297,146
— Deposits	8,634	8,506
— Other receivables	16,542	13,329
— Pledged bank deposits	7,176	7,164
— Cash and cash equivalents	28,982	32,254

	2022 HK\$'000	2021 HK\$'000
<b>Financial liabilities</b>		
Amortised cost		
— Trade payables	36,758	32,269
— Accruals, deposits received and other payables	264,863	154,048
— Bank borrowings	176,356	123,605
— Lease liabilities	41,354	37,721

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management

Exposure to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### Market risk

##### (i) Foreign currency risk

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

##### (ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's interest-bearing receivables, pledged bank deposits, loan from a non-controlling shareholder of a subsidiary, lease liabilities and bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less interest-bearing receivables and pledged bank deposits) at the end of the reporting period.

	2022		2021	
	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
<b>Net fixed rate borrowings</b>				
Loan from a non-controlling shareholder of a subsidiary	6.00%	5,600	–	–
Lease liabilities	2.50%–3.88%	41,354	2.50%–3.88%	37,721
Less: Loan to a joint venture	6.00%	(3,300)	6.00%	(3,300)
Pledged bank deposits	0.20%–0.50%	(7,176)	0.05%–0.06%	(7,164)
		<b>36,478</b>		<b>27,257</b>
<b>Variable rate borrowings</b>				
Bank borrowings	2.09%–7.25%	176,356	1.66%–3.10%	123,605
Total net borrowings		<b>212,834</b>		<b>150,862</b>

#### Sensitivity analysis

As at 31 December 2022, it is estimated that a general increase/decrease of 50 basis point in interest rate, with all other variables were held constant, would have decreased/increased the Group's profit after taxation and retained earnings by approximately HK\$736,000 (2021: HK\$516,000).

The sensitivity analysis above indicates the annualised impact on the Group's profit after taxation and retained earnings that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rates instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis for 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management *(Continued)*

#### Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to contract assets, trade receivables, prepayments, deposits and other receivables. In order to minimise the credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate credit losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is adequately managed and mitigated.

The Group had certain concentration of credit risk as 52% (2021: 28%) and 72% (2021: 54%) of the Group's contract assets and trade receivables were due from the largest customer and the five largest customers respectively as at 31 December 2022. The Group's credit risk exposure is limited as the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis.

For contract assets and trade receivables due from quasi-government organisations and The Government of the Hong Kong Special Administrative Region, there was no history of default and the Group considers the credit risk for such assets to be insignificant.

For the remaining trade receivables due from non-government organisations, the Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which, except for amounts due from customers with significant doubt on collection that are assessed individually, is calculated using a provision matrix. Accordingly, the credit loss allowance recognised for customers with significant doubt on collection that is individually impaired as at 31 December 2022 is nil (2021: HK\$1,643,000). Apart from the amounts due from those customers, the ECLs as at 31 December 2022 are based on the expected loss rates determined with reference to the historical actual loss on the trade receivables for each business segment. Expected loss rates ranging from 0.01% to 2.41% (2021: 0.01% to 2.43%) were applied to such trade receivables for cleaning services, together with waste management and recycling businesses. As there was no history of default from customers for landscaping services and pest management businesses, the Group considers the credit risk of such customers to be insignificant and no loss allowance was recognised as at 31 December 2022 (2021: Nil).

Expected loss rates are based on actual loss experience over the past 5 (2021: 5) years for each business segment. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Balance as at 1 January	2,258	6,269
Amounts written off	(1)	(3,389)
Reversal of credit losses	(1,782)	(622)
Balance as at 31 December	475	2,258



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management *(Continued)*

#### Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 December 2022, the Group had unutilised banking facilities of HK\$331,619,000 (2021: HK\$243,997,000).

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows of the lenders were to invoke unconditional rights to call the loans with immediate effect.

	Within 1 year or on demand HK\$'000	After 1 year but within 5 years HK\$'000	After 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2022</b>					
Trade payables	36,758	–	–	36,758	36,758
Accruals, deposits received and other payables	263,675	1,188	–	264,863	264,863
Bank borrowings	122,508	56,102	5,177	183,787	176,356
Lease liabilities	11,224	17,708	20,268	49,200	41,354
	434,165	74,998	25,445	534,608	519,331
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	53,848	(56,102)	(5,177)	(7,431)	
	488,013	18,896	20,268	527,177	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management *(Continued)*

#### Liquidity risk *(Continued)*

	Within 1 year or on demand HK\$'000	After 1 year but within 5 years HK\$'000	After 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2021</b>					
Trade payables	32,269	–	–	32,269	32,269
Accruals, deposits received and other payables	152,428	1,620	–	154,048	154,048
Bank borrowings	59,150	63,055	6,452	128,657	123,605
Lease liabilities	10,439	13,280	22,801	46,520	37,721
	254,286	77,955	29,253	361,494	347,643
Adjustments to present cash flows on bank borrowings based on lender's right to demand repayment	64,455	(63,055)	(6,452)	(5,052)	
	318,741	14,900	22,801	356,442	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### *Fair value hierarchy*

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

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

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

Level 3 valuations: Fair value measured using significant unobservable inputs

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

	As at 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at fair value through profit or loss</b>				
Investments in life insurance	–	–	14,872	14,872

	As at 31 December 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at fair value through profit or loss</b>				
Investments in life insurance	–	–	14,669	14,669

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 36. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurement *(Continued)*

#### (i) Financial assets and liabilities measured at fair value *(Continued)*

##### *Reconciliation of Level 3 fair value measurements*

	2022 HK\$'000	2021 HK\$'000
<b>Investments in life insurance</b>		
Balance as at 1 January	14,669	14,348
Gains recognised in profit or loss	203	321
Balance as at 31 December	14,872	14,669

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

## 37. RETIREMENT BENEFIT COSTS

### Defined contribution retirement scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group does not operate defined benefit retirement scheme.

The total expenses recognised in profit or loss included contributions to defined contribution retirement scheme for the Group of HK\$40,558,000 (2021: HK\$29,483,000) for the year ended 31 December 2022.

## 38. LEASE COMMITMENT

As at 31 December 2022, the Group had total future minimum lease payments under non-cancellable leases payable not included in the lease liabilities as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	1,065	1,575

## 39. MAJOR NON-CASH TRANSACTION

Additions to right-of-use assets of HK\$21,431,000 (2021: HK\$6,233,000) for the year ended 31 December 2022 were made under the lease arrangements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

- (a) Compensation paid to key management personnel of the Group, including directors' remuneration as detailed in note 12.

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	12,316	11,002
Retirement scheme contributions	450	447
Equity-settled share-based payments	945	–
	<b>13,711</b>	11,449

- (b) Transactions with a joint venture

	2022 HK\$'000	2021 HK\$'000
Income relating to right-of-use assets	4,119	3,971
Interest income	198	198
Sourcing, collection and sorting waste plastics services income	4,496	29,455
Other services income	321	205

(c)

Nature of related party relationship	Nature of transaction	Interested director	2022 HK\$'000	2021 HK\$'000
(i) Common director and shareholder	Information technology service fee	Mr. Ng Wing Hong	4,548	2,523
(ii) The company owned by close member of director and shareholder	Information technology service fee	Mr. Ng Wing Hong	1,022	453
(iii) The company owned by close member of director and shareholder	Purchase of cleaning equipment and materials	Mr. Ng Wing Hong	839	785
(iv) The company owned by close member of director and shareholder	Rental expenses and other services fee	Mr. Ng Wing Hong	863	–

- (d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of information technology service fee as disclosed in note 40(c)(i) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures defined by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Directors' Report.

In addition, the other related party transactions as disclosed in note 40(c)(ii), (iii) and (iv) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempt from the disclosure requirements in Chapter 14A of the Listing Rules, as they fall under the de minimis transaction category pursuant to Rule 14A.76(1) of the Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 41. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE FINANCIAL STATEMENTS

	2022 HK\$'000	2021 HK\$'000
Capital expenditure in respect of the additions of property, plant and equipment		
– Contracted for within one year	5,969	4,400

## 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	1,283	1,283
<b>Current assets</b>		
Prepayments and other receivables	85	81
Amounts due from subsidiaries	181,967	199,939
Cash and cash equivalents	325	340
	182,377	200,360
<b>Current liabilities</b>		
Accruals and other payables	72	79
Amounts due to subsidiaries	76,834	94,369
	76,906	94,448
<b>Net current assets</b>	105,471	105,912
<b>Net assets</b>	106,754	107,195
<b>Capital and reserves</b>		
Share capital	4,150	4,150
Reserves	102,604	103,045
<b>Total equity</b>	106,754	107,195

Approved by the Board of Directors on 30 March 2023 and signed on its behalf by:

**Ng Wing Hong**  
Director

**Ng Yuk Kwan Phyllis**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 43. CHANGES IN EQUITY OF THE COMPANY

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
As at 1 January 2021	4,150	100,850	1,656	(2,993)	103,663
Profit and total comprehensive income for the year	-	-	-	18,472	18,472
Dividend approved in respect of the previous year ( <i>note 10(b)</i> )	-	-	-	(14,940)	(14,940)
Share options lapsed	-	-	(84)	84	-
<b>As at 31 December 2021 and 1 January 2022</b>	<b>4,150</b>	<b>100,850</b>	<b>1,572</b>	<b>623</b>	<b>107,195</b>
Profit and total comprehensive income for the year	-	-	-	2,025	2,025
Dividend approved in respect of the previous year ( <i>note 10(b)</i> )	-	-	-	(3,735)	(3,735)
Equity-settled share-based payments	-	-	1,269	-	1,269
Share options lapsed	-	-	(1,348)	1,348	-
<b>As at 31 December 2022</b>	<b>4,150</b>	<b>100,850</b>	<b>1,493</b>	<b>261</b>	<b>106,754</b>

As at 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to HK\$102,604,000 (2021: HK\$103,045,000).

## 44. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, the directors consider the immediate parent and ultimate controlling company of the Group to be Baguio Green (Holding) Limited, which is incorporated in the BVI. Baguio Green (Holding) Limited does not produce financial statements available for public use and is controlled by Mr. Ng Wing Hong, a director of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars unless otherwise indicated)

## 45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

## 46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.



## FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Results</b>					
Revenue	<b>1,793,121</b>	1,273,809	1,131,781	1,397,455	1,429,480
Profit/(loss) before taxation	<b>65,158</b>	21,726	49,122	(12,722)	19,272
Income tax (expense)/credit	<b>(13,753)</b>	(8,882)	2,254	1,412	(2,830)
Profit/(loss) for the year	<b>51,405</b>	12,844	51,376	(11,310)	16,442
Attributable to:					
Equity shareholders of the Company	<b>53,709</b>	12,847	51,376	(11,031)	17,893
Non-controlling interests	<b>(2,304)</b>	(3)	–	(279)	(1,451)
Profit/(loss) for the year	<b>51,405</b>	12,844	51,376	(11,310)	16,442

	As at 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Assets and liabilities</b>					
Total assets	<b>896,168</b>	660,943	604,295	710,583	697,809
Total liabilities	<b>(560,057)</b>	(374,362)	(315,263)	(473,462)	(445,947)
	<b>336,111</b>	286,581	289,032	237,121	251,862
Attributable to:					
Equity shareholders of the Company	<b>337,618</b>	286,584	289,032	237,121	252,823
Non-controlling interests	<b>(1,507)</b>	(3)	–	–	(961)
Total equity	<b>336,111</b>	286,581	289,032	237,121	251,862

碧瑤綠色集團有限公司  
Baguio Green Group Limited