



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

2023

INTERIM REPORT
中期報告





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ng Wing Hong
Ms. Ng Yuk Kwan Phyllis
Mr. Ng Wing Chuen
(resigned with effect from 31 May 2023)
Ms. Leung Shuk Ping
Ms. Cheung Siu Chun
(resigned with effect from 1 May 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ho Chiu
Dr. Law Ka Hung *(resigned with effect from 31 May 2023)*
Mr. Lau Chi Yin Thomas
Professor Cheng Edwin Tai Chiu
(appointed with effect from 31 May 2023)

AUTHORIZED REPRESENTATIVES

Mr. Ng Wing Hong
Ms. Cheung Siu Chun
(resigned with effect from 1 May 2023)
Mr. Chan Pak Hang
(appointed with effect from 1 May 2023)

AUDIT COMMITTEE

Mr. Lau Chi Yin Thomas *(Chairman)*
Mr. Sin Ho Chiu
Dr. Law Ka Hung *(resigned with effect from 31 May 2023)*
Professor Cheng Edwin Tai Chiu
(appointed with effect from 31 May 2023)

REMUNERATION COMMITTEE

Mr. Sin Ho Chiu *(Chairman)*
Mr. Lau Chi Yin Thomas
Dr. Law Ka Hung *(resigned with effect from 31 May 2023)*
Professor Cheng Edwin Tai Chiu
(appointed with effect from 31 May 2023)
Mr. Ng Wing Hong

NOMINATION COMMITTEE

Dr. Law Ka Hung
(Chairman, resigned with effect from 31 May 2023)
Professor Cheng Edwin Tai Chiu
(Chairman, appointed with effect from 31 May 2023)
Mr. Sin Ho Chiu
Mr. Lau Chi Yin Thomas
Ms. Ng Yuk Kwan Phyllis

COMPANY SECRETARY

Ms. Cheung Siu Chun
(resigned with effect from 1 May 2023)
Mr. Chan Pak Hang
(appointed with effect from 1 May 2023)

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 BANKER

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

COMPANY WEBSITE ADDRESS

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

STOCK CODE

01397

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | Percentage change |
|---|----------------------------------|-----------|-------------------|
| | 2023 | 2022 | |
| | HK\$'000 | HK\$'000 | |
| Revenue | | | |
| Cleaning | 861,471 | 498,607 | +72.8% |
| Waste management and recycling | 137,180 | 111,825 | +22.7% |
| Landscaping | 61,433 | 56,848 | +8.1% |
| Pest management | 46,771 | 46,842 | -0.2% |
| | 1,106,855 | 714,122 | +55.0% |
| Cost of services | (1,020,465) | (656,442) | +55.5% |
| Gross profit | 86,390 | 57,680 | +49.8% |
| Profit from operations | 31,848 | 27,517 | +15.7% |
| Profit attributable to equity shareholders of the Company | 21,834 | 17,796 | +22.7% |
| Basic earnings per share (HK cents) | 5.26 | 4.29 | |

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Directors” and the “Board” respectively) of Baguio Green Group Limited (the “Company”, and together with its subsidiaries, the “Group” or “Baguio”) is pleased to present the interim report of the Group for the six months ended 30 June 2023 (the “Period”).

MARKET REVIEW

In the first half of 2023, the HKSAR Government (the “Government”) announced the cancellation of the quarantine arrangement for inbound visitors, together with the full resumption of normal travel between Hong Kong and the Mainland, as well as the recovery of exchanges between Hong Kong and the Mainland and the rest of the world, resulting in a significant improvement in overall economic sentiments. However, global inflation spurred higher interest rates and geopolitical instability slowed the pace of Hong Kong’s economic recovery. Although the oil price fell from its peak, it was still at a relatively high level, which posted significant challenges to cost control. Despite the challenging operating environment, after three years of the pandemic, the increasing awareness of public health among the Hong Kong people boosted the demand for cleaning services, which continued to create opportunities for the cleaning business of the Group.

In order to achieve the target of “Zero Landfill” in Hong Kong by 2035 as set out in the Waste Blueprint for Hong Kong 2035, the Government during the Period announced that the Municipal Solid Waste (MSW) charging scheme will be implemented in April next year, supporting the development of the Group’s recycling business.

According to the 2023-2024 Budget announced by the Government, Hong Kong is proactively promoting the green economy and the application of green technology, and is committed to becoming an international green technology and financial center, which will bring vast room for development for the Group’s green technology business.

The Group’s core businesses, including cleaning, waste management, recycling, green technology, landscaping, and pest management, are closely related to the livelihood of the general public. With the Government’s public consultation on Lantau Tomorrow, as well as the gradual completion of new residential projects in phases in the Northern Metropolis, during the Period, it is expected that the new development areas will have rigid demand for the businesses of Baguio and generate opportunities for the Group’s core businesses.

BUSINESS REVIEW

The Group’s core business, cleaning services, recorded a significant growth in the first half of 2023. Revenue from cleaning services increased by 72.8% to approximately HK\$861.5 million, accounting for approximately 77.8% of the Group’s total revenue during the Period. Total revenue was approximately HK\$1,106.9 million, representing an increase of 55.0% as compared to the same period in 2022.

With regard to our cleaning business, the Group secured new contracts in a total amount of approximately HK\$1,780 million, including but not limited to the following cleaning service contracts:

- Contract in relation to North Lantau Hospital, Caritas Medical Centre and Kwai Chung Hospital
- Contract in relation to streets and public toilets in Tsuen Wan District
- Contract in relation to markets in Tai Po District, Southern District, Sham Shui Po District and Kowloon City District
- Department of Health contract in relation to clinics in Kowloon East and Kowloon West
- Contract in relation to the leisure venues in Islands District
- Contract in relation to the aprons and runways of Hong Kong International Airport

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's street cleaning services cover a total of eight districts in Hong Kong (Tsuen Wan, Mong Kok, Sha Tin, Yuen Long, Western, Eastern, Sham Shui Po and Tai Po districts), serving a population of approximately 3 million, marking Baguio's leading position in the Hong Kong cleaning services market. The Group's cleaning business covers a wide range of different places, such as airports, sports venues, hospitals, parks, markets, schools, housing estates, and private institutions, demonstrating the Group's strong execution capabilities.

In terms of waste management and recycling business, the Group provided waste collection services to five districts during the Period, including Tsuen Wan, Wong Tai Sin, Mong Kok, Wan Chai and Eastern districts, serving a population of approximately 1.6 million. The Group is contracted by the Environmental Protection Department ("EPD") to handle around 5,000 recycling spots (including plastic, glass bottles, metals and waste paper) across Hong Kong. During the Period, Baguio continued to provide plastic collection services for three districts (Eastern, Kwun Tong and Central & Western) under the EPD Plastic Recycling Pilot Scheme contract. Baguio also provides plastic collection services for Recycling Stations of "GREEN@COMMUNITY" and Reverse Vending Machines, 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 Hong Kong Island, the New Territories and Islands District.

After strategic deployment in recent years, the green technology business achieved rapid and remarkable results and began to generate profitable contributions during the Period. The Group made impressive progress in providing the Government with Smart Recycling Machines ("SRMs") and a Big Data Analytics Platform. SRMs are now available in different places of Hong Kong, providing the public with a convenient recycling experience 24 hours a day and helping to increase the overall recycling volume in Hong Kong. The Government is proactively considering to increase the number of SRMs to meet the huge demand for recycling arising from the launch of the MSW charging scheme in April next year.

During the Period, the Group was awarded a contract by the Food and Environmental Hygiene Department of the Government for the provision of people counting services servicing at over 800 public toilets, aqua privies and bathhouses through the system powered by Time-of-flight and Internet of Things technologies to assist the Government in monitoring flow and optimising service standard. Data are collected and analysed on a dedicated Big Data Platform, providing the Government a comprehensive and holistic perspective with current utilisation insights and predictive analytics. This information will support the future strategic development of public toilets, including service standard enhancement, and redeployment and refurbishment of public toilet facilities in Hong Kong.

Last year, the Group was awarded EPD's first 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 food waste, so as to capture enormous business opportunities.

With regard to recyclable food waste collection services, the Group provides recyclable food waste collection services in Kowloon District and New Territories West. With the aim of increasing the collection and recycling of food waste, Baguio has deployed a designated team to outreach community, educate 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 located on Lantau Island where it will be turned into renewable energy. Among the total four EPD's similar contracts granted by EPD, the Group has secured half of them, highlighting Baguio's position as Hong Kong's market leader in food waste collection.

MANAGEMENT DISCUSSION AND ANALYSIS

For the landscaping services, the Group was awarded a professional tree transplanting contract for the Urban Council Centenary Garden during the Period. In addition, the Group also provides landscaping services to the Hong Kong University of Science and Technology, the Hong Kong Science Park, the Government and a wide range of private clients including shopping malls, hotels and large private residences. For pest management business, during the Period, the Group won pest management service contracts for a number of tertiary institutions, including the University of Hong Kong, the Hong Kong University of Science and Technology and Lingnan University.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period (1H2022: Nil).

Revenue Breakdown of Major Business Segments

| | For the six months ended 30 June 2023 | | 2022 | | Change |
|--------------------------------|---------------------------------------|--------------------|------------------------|--------------------|--------|
| | Revenue (HK\$ million) | % of total revenue | Revenue (HK\$ million) | % of total revenue | |
| Cleaning | 861.5 | 77.8% | 498.6 | 69.8% | +72.8% |
| Waste management and recycling | 137.2 | 12.4% | 111.8 | 15.7% | +22.7% |
| Landscaping | 61.4 | 5.6% | 56.9 | 8.0% | +8.1% |
| Pest management | 46.8 | 4.2% | 46.8 | 6.5% | -0.2% |
| Total | 1,106.9 | 100.0% | 714.1 | 100.0% | +55.0% |

Gross Profit Margin of Major Business Segments

| | For the six months ended 30 June | | Change |
|--------------------------------|----------------------------------|-------|------------|
| | 2023 | 2022 | |
| Cleaning | 7.2% | 9.9% | -2.7 p.p. |
| Waste management and recycling | 8.7% | 0.3% | +8.4 p.p. |
| Landscaping | 18.0% | 5.7% | +12.3 p.p. |
| Pest management | 3.3% | 10.2% | -6.9 p.p. |
| Overall | 7.8% | 8.1% | -0.3 p.p. |

During the Period, the Group was driven by its strong performance with an increase in revenue of approximately 72.8% from the cleaning segment. This encouraging result was attributable to the Group's enormous effort in securing new contracts with the Government for the provision of cleaning services. In addition, with the award of new contracts from the waste management and recycling segment together with higher profit margins and effective cost control in the landscaping segment, the profit margins for these segments were improved satisfactorily.

However, high service level demand in the pest management services market with keen competition also affects the gross profit margin.

The overall gross profit margin of the Group slightly decreased approximately from 8.1% to 7.8%, but with an increase in revenue, the overall gross profit of the Group were improved approximately from HK\$57.7 million to HK\$86.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracts on Hand

As of 30 June 2023, the Group had a total of approximately HK\$4,557.2 million worth of unexpired contracts on hand, among which, approximately HK\$1,148.9 million would be recognised by the end of 2023; approximately HK\$1,814.8 million would be recognised in 2024 and the rest of approximately HK\$1,593.5 million would be recognised in 2025 and beyond.

| | Backlog contract value (HK\$ million) | Contract value to be recognised by 31 December 2023 (HK\$ million) | Contract value to be recognised by 31 December 2024 (HK\$ million) | Contract value to be recognised in 2025 and beyond (HK\$ million) |
|---|--|---|---|--|
| Cleaning services | 3,645.1 | 934.9 | 1,507.3 | 1,202.9 |
| Waste management and recycling services | 583.2 | 117.9 | 159.8 | 305.5 |
| Landscaping services | 173.1 | 55.7 | 78.2 | 39.2 |
| Pest management services | 155.8 | 40.4 | 69.5 | 45.9 |
| Total | 4,557.2 | 1,148.9 | 1,814.8 | 1,593.5 |

AWARDS

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

| Date | Issuer of Award | Award |
|----------|--------------------------------------|--|
| Jan 2023 | Green Council | Certificate of Appreciation – Green Carnival 2023 |
| Feb 2023 | Hong Kong Brand Development Council | Hong Kong Top Service Brand Awards |
| Feb 2023 | Hong Kong Council of Social Service | 10 years+ Caring Company 2022/23 – Baguio Cleaning Services Company Limited |
| Feb 2023 | Hong Kong Council of Social Service | 10 years+ Caring Company 2022/23 – Baguio Waste Management & Recycling Limited |
| Feb 2023 | Hong Kong Council of Social Service | 10 years+ Caring Company 2022/23 – Baguio Landscaping Services Limited |
| Feb 2023 | Hong Kong Council of Social Service | 10 years+ Caring Company 2022/23 – Baguio Pest Management Limited |
| Feb 2023 | Hong Kong Council of Social Service | 5 years+ Caring Company 2022/23 – Baguio Green Group Limited |
| Feb 2023 | Hong Kong Council of Social Service | 5 years+ Caring Company 2022/23 – Tak Tai Enviroscape Limited |
| Feb 2023 | Hong Kong Council of Social Service | Caring Company 2022/23 – Baguio iRecycle Limited |
| Mar 2023 | Promoting Happiness Index Foundation | Happiness at work 2022 – Happy Company |
| Mar 2023 | CorpHub | Hong Kong's Most Outstanding Service Award 2023 – Certificate of Hall of Fame |
| Apr 2023 | Employee Retraining Board | Manpower Developer Award Scheme – Manpower Developer |
| May 2023 | Qualifications Framework Secretariat | QF Star Employer |
| Jun 2023 | V-Step Up | The Smartest Business Award – The Excellence ESG Solutions Service Pioneer |
| Jun 2023 | Hong Kong Arbitration Society | Certificate of Appreciation – The Charter of Harmony HK |

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In addition to focusing on its professional services to improve the living standard of Hong Kong citizens, the Group strived to contribute to the society together with our employees. The following sets out some of the activities participated or organised by the Group during the Period.

| Date | Organiser of Activity | Activity |
|----------|--|---|
| Jan 2023 | Rotary District 3450 | Preserve Planet Earth Committee Webinar |
| Jan 2023 | Strategic Executive Training | Baguio Glass Bottle Recycling Plant Visit |
| Jan 2023 | Hok Yau Club | Baguio Waste Sorting & Recycling Centre Visit |
| Jan 2023 | Miss Entrepreneurs Club Limited | Baguio's Recycling Facilities Visit |
| Jan 2023 | Federation of Hong Kong Industries | Outstanding Caring Awards Sharing Session |
| Jan 2023 | The Chamber of Hong Kong Listed Companies | Baguio's Recycling Facilities Visit |
| Jan 2023 | The Green Earth | Green Hero Challenge 2023 |
| Jan 2023 | Wisdom Regeneration | Baguio Glass Bottle Recycling Plant Visit |
| Feb 2023 | Greeners Action | Red Packet Reuse & Recycle Programme |
| Feb 2023 | Dialogue in the dark | Webinar – Working with Social Enterprises to Promote Sustainability |
| Mar 2023 | Seeds of Art Charity Foundation Co. Ltd | “Sustainability x Art x Charity” Webinar |
| Mar 2023 | Pui Kiu Middle School | Baguio Glass Bottle Recycling Plant Visit |
| Mar 2023 | Hong Kong Science & Technology Parks Corporation | Elevator Pitch Competition 2023 |
| Apr 2023 | Miss Entrepreneurs Club Limited | Baguio's Recycling Facilities Visit |
| May 2023 | JCI Hong Kong Jayceettes | REBORN! Upcycling Design Award 2023 Information Session |
| Jun 2023 | Green Council | Hong Kong Green Day 2023 |
| Jun 2023 | The Federation of Graduate School Alumni Associations of the Chinese University of Hong Kong | Baguio's Recycling Facilities Visit |
| Jun 2023 | GBA REDbird Entrepreneurs Alliance | Seminar – Future of ESG in Greater Bay Area |
| Jun 2023 | Federation of Hong Kong Jiangsu Youth | Science and Technology Innovation Youth Sharing Session |

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In the first half of 2023, new contracts awarded to the Group amounted to a total of HK\$2.04 billion. As a result, the Group recorded a historical high for its contracts on hand of approximately HK\$4.56 billion (as of 30 June 2023), representing an increase of approximately 27.0% from approximately HK\$3.59 billion as of 31 December 2022, providing strong revenue growth in the second half of 2023 and the subsequent years.

Among the contracts on hand, approximately HK\$1.15 billion is expected to be recognised as revenue in the second half of 2023, and the revenue for the first half of 2023 amounts to approximately HK\$1.11 billion. As compared to the revenue for last year (approximately HK\$1.79 billion), the growth in revenue shows that the Group is developing with strong momentum.

With the MSW charging scheme scheduled to be launched in April next year, it is expected to further motivate the public to recycle and to increase the recycling volume, which is conducive to the development of the industry. With the expected implementation of the “Producer Responsibility Scheme on Plastic Beverage Containers” in two years enshrining the principle of “Polluter Pays” and the vision of “Eco-responsibility”, the recycling rate 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. With the introduction of relevant policies conducive to the recycling market, it is expected that the recycling market will grow by 2 to 3 times in 3 years, and recycling business is expected to become a growth driver for the Company.

The Government has clearly stated in the Waste Blueprint for Hong Kong 2035 that the goal is to achieve “Zero Landfill” by 2035. At present, plastics and food waste account for about 20% and 30% respectively of the waste disposed to landfills in Hong Kong. Baguio shares a common vision with the Government in promoting a circular economy by giving new life to plastics, food waste and other recyclables.

In partnership with Jardine Engineering Corporation Limited, the Group formed a Pilot Biochar Production Plant at the EcoPark in Tuen Mun which will commence operation in the second half of the year. By converting garden waste into high-quality biochar with pyrolysis technology for various applications, the production plant effectively “turns waste into useful resources”.

Regarding our green technology business, Baguio offers smart city, Internet of Things, big data, AI and biotechnology solutions, and expects its green technology business to become a future growth engine.

Since the launch of ESG+ last year, Baguio has helped clients of different listed companies to promote the “Environmental, Social and Governance” policies, enabling customers to use the Group’s sustainable environmental services while supporting green procurement to achieve a circular economy.

As for the landscaping business, the Government has actively promoted the construction of the Northern Metropolis and Lantau Tomorrow in recent years, which will bring business opportunities to the Group’s landscaping services.

The Group is also actively exploring suitable mergers and acquisitions, joint ventures or new business projects in Hong Kong and beyond to accelerate future business growth and deliver substantial and long-term returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six-month periods ended 30 June 2023 and 2022 amounted to approximately HK\$1,106.9 million and HK\$714.1 million respectively, representing an increase of approximately 55.0%. The increase was mainly due to the increase in revenue in the cleaning segment together with the waste management and recycling segment, with an increase in the number of contracts and orders during the Period.

Cost of Services

For the six-month periods ended 30 June 2023 and 2022, the cost of services amounted to approximately HK\$1,020.5 million and HK\$656.4 million respectively, representing approximately 92.2% and approximately 91.9% of the Group's total revenue for the corresponding periods respectively. The cost of services primarily comprised of direct wages, direct overhead expenses and material consumables.

Gross Profit

The Group's gross profit for the Period was approximately HK\$86.4 million, representing an increase of approximately 49.8% from approximately HK\$57.7 million for the corresponding period in 2022.

Gross Profit Margin

The gross profit margins of the Group for the six-month periods ended 30 June 2023 and 2022 were approximately 7.8% and approximately 8.1% respectively. As mentioned above, there was a strong performance in cleaning, waste management and recycling together with landscaping segments. In addition, profit margin was also affected by high service level demand in the pest management services market with keen competition.

Other Income, Gains and Losses

The other income, gains and losses of the Group for the six-month periods ended 30 June 2023 and 2022 were approximately HK\$3.2 million and HK\$20.9 million respectively, representing a decrease of approximately 84.8%. The substantial decrease was mainly related to the decrease in subsidies received from the Hong Kong Government during the Period.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the six-month periods ended 30 June 2023 and 2022 were approximately HK\$1.2 million and HK\$0.8 million respectively. These expenses are mainly for promotional activities and channels to promote our recycling business and to enhance public awareness of environmental protection and waste recycling.

Administrative Expenses

The administrative expenses of the Group for the six-month periods ended 30 June 2023 and 2022 were approximately HK\$56.5 million and HK\$48.2 million respectively, representing an increase of approximately 17.3%, and approximately 5.1% and approximately 6.7% of the respective period's total revenue. The increase was mainly due to the increase in wages and allowances for staff and the office overhead to support new business development, and to strengthen and expand the enterprise resource planning ("ERP") system enhancing competitiveness. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

Finance Costs

The finance costs of the Group for the six-month periods ended 30 June 2023 and 2022 were approximately HK\$5.3 million and HK\$2.7 million respectively, representing approximately 0.5% and approximately 0.4% of the Group's total revenue respectively. The increase was mainly due to the increase in the level of working capital loans and the interest rate on bank borrowings during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period Attributable to Equity Shareholders of the Company

The Group's net profit attributable to equity shareholders of the Company for the six-month periods ended 30 June 2023 and 2022 amounted to approximately HK\$21.8 million and HK\$17.8 million respectively, representing an increase of approximately 22.7%. The increase was mainly due to the factors described above.

CAPITAL STRUCTURE

The share capital of the Group comprises of only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks and lease liabilities and equity attributable to equity shareholders of the Group, comprising of issued share capital and reserves.

The Directors review the capital structure regularly, taking into consideration the cost of capital and the risks associated. 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 its gearing ratio.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flows from operating activities principally from rendering a comprehensive range of environmental services. For the Period, we had net cash generated from operating activities of approximately HK\$111.0 million (1H2022: HK\$50.1 million). As at 30 June 2023, the Group had available cash and bank balances amounting to approximately HK\$63.2 million (31 December 2022: HK\$29.0 million), representing an increase of approximately 118.0% from 31 December 2022.

As at 30 June 2023, the Group's total current assets and current liabilities were approximately HK\$553.5 million (31 December 2022: HK\$530.9 million) and HK\$506.0 million (31 December 2022: HK\$490.0 million) respectively, while the current ratio was approximately 1.1 times (31 December 2022: 1.1 times). The liquidity position of the Group is maintained at a healthy level.

As at 30 June 2023, the Group's bank borrowings amounted to approximately HK\$146.0 million (31 December 2022: HK\$176.4 million), representing a decrease of approximately 17.2%; the Group's lease liabilities were approximately HK\$39.4 million (31 December 2022: HK\$41.4 million), representing a decrease of approximately 4.8%, for recognising 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\$7.2 million (31 December 2022: HK\$5.6 million), representing an increase of approximately 28.6%, for financing the acquisition of property, plant and equipment for operational usage. During the Period, no financial instruments were used for hedging purposes.

As at 30 June 2023, the gearing ratio of the Group was approximately 0.6 times (31 December 2022: 0.7 times), which was calculated based on the total interest-bearing bank borrowings, lease liabilities and other loan over the total equity of the Group.

As at 30 June 2023, the Group had unutilised banking facilities of approximately HK\$373.1 million (31 December 2022: HK\$331.6 million).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENT

As at 30 June 2023, the Group had capital commitment contracted for of approximately HK\$5.0 million (31 December 2022: HK\$6.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, the amounts payable under lease liabilities within one year were approximately HK\$10.2 million (31 December 2022: HK\$10.2 million), that after one year but with five years were approximately HK\$13.7 million (31 December 2022: HK\$14.5 million), and that after five years were approximately HK\$15.5 million (31 December 2022: HK\$16.7 million).

In addition as at 30 June 2023, the Group had (i) pledged bank deposits of approximately HK\$7.2 million (31 December 2022: HK\$7.2 million); (ii) pledge of cash and cash equivalents of approximately HK\$0.2 million (31 December 2022: HK\$0.4 million); (iii) mortgage of the land and buildings of approximately HK\$63.7 million (31 December 2022: HK\$65.1 million); (iv) pledge of the financial assets at fair value through profit or loss of approximately HK\$14.9 million (31 December 2022: HK\$2.6 million); (v) pledge of the trade receivables of approximately HK\$128.8 million (31 December 2022: HK\$104.6 million); and (vi) pledge of the contract assets of approximately HK\$5.4 million (31 December 2022: HK\$4.9 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 leases or hire purchase.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this interim report, the Group did not have any plans for material investments and capital assets as at 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 8,963 employees (31 December 2022: 8,894 employees), including both full-time and part-time employees. Remuneration packages were generally structured by reference to market terms together with individual qualifications and experience. Total staff costs (including Directors' remuneration) of the Group, including wages, salaries, and other benefits, contributions to defined contribution retirement scheme together with equity-settled share-based payments, for the six-month periods ended 30 June 2023 were approximately HK\$899.0 million (six-month periods ended 30 June 2022: HK\$555.2 million).

During the Period, 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 and 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 institutions to ensure the smooth and effective management of the Group's business.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 — UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|------------------|
| | | 2023 HK\$'000 | 2022 HK\$'000 |
| Revenue | 4 | 1,106,855 | 714,122 |
| Cost of services | | (1,020,465) | (656,442) |
| Gross profit | | 86,390 | 57,680 |
| Other income, gains and losses | | 3,173 | 20,937 |
| Change in fair value less costs to sell of biological assets | | – | (2,161) |
| Selling and marketing expenses | | (1,210) | (769) |
| Administrative expenses | | (56,505) | (48,170) |
| Profit from operations | | 31,848 | 27,517 |
| Finance costs | 5 | (5,341) | (2,723) |
| Share of losses of a joint venture | | – | (1,747) |
| Profit before taxation | 6 | 26,507 | 23,047 |
| Income tax | 7 | (4,766) | (5,929) |
| Profit for the period | | 21,741 | 17,118 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of subsidiaries, net of nil tax | | (113) | (104) |
| Total comprehensive income for the period | | 21,628 | 17,014 |
| Profit for the period attributable to: | | | |
| Equity shareholders of the Company | | 21,834 | 17,796 |
| Non-controlling interests | | (93) | (678) |
| | | 21,741 | 17,118 |
| Total comprehensive income for the period attributable to: | | | |
| Equity shareholders of the Company | | 21,721 | 17,692 |
| Non-controlling interests | | (93) | (678) |
| | | 21,628 | 17,014 |
| Earnings per share | | | |
| Basic and diluted (HK cents) | 9 | 5.26 | 4.29 |

The notes on pages 17 to 29 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

| | <i>Note</i> | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|--|-------------|-----------------------------------|---------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 267,321 | 277,976 |
| Right-of-use assets | 11 | 37,546 | 40,544 |
| Intangible assets | | 8,200 | – |
| Interest in a joint venture | | – | – |
| Financial assets at fair value through profit or loss | | 14,916 | 14,872 |
| Prepayments, deposits and other receivables | | 32,304 | 29,508 |
| Deferred tax assets | | 2,122 | 2,343 |
| | | 362,409 | 365,243 |
| Current assets | | | |
| Inventories | | 2,865 | 3,050 |
| Contract assets | | 11,674 | 10,723 |
| Trade receivables | 12 | 430,203 | 452,134 |
| Prepayments, deposits and other receivables | | 28,632 | 19,288 |
| Tax recoverable | | 1,589 | 1,280 |
| Biological assets | | 8,207 | 8,292 |
| Pledged bank deposits | | 7,188 | 7,176 |
| Cash and cash equivalents | | 63,177 | 28,982 |
| | | 553,535 | 530,925 |
| Current liabilities | | | |
| Trade payables | 13 | 33,562 | 36,758 |
| Contract liabilities | | 4,768 | 410 |
| Accruals, deposits received and other payables | | 304,969 | 263,675 |
| Bank borrowings | 14 | 146,038 | 176,356 |
| Lease liabilities | 15 | 10,219 | 10,153 |
| Tax payable | | 6,464 | 2,601 |
| | | 506,020 | 489,953 |
| Net current assets | | 47,515 | 40,972 |
| Total assets less current liabilities | | 409,924 | 406,215 |
| Non-current liabilities | | | |
| Other payables | | 972 | 1,188 |
| Lease liabilities | 15 | 29,136 | 31,201 |
| Provision | | 14,578 | 14,352 |
| Deferred tax liabilities | | 23,269 | 23,363 |
| | | 67,955 | 70,104 |
| Net assets | | 341,969 | 336,111 |
| Capital and reserves | | | |
| Share capital | 16 | 4,150 | 4,150 |
| Reserves | | 339,419 | 333,468 |
| Total equity attributable to equity shareholders of the Company | | 343,569 | 337,618 |
| Non-controlling interests | | (1,600) | (1,507) |
| Total equity | | 341,969 | 336,111 |

The notes on pages 17 to 29 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

| | Attributable to equity shareholders of the Company | | | | | | | | |
|--|--|----------------|---------------|----------------------|---------------------|-------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Other reserve | Share option reserve | Translation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2022 | 4,150 | 100,850 | 18,330 | 1,572 | 7 | 161,675 | 286,584 | (3) | 286,581 |
| Profit for the period | - | - | - | - | - | 17,796 | 17,796 | (678) | 17,118 |
| Other comprehensive income for the period | - | - | - | - | (104) | - | (104) | - | (104) |
| Total comprehensive income for the period | - | - | - | - | (104) | 17,796 | 17,692 | (678) | 17,014 |
| 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 8) | - | - | - | - | - | (3,735) | (3,735) | - | (3,735) |
| Equity-settled share-based payments | - | - | - | 281 | - | - | 281 | - | 281 |
| Share options lapsed | - | - | - | (49) | - | 49 | - | - | - |
| At 30 June 2022 | 4,150 | 100,850 | 18,330 | 1,804 | (97) | 175,785 | 300,822 | 119 | 300,941 |
| At 1 January 2023 | 4,150 | 100,850 | 18,330 | 1,493 | (202) | 212,997 | 337,618 | (1,507) | 336,111 |
| Profit for the period | - | - | - | - | - | 21,834 | 21,834 | (93) | 21,741 |
| Other comprehensive income for the period | - | - | - | - | (113) | - | (113) | - | (113) |
| Total comprehensive income for the period | - | - | - | - | (113) | 21,834 | 21,721 | (93) | 21,628 |
| Dividends approved in respect of the previous year (note 8) | - | - | - | - | - | (15,770) | (15,770) | - | (15,770) |
| Share options lapsed | - | - | - | (328) | - | 328 | - | - | - |
| At 30 June 2023 | 4,150 | 100,850 | 18,330 | 1,165 | (315) | 219,389 | 343,569 | (1,600) | 341,969 |

The notes on pages 17 to 29 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN HONG KONG DOLLARS)

| | For the six months ended 30 June | |
|---|----------------------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 |
| Net cash generated from operating activities | 111,016 | 50,090 |
| Investing activities | | |
| Payment for the purchase of property, plant and equipment | (29,107) | (72,844) |
| Other cash flows (used in)/arising from investing activities | (7,830) | 2,359 |
| Net cash used in investing activities | (36,937) | (70,485) |
| Financing activities | | |
| Proceeds from new bank borrowings | 863,332 | 647,075 |
| Repayment of bank borrowings | (893,650) | (611,825) |
| Other cash flows used in financing activities | (9,292) | (3,358) |
| Net cash (used in)/generated from financing activities | (39,610) | 31,892 |
| Net increase in cash and cash equivalents | 34,469 | 11,497 |
| Cash and cash equivalents at the beginning of the period | 28,982 | 32,254 |
| Effect of foreign exchange rates changes | (274) | (318) |
| Cash and cash equivalents at the end of the period | 63,177 | 43,433 |

The notes on pages 17 to 29 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

1. GENERAL INFORMATION

The Company was incorporated with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The ultimate holding company of the Company is Baguio Green (Holding) Limited, which was incorporated in the British Virgin Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, 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.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 August 2023.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 30.

The financial information relating to the financial year ended 31 December 2022 that is included in this interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

3. CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 8, *Accounting policies, changes in account estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the abolition of the MPF – LSP offsetting mechanism. The Group has commenced the processes on impact assessment. However, the impact is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

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. The prior period segment information for comparative purpose has been restated as a result of the changes in the Group’s internal organisation, and therefore resulting in an alteration in the composition of the reportable segments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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, selling and marketing expenses, 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 |
|--|--|---|---|--------------------------------------|-------------------|
| Six months ended 30 June 2023 | | | | | |
| Disaggregated by timing of revenue recognition | | | | | |
| – over time | 861,471 | 135,272 | 61,433 | 46,771 | 1,104,947 |
| – point in time | – | 1,908 | – | – | 1,908 |
| Revenue from external customers | 861,471 | 137,180 | 61,433 | 46,771 | 1,106,855 |
| Inter-segment revenue | 207 | 369 | 129 | 264 | 969 |
| Reportable segment revenue | 861,678 | 137,549 | 61,562 | 47,035 | 1,107,824 |
| Segment results | 61,770 | 11,947 | 11,108 | 1,565 | 86,390 |
| Other income, gains and losses | | | | | 3,173 |
| Selling and marketing expenses | | | | | (1,210) |
| Administrative expenses | | | | | (56,505) |
| Finance costs | | | | | (5,341) |
| Profit before taxation | | | | | 26,507 |

| | Cleaning services business HK\$'000 (restated) | Waste management and recycling business HK\$'000 (restated) | Landscaping services business HK\$'000 (restated) | Pest management business HK\$'000 (restated) | Total HK\$'000 (restated) |
|--|--|---|---|--|---------------------------------|
| Six months ended 30 June 2022 | | | | | |
| Disaggregated by timing of revenue recognition | | | | | |
| – over time | 498,607 | 93,765 | 56,848 | 46,842 | 696,062 |
| – point in time | – | 18,060 | – | – | 18,060 |
| Revenue from external customers | 498,607 | 111,825 | 56,848 | 46,842 | 714,122 |
| Inter-segment revenue | 163 | 882 | 48 | 1,627 | 2,720 |
| Reportable segment revenue | 498,770 | 112,707 | 56,896 | 48,469 | 716,842 |
| Segment results | 49,161 | 364 | 3,218 | 4,937 | 57,680 |
| Other income, gains and losses | | | | | 20,937 |
| Change in fair value less costs to sell of biological assets | | | | | (2,161) |
| Selling and marketing expenses | | | | | (769) |
| Administrative expenses | | | | | (48,170) |
| Finance costs | | | | | (2,723) |
| Share of losses of a joint venture | | | | | (1,747) |
| Profit before taxation | | | | | 23,047 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 |
|---------------------------|--|---|---|--------------------------------------|-------------------|
| As at 30 June 2023 | | | | | |
| Segment assets | 607,684 | 176,446 | 87,859 | 31,591 | 903,580 |
| Unallocated | | | | | 12,364 |
| Total assets | | | | | 915,944 |
| Segment liabilities | 406,882 | 96,951 | 22,086 | 29,552 | 555,471 |
| Unallocated | | | | | 18,504 |
| Total liabilities | | | | | 573,975 |

| | 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 |
|-------------------------------|--|---|---|--------------------------------------|-------------------|
| As at 31 December 2022 | | | | | |
| 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 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

4. SEGMENT INFORMATION *(Continued)*

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.

| | For the six months ended 30 June | |
|----------------|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 1,106,301 | 702,110 |
| Mainland China | – | 6,458 |
| Southeast Asia | 554 | 5,554 |
| | 1,106,855 | 714,122 |

5. FINANCE COSTS

| | For the six months ended 30 June | |
|-------------------|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Bank borrowings | 4,551 | 1,931 |
| Bank overdrafts | 5 | 1 |
| Lease liabilities | 575 | 679 |
| Others | 210 | 112 |
| | 5,341 | 2,723 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

6. PROFIT BEFORE TAXATION

| | For the six months ended 30 June | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Profit before taxation is arrived at after charging/(crediting): | | |
| Cost of consumable goods | 30,403 | 37,104 |
| Depreciation: | | |
| Owned property, plant and equipment | 37,062 | 20,699 |
| Right-of-use assets | 6,929 | 7,475 |
| COVID-19-related rent concessions received | – | (973) |
| Gain on disposal of property, plant and equipment | (165) | (1,387) |
| Government grants* | (567) | (13,345) |
| Reversal of credit losses on trade receivables | (96) | (1,820) |
| Staff costs (including directors' remuneration): | | |
| Wages, salaries and other benefits | 823,720 | 520,516 |
| Provision for long service and severance payments | 43,193 | 11,254 |
| Provision for untaken paid leave | 6,703 | 6,702 |
| Contributions to defined contribution retirement scheme | 25,416 | 16,397 |
| Equity-settled share-based payments | – | 281 |
| | 899,032 | 555,150 |
| Short-term lease payments not included in the measurement of lease liabilities: | | |
| Machinery and motor vehicles | 27,395 | 22,814 |
| Land and buildings | 2,026 | 3,140 |
| | 29,421 | 25,954 |

* During the reporting period, 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 nil (six months ended 30 June 2022: HK\$7,696,000). The purpose of the funding was to provide financial support to enterprises to retain their employees or more employees when the business revives. Under the terms of the grant, the Group was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month;
- (ii) subsidies from the Green Employment Scheme of the Environment and Ecology Bureau of HK\$386,000 (six months ended 30 June 2022: HK\$567,000);
- (iii) subsidies for phasing out certain diesel commercial vehicles by the Group of nil (six months ended 30 June 2022: HK\$5,017,000); and
- (iv) other subsidies of HK\$181,000 (six months ended 30 June 2022: HK\$65,000).

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 UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

7. INCOME TAX

| | For the six months ended 30 June | |
|-------------------------------------|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Current tax – Hong Kong Profits Tax | 4,640 | 882 |
| Deferred tax | 126 | 5,047 |
| | 4,766 | 5,929 |

The provision for Hong Kong Profits Tax is calculated at 16.5% (six month ended 30 June 2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023, 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 2022.

8. DIVIDENDS

| | For the six months ended 30 June | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Final dividend in respect of the previous financial year, was approved and recognised during the interim period, of HK3.8 cents (six months ended 30 June 2022: HK0.9 cents) per ordinary share | 15,770 | 3,735 |

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2023 attributable to ordinary equity shareholders of the Company of HK\$21,834,000 (six months ended 30 June 2022: HK\$17,796,000) and the weighted average number of 415,000,000 (six months ended 30 June 2022: 415,000,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2023 and 2022 are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the interim periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with aggregate cost of HK\$26,455,000 (six months ended 30 June 2022: HK\$64,103,000), and disposed items of property, plant and equipment with aggregate carrying value of HK\$39,000 (six months ended 30 June 2022: HK\$969,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the right-of-use assets were transferred to property, plant and equipment with aggregate carrying value of nil (six months ended 30 June 2022: HK\$1,098,000). The Group also entered into a number of lease agreements for use of land and properties, and therefore recognised the additions to right-of-use assets of HK\$4,572,000 (six months ended 30 June 2022: HK\$16,911,000).

During the six months ended 30 June 2023, the Group received rent concessions for its leased properties amounting to nil (six months ended 30 June 2022: HK\$973,000) 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.

12. TRADE RECEIVABLES

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

| | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|-----------------------------------|-----------------------------------|---------------------------------------|
| Within 60 days | 366,816 | 359,602 |
| Over 60 days but within 120 days | 45,475 | 79,293 |
| Over 120 days but within 365 days | 12,752 | 12,311 |
| Over 365 days | 5,160 | 928 |
| | 430,203 | 452,134 |

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

13. TRADE PAYABLES

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

| | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|---------------------------------|-----------------------------------|---------------------------------------|
| Within 30 days | 21,496 | 21,214 |
| Over 30 days but within 60 days | 3,809 | 10,595 |
| Over 60 days but within 90 days | 1,183 | 861 |
| Over 90 days | 7,074 | 4,088 |
| | 33,562 | 36,758 |

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

14. BANK BORROWINGS

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

| | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|--|-----------------------------------|---------------------------------------|
| Current liabilities | | |
| Current portion of term loans from banks | 52,124 | 119,510 |
| Non-current portion of term loans from banks repayable on demand | 93,914 | 56,846 |
| | 146,038 | 176,356 |

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

| | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|-----------|-----------------------------------|---------------------------------------|
| Secured | 145,310 | 173,880 |
| Unsecured | 728 | 2,476 |
| | 146,038 | 176,356 |

The secured bank loans of the Group as at 30 June 2023 were secured by:

- (i) pledged bank deposits of HK\$7,188,000 (31 December 2022: HK\$7,176,000);
- (ii) pledge of cash and cash equivalents of HK\$196,000 (31 December 2022: HK\$406,000);
- (iii) mortgage of the land and buildings of HK\$63,743,000 (31 December 2022: HK\$65,074,000);
- (iv) pledge of the financial assets at fair value through profit or loss of HK\$14,916,000 (31 December 2022: HK\$2,576,000);
- (v) pledge of the trade receivables of HK\$128,841,000 (31 December 2022: HK\$104,610,000); and
- (vi) pledge of the contract assets of HK\$5,368,000 (31 December 2022: HK\$4,863,000).

As at 30 June 2023, the bank borrowings of the Group of HK\$146,038,000 (31 December 2022: HK\$176,356,000) bear interest ranging from 3.3% to 7.5% (31 December 2022: 2.09% to 7.25%) per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

15. LEASE LIABILITIES

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

| | At 30 June 2023 HK\$'000 | At 31 December 2022 HK\$'000 |
|---|-----------------------------------|---------------------------------------|
| Minimum lease payments | | |
| – within one year | 11,358 | 11,224 |
| – after one year but within five years | 16,726 | 17,708 |
| – after five years | 18,740 | 20,268 |
| | 35,466 | 37,976 |
| Less: Future interest expenses | (7,469) | (7,846) |
| Present value of lease liabilities | 39,355 | 41,354 |
| Present value of minimum lease payments | | |
| – within one year | 10,219 | 10,153 |
| – after one year but within five years | 13,681 | 14,524 |
| – after five years | 15,455 | 16,677 |
| | 29,136 | 31,201 |
| | 39,355 | 41,354 |

16. SHARE CAPITAL

| | Number of shares '000 | Nominal value HK\$'000 |
|--|-----------------------------|------------------------------|
| Authorised: | | |
| <i>Ordinary shares of HK\$0.01 each</i> | | |
| As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 | 1,000,000 | 10,000 |
| Issued and fully paid: | | |
| <i>Ordinary shares of HK\$0.01 each</i> | | |
| As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 | 415,000 | 4,150 |

On 26 January 2022, the Company granted a total of 11,120,000 share options to certain directors and an employee for nil consideration under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share in the Company. The exercise price for each option is HK\$0.53. These options will be exercisable over the period from 1 January 2023 to 31 December 2024, subject to the conditions attached to the share options. No options were exercised during the six months ended 30 June 2022. Those share options were lapsed during the year ended 31 December 2022 due to the vesting criteria was unable to met.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

Level 3 valuations: Fair value measured using significant unobservable inputs

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

| | At 30 June 2023 | | | |
|--|---------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
| Financial assets at fair value through profit or loss | | | | |
| Investments in life insurance | – | – | 14,916 | 14,916 |

| | At 31 December 2022 | | | |
|--|---------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
| Financial assets at fair value through profit or loss | | | | |
| Investments in life insurance | – | – | 14,872 | 14,872 |

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

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

Reconciliation of Level 3 fair value measurements

| | For the six months ended 30 June | |
|--------------------------------------|-------------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Investments in life insurance | | |
| Opening balance | 14,872 | 14,669 |
| Gains recognised in profit or loss | 44 | 59 |
| Closing balance | 14,916 | 14,728 |

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

18. LEASE COMMITMENT

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable leases payable not included in the lease liabilities as follows:

| | At | At |
|-----------------|----------|-------------|
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Within one year | 1,695 | 1,065 |

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

| | At | At |
|--|----------|-------------|
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Capital expenditure in respect of the additions of property, plant and equipment | | |
| – Contracted for within one year | 4,960 | 5,969 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

20. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions and balances during the interim period:

- (a) Compensation paid to key management personnel who were directors of the Company was as follows:

| | For the six months ended 30 June | |
|-------------------------------------|----------------------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Short term employee benefits | 6,094 | 5,172 |
| Retirement scheme contributions | 296 | 286 |
| Equity-settled share-based payments | – | 202 |
| | 6,390 | 5,660 |

- (b) Transactions with a joint venture

| | For the six months ended 30 June | |
|---|----------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Income relating to right-of-use assets | 1,782 | 2,070 |
| Interest income | 99 | 98 |
| Sourcing, collection and sorting waste plastics services income | 1,602 | 2,500 |
| Other services income | 132 | 38 |

- (c) Balances with a joint venture

| | At | At |
|--|---------------|---------------|
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Trade receivables | 4,233 | 4,572 |
| Other receivables: | | |
| Loan to a joint venture | 3,300 | 3,300 |
| Interest receivable from a joint venture | 718 | 620 |
| Receivable from a joint venture | 20,971 | 20,307 |
| | 29,222 | 28,799 |

- (d)

| Nature of related party relationship | Nature of transaction | Interested director | For the six months ended 30 June | |
|---|--|---------------------|----------------------------------|----------|
| | | | 2023 | 2022 |
| | | | HK\$'000 | HK\$'000 |
| Common director and shareholder | Information technology service fee | Mr. Ng Wing Hong | 3,590 | 2,258 |
| The company owned by close member of director and shareholder | Information technology service fee | Mr. Ng Wing Hong | – | 659 |
| The company owned by close member of director and shareholder | Purchase of cleaning equipment and materials | Mr. Ng Wing Hong | 267 | 312 |
| The company owned by close member of director and shareholder | Rental expenses and other services fee | Mr. Ng Wing Hong | 210 | 436 |

INDEPENDENT REVIEW REPORT



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 29 which comprises the consolidated statement of financial position of Baguio Green Group Limited as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 August 2023

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2023, as far as is known to the Directors or chief executives of the Company, the following persons or corporations were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") or as otherwise notified to the Company:

| Name | Capacity/ Nature of interest | Number of issued shares held | Approximate percentage holding (%) |
|--|---|------------------------------------|--|
| Ng Wing Hong | Interest of controlled corporation/ Beneficial owner <i>(Note 1)</i> | 279,256,000 | 67.29 |
| Chan Shuk Kuen | Family interest <i>(Note 2)</i> | 279,256,000 | 67.29 |
| Ng Yuk Kwan Phyllis | Beneficial owner <i>(Note 3)</i> | 26,736,000 | 6.44 |
| Mak Che Fai Lawrence | Family interest <i>(Note 4)</i> | 26,736,000 | 6.44 |
| Baguio Green (Holding) Limited | Beneficial owner <i>(Note 1)</i> | 275,000,000 | 66.27 |
| David Michael Webb | Interest of controlled corporation/ Beneficial owner <i>(Note 5)</i> | 20,812,000 | 5.01 |
| Preferable Situation Assets Limited ("PSA") | Beneficial owner <i>(Note 5)</i> | 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and an executive Director. In addition, Mr. Ng Wing Hong also directly held 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 30 June 2023, the Company had not been notified of any other persons having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

DIRECTOR'S INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2023, the shareholding interests of Mr. Ng Wing Hong and Ms. Ng Yuk Kwan Phyllis are set out in the section "Substantial Shareholders' Interests" above and the share option interests of all Directors are presented on pages 32 to 35 in the section "Share Option Scheme" below. Apart from the foregoing, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under the Listing Rules.

SHARE OPTION SCHEME

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

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

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

OTHER INFORMATION

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:

The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

OTHER INFORMATION

| | |
|---|---|
| Amount payable on acceptance of the option and the period within which such payment must be made: | An offer for grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.00. |
| Maximum entitlement of each eligible participant: | The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "Participant Limit"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules. |
| Exercise price: | The Board is entitled to determine the price per Share payable on the exercise of an option according to the terms of the Share Option Scheme. |
| Minimum holding period: | The Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. |
| Period within which the securities must be taken up under an option: | In respect of any option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and in the absence of such determination, the period commencing from the acceptance date of the option and ending (i) in accordance with the Share Option Scheme; or (ii) on the day immediately preceding the tenth anniversary of the date of grant. |
| The remaining life of the Share Option Scheme: | 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. |

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, while 848,000 share options were lapsed during the Period due to the resignation of employees who had been granted share options.

At end of Period, there were 36,988,000 (1 January 2023: 36,140,000) share options available for grant under the share option scheme. The total number of shares available for issue under the Share Option Scheme is 40,000,000 shares, representing approximately 9.64% of the total number of shares of the Company in issue as at the date of this report.

OTHER INFORMATION

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

| Name or category of participants | Date of grant (Note 1) | Number of underlying shares comprised in share options | | | | | Outstanding as at 30 June 2023 | Exercise period | Exercise price per share (HK\$) |
|---|---------------------------|---|---------------------------------|-----------------------------------|--|---|---|--------------------|--|
| | | Outstanding as at 1 January 2023 | Granted during the Period | Exercised during the Period | Cancelled/ lapsed during the Period | Outstanding as at 30 June 2023 | | | |
| Directors | | | | | | | | | |
| Ms. Ng Yuk Kwan Phyllis | 16/10/2015 | 292,000 | - | - | - | 292,000 | 16/10/2017– 23/04/2024 | 1.00 | |
| Mr. Ng Wing Chuen (Note 3) | 16/10/2015 | 240,000 | - | - | (240,000) | - | 16/10/2017– 23/04/2024 | 1.00 | |
| Ms. Leung Shuk Ping | 16/10/2015 | 216,000 | - | - | - | 216,000 | 16/10/2017– 23/04/2024 | 1.00 | |
| Ms. Cheung Siu Chun (Note 2) | 16/10/2015 | 240,000 | - | - | (240,000) | - | 16/10/2017– 23/04/2024 | 1.00 | |
| Mr. Sin Ho Chiu | 16/10/2015 | 140,000 | - | - | - | 140,000 | 16/10/2017– 23/04/2024 | 1.00 | |
| Dr. Law Ka Hung (Note 3) | 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 | |
| Sub-total | | 1,408,000 | - | - | (620,000) | 788,000 | | | |
| Other Eligible Participants (in aggregate) | | | | | | | | | |
| Other employees | 16/10/2015 | 2,452,000 | - | - | (228,000) | 2,224,000 | 16/10/2017– 23/04/2024 | 1.00 | |
| Sub-total | | 2,452,000 | - | - | (228,000) | 2,224,000 | | | |
| Total | | 3,860,000 | - | - | (848,000) | 3,012,000 | | | |

Notes:

- (1) The share options, those granted on 16 October 2015, vested on 16 October 2017.
- (2) Ms. Cheung Siu Chun resigned as executive Director with effect from 1 May 2023.
- (3) Mr. Ng Wing Chuen and Dr. Law Ka Hung resigned as an executive Director and independent non-executive Director respectively with effect from 31 May 2023.

OTHER INFORMATION

SHARE AWARD PLAN

The Company adopted a share award plan (the “Share Award Plan”) on 12 December 2017. Details of which were disclosed in the announcements dated 12 December 2017 and 15 January 2018. The purposes of the plan is to recognise and reward the contribution of certain eligible participants, to give incentives to eligible participants 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.

A summary of the Share Award Plan of the Company is as follows:

Eligible participants

Eligible participants include any individual, being an employee, director, officer, consultant or adviser of any member of the Group or any other person whom the Board of Directors of the Company or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group.

Total number of shares available for issue

The total number of shares which may be awarded for each financial year under the Share Award Plan and any other share option scheme(s) of the Company shall not exceed 10% of the total number of shares of the Company in issue at the beginning of such financial year.

Maximum entitlement of each participant

The total number of shares issued and to be issued under the Share Award Plan and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares of the Company in issue as at the date of grant.

Any further grant in excess of this 1% limit must be separately approved by shareholders with such grantee and his associates abstaining from voting. The Company shall send a circular to the shareholders which contains the information required by the Listing Rules.

Vesting period of awarded shares

The Board may from time to time while the Share Award Plan is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested.

Subject to the terms and conditions of the Share Award Plan and the fulfilment of all vesting conditions to the vesting of the awarded shares of the Company on such selected participant, the respective awarded shares of the Company shall vest in such selected participant.

Payment on acceptance of award

None.

Basis of determining the purchase price of shares awarded

Not applicable as there is no purchase price under the Share Award Plan.

Remaining life of the Share Award Plan

Subject to any early termination determined by the board in accordance with the rules of the Share Award Plan, the Share Award Plan is valid and effective for a term of 10 years commencing on its adoption date (i.e. 12 December 2017 to 11 December 2027).

The Company has not granted any share awards under the Share Award Plan since its adoption date.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Period, 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.

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

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

CORPORATE GOVERNANCE

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

CHANGE IN INFORMATION OF DIRECTORS

During the Period, the change in information of Directors of the Company which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

| Name of Director | Details of changes |
|--------------------------------|--|
| Ms. Cheung Siu Chun | Resigned as an executive Director, the Chief Financial Officer and the Company Secretary of the Company with effect from 1 May 2023 |
| Mr. Ng Wing Chuen | Resigned as an executive Director of the Company with effect from 31 May 2023 |
| Dr. Law Ka Hung | Resigned as an independent non-executive Director, the chairman of nomination committee as well as a member of the audit committee and remuneration committee of the Company with effect from 31 May 2023 |
| Professor Cheng Edwin Tai Chiu | Appointed as an independent non-executive Director, the chairman of nomination committee as well as a member of the audit committee and remuneration committee of the Company with effect from 31 May 2023 |

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Subsequent to the Period and as at the date of this interim report, there was no non-financial event that may cause material effects on the results of the Company.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company ("Audit Committee") is to review the effectiveness of the Group's financial reporting process, risk management and internal control systems, and to oversee the audit and review process of the external auditor. The Audit Committee currently consists of three independent non-executive Directors.

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

DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This interim report (in both English and Chinese versions) is available to any shareholder in printed form and on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.baguio.com.hk>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this interim report.

This document is published in English version and Chinese translation version. In case of any inconsistency of meanings of the words or terms between the English version and the Chinese translation version, the English version shall prevail.

碧瑤綠色集團有限公司
Baguio Green Group Limited