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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)

EXTENSION OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

THE SUPPLEMENTAL AGREEMENTS

Reference is made to the Prospectus and the announcement of the Company dated 1 April 2015 in relation to, among other things, the Annual Caps of the service charges payable by Baguio Cleaning to CCE and NSL, respectively, for the years ended 31 December 2014, 2015 and the year ending 31 December 2016.

As the Annual Caps will expire on 31 December 2016 and the IT Agreement and the Supply Agreement will expire on 27 January 2017 and 26 January 2017, respectively, on 29 December 2016 (after trading hours), (i) Baguio Cleaning and NSL entered into the Supplemental IT Agreement to extend the term of the provision of IT Services to the Group under the IT Agreement for a further term of 35 months commencing from 27 January 2017 up to and including 31 December 2019; and (ii) Baguio Cleaning and CCE entered into the Supplemental Supply Agreement to extend the supply of cleaning equipment and materials to the Group under the Supply Agreement for a further term of 35 months commencing from 26 January 2017 up to and including 31 December 2019. In view of the above, the Board has determined the Proposed Annual Caps for each of the abovementioned continuing connected transactions for the three years ending 31 December 2019.

LISTING RULES IMPLICATION

As at the date of this announcement, (i) NSL is owned as to approximately 87% by Mr. Ng, the chairman, a Controlling Shareholder and an executive Director of the Company, through his wholly-owned company, IT Holdings Limited; and (ii) CCE is owned as to approximately 74% by Mr. Ng Wing Sun, a brother of Mr. Ng. Accordingly, NSL and CCE are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios for the Supplemental Agreements exceed 0.1% but are less than 5%, the Supplemental Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

Reference is made to the Prospectus and the announcement of the Company dated 1 April 2015 in relation to, among other things, the Annual Caps of the service charges payable by Baguio Cleaning to NSL and CCE, respectively, for the years ended 31 December 2014, 2015 and the year ending 31 December 2016.

As the Annual Caps will expire on 31 December 2016 and the IT Agreement and the Supply Agreement will expire on 27 January 2017 and 26 January 2017, respectively, on 29 December 2016 (after trading hours), (i) Baguio Cleaning and NSL entered into the Supplemental IT Agreement to extend the term of the provision of IT Services to the Group under the IT Agreement for a further term of 35 months commencing from 27 January 2017 up to and including 31 December 2019; and (ii) Baguio Cleaning and CCE entered into the Supplemental Supply Agreement to extend the supply of cleaning equipment and materials to the Group under the Supply Agreement for a further term of 35 months commencing from 26 January 2017 up to and including 31 December 2019. In view of the above, the Board has determined the Proposed Annual Caps for each of the abovementioned continuing connected transactions for the three years ending 31 December 2019.

THE IT AGREEMENT AND THE SUPPLEMENTAL IT AGREEMENT

- Date** : 29 December 2016 (after trading hours)
- Parties** : (i) Baguio Cleaning
(ii) NSL
- Subject** : NSL to provide the IT Services to the Group.
- Price** : The service fees payable by the Group to NSL was determined on arms' length negotiation between the parties with reference to the prevailing market rates.
- Payment** : Payment for the IT Services will be settled upon the issuance of the invoice to be issued by NSL to Baguio Cleaning.
- Term** : Under the terms of the Supplemental IT Agreement, the term of Services is to be extended for a period of 35 months after the expiry of the IT Agreement.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the Annual Caps under the IT Agreement for each of the years ended 31 December 2014, 2015 and the year ending 31 December 2016 and the respective actual amount paid or expected to be paid by Baguio Cleaning to NSL in relation to the provision of IT Services:

For the year ended 31 December	Approved Annual Cap payable by Baguio Cleaning to NSL	Actual amount paid or expected to be paid by Baguio Cleaning to NSL
2014	HK\$1,000,000	HK\$984,000
2015	HK\$6,000,000	HK\$3,153,000
2016	HK\$2,500,000	HK\$1,100,000

PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION

Set out below are the Proposed Annual Caps for transactions under the Supplemental IT Agreement for each of the three years ending 31 December 2017, 2018 and 2019:

For the year ending 31 December	Proposed Annual Caps
2017	HK\$4,000,000
2018	HK\$4,000,000
2019	HK\$4,000,000

The Proposed Annual Caps under the Supplemental IT Agreement were determined with reference to the historical transaction amounts, the business plan of the Group and the projected IT Services to be assigned to NSL by the Group.

THE SUPPLY AGREEMENT AND THE SUPPLEMENTAL SUPPLY AGREEMENT

Date	: 29 December 2016 (after trading hours)
Parties	: (i) Baguio Cleaning (ii) CCE
Subject	: CCE to supply cleaning equipment and materials to the Group.
Price	: The amount of purchases payable by the Group to CCE was determined on an arm's length basis between the parties by reference to the amount of purchases made between the parties.
Payment	: Payment for the purchases will be settled upon the issuance of the invoice to be issued by CCE to Baguio Cleaning.

Term : Under the terms of the Supplemental Supply Agreement, the term of Services is to be extended for a period of 35 months after the expiry of the Supply Agreement.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the Annual Caps under the Supply Agreement for each of the years ended 31 December 2014, 2015 and the year ending 31 December 2016 and the respective actual amount paid or expected to be paid by Baguio Cleaning to CCE in relation to the supply of cleaning equipment and materials:

For the year ended 31 December	Approved Annual Caps payable by Baguio Cleaning to CCE	Actual amount paid or expected to be paid by Baguio Cleaning to CCE
2014	HK\$3,500,000	HK\$3,038,000
2015	HK\$3,500,000	HK\$1,419,000
2016	HK\$3,500,000	HK\$1,400,000

PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION

Set out below is the Proposed Annual Caps for transactions under the Supplemental Supply Agreement for each of the three years ending 31 December 2017, 2018 and 2019:

For the year ending 31 December	Proposed Annual Caps
2017	HK\$3,500,000
2018	HK\$3,500,000
2019	HK\$3,500,000

The Proposed Annual Caps under the Supplemental Supply Agreement were determined with reference to the historical transaction amounts, the business plan of the Group and the projected amount of purchases to be made by the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Our Directors, including our independent non-executive Directors, considered that the Services provided by CCE and NSL have been reliable and reasonable and that the transactions with NSL and CCE are and will be conducted on normal commercial terms. The Board further considered that it is in the interests of the Company and the Shareholders as a whole for the Group to continue to engage NSL for providing IT Services and CCE for supplying cleaning equipment and materials in accordance with the terms and conditions of the IT Agreement, Supply Agreement and Supplemental Agreements.

Having considered the proposed fees to be paid under the IT Agreement and the Supply Agreement (as amended by the Supplemental Agreements), the Directors, including the independent non-executive Directors, are of the view that the Proposed Annual Caps for the three years ending 31 December 2019 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROLS

To ensure the transactions under the Supplemental IT Agreement and the Supplemental Supply Agreement are and will be on normal commercial terms, the Company has adopted the following internal control procedures:

- (i) the Company will take reference from publicly available prices and obtain fee quotations from independent comparable information technology service providers and cleaning equipment and materials suppliers for products in similar quantities to determine if the price and terms offered by NSL and CCE are fair and reasonable and comparable to those offered by independent parties; and
- (ii) the independent non-executive Directors of the Company will conduct annual review of the IT Services and the purchases the Group made from CCE, including whether they are based on the Supplemental Agreements and the fairness of our Group's basis of selecting its information technology service provider and cleaning equipment and materials supplier.

GENERAL

Information of the Group

The Group is principally engaged in the provision of environmental services in Hong Kong, which includes cleaning, landscaping, waste management and recycling and pest management services.

Information of Baguio Cleaning

Baguio Cleaning is a wholly-owned subsidiary of the Company and is primarily engaged in providing cleaning services to our customers.

Information of NSL

NSL is a company incorporated in Hong Kong and is principally engaged in the provision of information technology services.

Information of CCE

CCE is a company incorporated in Hong Kong and is principally engaged in the supply of cleaning equipment and materials.

LISTING RULES IMPLICATIONS

NSL is owned as to approximately 87% by Mr. Ng, the chairman, a Controlling Shareholder and an executive Director of the Company, through his wholly-owned company, IT Holdings Limited and CCE is owned as to approximately 74% by Mr. Ng Wing Sun, a brother of Mr. Ng. Accordingly, NSL and CCE are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios for the Supplemental Agreements exceed 0.1% but are less than 5%, the Supplemental Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Annual Cap(s)”	the maximum annual amount of service fee payable by Baguio Cleaning in relation to the provision of IT Services by NSL and the supply of cleaning equipment and materials to the Group under the Supply Agreement by CCE for the years ended 31 December 2014, 2015 and the year ending 31 December 2016
“Baguio Cleaning”	Baguio Cleaning Services Company Limited (碧瑤清潔服務有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“CCE”	Cleanic Cleaning Equipment Ltd., a company incorporated in Hong Kong with limited liability
“Company”	Baguio Green Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IT Agreement”	an information technology service agreement entered between Baguio Cleaning and NSL dated 28 January 2014
“IT Services”	the provision of information technology support services (such as hardware and networking support) to the Group in its ordinary course of business pursuant to the IT Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Wing Hong, the chairman, the Controlling Shareholder and an executive Director of the Company and also the Controlling Shareholder of NSL
“NSL”	Nexus Solutions Limited, a company incorporated in Hong Kong with limited liability
“Proposed Annual Caps”	the amounts of Annual Caps proposed for the years ending 31 December 2017, 2018 and 2019
“Prospectus”	the prospectus of the Company published on 12 May 2014
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the Supplemental IT Agreement and Supplemental Supply Agreement
“Supplemental IT Agreement”	the agreement entered into between Baguio Cleaning and NSL on 29 December 2016 to extend the term of the IT Agreement
“Supplemental Supply Agreement”	the agreement entered into between Baguio Cleaning and CCE on 29 December 2016 to extend the term of the Supply Agreement
“Supply Agreement”	a supply of cleaning equipment and materials agreement entered between Baguio Cleaning and CCE dated 27 January 2014
“%”	per cent.

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

Hong Kong, 29 December 2016

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