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BAGUIO GREEN GROUP LIMITED

碧瑤綠色集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1397)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2022 amounted to approximately HK\$1,793.1 million (2021: HK\$1,273.8 million), representing an increase of approximately 40.8% as compared with the preceding year.
- Gross profit for the year ended 31 December 2022 was approximately HK\$151.0 million (2021: HK\$109.0 million), representing an increase of approximately 38.5% as compared with the preceding year.
- The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2022 was approximately HK\$53.7 million (2021: HK\$12.8 million), representing an increase of approximately 3.2 times as compared with the preceding year.
- A final dividend of HK3.8 cents (2021: HK0.9 cents) per share, totalling HK\$15,770,000 (2021: HK\$3,735,000) was recommended by the Board for the year ended 31 December 2022.

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 announce the consolidated annual results of the Group for the year ended 31 December 2022 (“2022” or the “Year”).

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

Results

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

Final Dividend

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

Revenue breakdown of major business segments

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

Gross profit margin of major business segments

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

Riding on our professional management, quality services and stringent control in safety precaution, the Group continued to maintain a high tender success rate at approximately 43.7% in 2022 (2021: 39.5%).

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

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

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

Contracts on hand

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

	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	2,726.3	1,373.5	935.5	417.3
Waste management and recycling services	530.1	244.7	131.3	154.1
Landscaping services	143.4	93.1	35.0	15.3
Pest management services	189.7	83.8	62.8	43.1
Total	<u>3,589.5</u>	<u>1,795.1</u>	<u>1,164.6</u>	<u>629.8</u>

PROSPECTS

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Services

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

Gross Profit

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

Gross Profit Margin

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

Other Income, Gain and Losses

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

Change in Fair Value Less Costs to Sell of Biological Assets

The Group's biological assets consist of trees, plants and flowers located at the Group's nurseries in the PRC and Hong Kong. The change in fair value of the biological assets for the years ended 31 December 2022 and 2021 were approximately loss of HK\$2.5 million and HK\$4.2 million respectively. The decrease in fair value was mainly due to the sales market affected by the COVID-19 pandemic.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for the years ended 31 December 2022 and 2021 were approximately HK\$2.2 million and HK\$1.8 million respectively, representing an increase of approximately 27.2%. These expenses are mainly for the promotional activities and channels to promote our recycling business and to enhance the public awareness of environmental protection and waste recycling.

Administrative Expenses

The administrative expenses of the Group for the years ended 31 December 2022 and 2021 were approximately HK\$100.9 million and HK\$92.5 million respectively, representing an increase of approximately 9.1%, and approximately 5.6% and 7.3% of the respective year's total revenue. The increase was mainly due to the increase in wages and allowances for staff and office overhead to support new business development, and to strengthen and expand ERP system enhancing the competitiveness. The Group continued to implement its budget cost control measures for administrative expenses during the Year.

Finance Costs

The finance costs of the Group amounted to approximately HK\$8.2 million and HK\$4.7 million for the years ended 31 December 2022 and 2021 respectively, representing approximately 0.5% of and 0.4% of the Group's total revenue respectively. The increase was mainly due to the increase in the level of working capital loan and interest rate on bank borrowings during the Year.

Profit for the Year Attributable to Equity Shareholders of The Company

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

FOREIGN CURRENCY EXPOSURE

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives cash flow from operating activities principally from rendering a comprehensive range of environmental services. For the Year, we had net cash generated from operating activities of approximately HK\$90.4 million (2021: HK\$88.0 million). As at 31 December 2022, the Group had available cash and bank balances amounting to approximately HK\$29.0 million (2021: HK\$32.3 million), representing a decrease of approximately 10.1%.

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

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

As at 31 December 2022, the gearing ratio of the Group was approximately 0.7 times (2021: 0.6 times), which was calculated based on the total interest-bearing bank borrowings, lease liabilities and other loan over total equity of the Group.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

For the Year, capital expenditures, which mainly included additions in motor vehicles and equipment, amounted to approximately HK\$138.7 million (2021: HK\$73.4 million). Capital expenditures were funded by banks and funds generated from our operating activities.

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

CONTINGENT LIABILITIES

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

CHARGES ON THE GROUP'S ASSETS

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

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


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

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

INTELLECTUAL PROPERTIES

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

HUMAN RESOURCES

As at 31 December 2022, the Group employed 8,894 employees (2021: 5,621 employees), including both full time and part time employees. Remuneration packages are generally structured by reference to market terms together with individual qualifications and experience.

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

The consolidated annual results of the Group for the year ended 31 December 2022 together with the comparative figures of 2021 are as follows:

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

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	1,793,121	1,273,809
Cost of services		<u>(1,642,149)</u>	<u>(1,164,804)</u>
Gross profit		150,972	109,005
Other income, gains and losses	6	29,760	22,154
Change in fair value less costs to sell of biological assets	13	(2,492)	(4,223)
Selling and marketing expenses		(2,238)	(1,759)
Administrative expenses		<u>(100,861)</u>	<u>(92,482)</u>
Profit from operations		75,141	32,695
Finance costs	7	(8,236)	(4,691)
Share of losses of a joint venture		<u>(1,747)</u>	<u>(6,278)</u>
Profit before taxation	8	65,158	21,726
Income tax	9	(13,753)	(8,882)
Profit for the year		51,405	12,844
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		(209)	59
Cash flow hedge: share of net movement in the hedging reserve of a joint venture		<u>–</u>	<u>(414)</u>
Other comprehensive income		<u>(209)</u>	<u>(355)</u>
Total comprehensive income for the year		<u>51,196</u>	<u>12,489</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Profit for the year attributable to:			
Equity shareholders of the Company		53,709	12,847
Non-controlling interests		(2,304)	(3)
		<u>51,405</u>	<u>12,844</u>
Total comprehensive income for			
the year attributable to:			
Equity shareholders of the Company		53,500	12,492
Non-controlling interests		(2,304)	(3)
		<u>51,196</u>	<u>12,489</u>
Earnings per share			
Basic and diluted (HK cents)	<i>11</i>	<u>12.94</u>	<u>3.10</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		277,976	190,023
Right-of-use assets		40,544	38,442
Interest in a joint venture		–	1,747
Financial assets at fair value through profit or loss		14,872	14,669
Prepayments, deposits and other receivables		29,508	31,628
Deferred tax assets		2,343	2,643
		<u>365,243</u>	<u>279,152</u>
Current assets			
Inventories		3,050	3,531
Contract assets		10,723	10,418
Trade receivables	<i>12</i>	452,134	297,146
Prepayments, deposits and other receivables		19,288	18,062
Tax recoverable		1,280	7
Biological assets	<i>13</i>	8,292	13,209
Pledged bank deposits		7,176	7,164
Cash and cash equivalents		28,982	32,254
		<u>530,925</u>	<u>381,791</u>
Current liabilities			
Trade payables	<i>14</i>	36,758	32,269
Contract liabilities		410	756
Accruals, deposits received and other payables		263,675	152,428
Bank borrowings		176,356	123,605
Lease liabilities		10,153	9,282
Tax payable		2,601	426
		<u>489,953</u>	<u>318,766</u>
Net current assets		<u>40,972</u>	<u>63,025</u>
Total assets less current liabilities		<u>406,215</u>	<u>342,177</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Other payables		1,188	1,620
Lease liabilities		31,201	28,439
Provision		14,352	10,969
Deferred tax liabilities		23,363	14,568
		<u>70,104</u>	<u>55,596</u>
Net assets		<u>336,111</u>	<u>286,581</u>
Capital and reserves			
Share capital	<i>15</i>	4,150	4,150
Reserves		333,468	282,434
		<u>337,618</u>	<u>286,584</u>
Total equity attributable to equity shareholders of the Company		337,618	286,584
Non-controlling interests		(1,507)	(3)
		<u>336,111</u>	<u>286,581</u>
Total equity		<u>336,111</u>	<u>286,581</u>

NOTES

1. GENERAL INFORMATION

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

2. BASIS FOR PREPARATION

The financial information set out in this announcement does not constitute the Group's annual consolidated financial statements for the year ended 31 December 2022, but is derived from those financial statements.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the changes in accounting policies set out in note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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.

Segment revenue and results

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

	Cleaning services business <i>HK\$'000</i>	Waste management and recycling business <i>HK\$'000</i>	Landscaping services business <i>HK\$'000</i>	Pest management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2022					
Revenue from external customers					
— recognised over time	1,330,697	207,209	122,213	97,006	1,757,125
— recognised at point in time	—	35,996	—	—	35,996
Reportable segment revenue	<u>1,330,697</u>	<u>243,205</u>	<u>122,213</u>	<u>97,006</u>	<u>1,793,121</u>
Segment results	<u>121,287</u>	<u>8,012</u>	<u>12,252</u>	<u>7,183</u>	<u>148,734</u>
Other income, gains and losses					29,760
Change in fair value less costs to sell of biological assets (note 13)					(2,492)
Administrative expenses					(100,861)
Finance costs					(8,236)
Share of losses of a joint venture					(1,747)
Profit before taxation					<u><u>65,158</u></u>
	Cleaning services business <i>HK\$'000</i>	Waste management and recycling business <i>HK\$'000</i>	Landscaping services business <i>HK\$'000</i>	Pest management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2021					
Revenue from external customers					
— recognised over time	825,451	193,690	112,321	102,011	1,233,473
— recognised at point in time	—	40,336	—	—	40,336
Reportable segment revenue	<u>825,451</u>	<u>234,026</u>	<u>112,321</u>	<u>102,011</u>	<u>1,273,809</u>
Segment results	<u>71,563</u>	<u>21,725</u>	<u>6,069</u>	<u>7,889</u>	107,246
Other income, gains and losses					22,154
Change in fair value less costs to sell of biological assets (note 13)					(4,223)
Administrative expenses					(92,482)
Finance costs					(4,691)
Share of losses of a joint venture					(6,278)
Profit before taxation					<u><u>21,726</u></u>

Segment assets and liabilities

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

	Cleaning services business <i>HK\$'000</i>	Waste management and recycling business <i>HK\$'000</i>	Landscaping services business <i>HK\$'000</i>	Pest management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022					
Segment assets	611,699	175,200	68,538	36,583	892,020
Unallocated					4,148
Total assets					<u>896,168</u>
Segment liabilities	405,704	98,028	21,899	31,720	557,351
Unallocated					2,706
Total liabilities					<u>560,057</u>
As at 31 December 2021					
Segment assets	363,973	171,922	83,035	38,888	657,818
Unallocated					3,125
Total assets					<u>660,943</u>
Segment liabilities	244,669	81,281	23,798	23,015	372,763
Unallocated					1,599
Total liabilities					<u>374,362</u>

Other segment information

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

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

Geographical information

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

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

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

Information about major customers

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

5. REVENUE

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

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

6. OTHER INCOME, GAINS AND LOSSES

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

* During the year ended 31 December 2022, the Group recognised the government grants as follows:

- (i) Employment Support Scheme, which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund of the Government of HK\$11,320,000 (2021: Nil). The purpose of the funding is to provide financial support to employers to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required employ a sufficient number of employees with reference to its proposed employee headcounts;
- (ii) subsidies from the Green Employment Scheme of the Environment Bureau of HK\$875,000 (2021: HK\$1,166,000);
- (iii) subsidies for phasing out certain diesel commercial vehicles by the Group of HK\$5,147,000 (2021: HK\$1,041,000); and
- (iv) other subsidies of HK\$147,000 (2021: HK\$105,000).

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

7. FINANCE COSTS

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

8. PROFIT BEFORE TAXATION

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

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

9. INCOME TAX

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

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

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

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

10. DIVIDENDS

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

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

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

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

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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:

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

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

13. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

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

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

The fair value of biological assets of the Group as at 31 December 2022 and 2021 has been arrived at the basis of a valuation carried out at that date by the independent valuer and the independent valuer has appropriate qualifications and experiences in providing biological assets valuation services.

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

14. TRADE PAYABLES

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

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

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

15. SHARE CAPITAL

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

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

POST BALANCE SHEET EVENTS

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

CLOSURE OF REGISTER OF MEMBERS

For determining eligibility to attend and vote at the Annual General Meeting which shall be held on Wednesday, 31 May 2023, the register of members of the Company will be closed tentatively from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which no transfer of shares of the Company will be registered. All transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023 or at another time and/or date as advised.

For determining entitlement to the final dividend, the register of members of the Company will be closed tentatively from Monday, 26 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which no transfer of shares of the Company will be registered. All transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 June 2023.

CORPORATE GOVERNANCE

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

Information on the corporate governance practices adopted by the Company will be set out in the Corporate Governance Report in the Group's 2022 annual report to be published in due course.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with the management of the Company the consolidated financial statements of the Group for the Year, and reviewed and discussed the effectiveness of the risk management and internal control system of the Company with the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all Directors, each of the Directors confirmed that he/she has complied with the Model Code throughout the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Year.

SCOPE OF WORK OF KPMG

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.baguio.com.hk). The annual report of the Company for the Year will be despatched to the Shareholders as well as published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 30 March 2023

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