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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

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTION

On 28 January 2014, Baguio Cleaning (a wholly-owned subsidiary of the Company) and NSL entered into the IT Agreement, under which NSL agreed to provide information technology support services (such as hardware and networking support) to the Group in its ordinary course of business pursuant to the IT Agreement. In return, NSL would receive service charges from Baguio Cleaning for the provision of the IT Services.

After the entering of the IT Agreement, the Group considered that it requires an IT Services Upgrade to promote efficiency in its IT system for its expanding operations and it will need an increase in IT Services procured from NSL as such, the Group considers that the Original Annual Caps will be insufficient. The Directors therefore proposed to revise the annual caps of the service charges payable by Baguio Cleaning to NSL for each of the two years ending 31 December 2015 and 2016.

NSL is owned as to approximately 87% by Mr. Ng, a Controlling Shareholder and an executive Director of the Company, and as to approximately 0.14% through his wholly-owned company, IT Holdings Limited. Accordingly, NSL is a connected person of our Company under Chapter 14A of the Listing Rules and the Revision of Annual Caps constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Chapter 14A of the Listing rules on the revised annual caps is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

Reference is made to the paragraphs headed “continuing connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements — Category (A)” under the section “Continuing Connected Transactions” on page 151 to 152 of the Prospectus regarding the IT Agreement entered into between Baguio Cleaning, a wholly owned subsidiary of the Company and NSL, a connected person of the Company.

On 28 January 2014, Baguio Cleaning (a wholly-owned subsidiary of the Company) and NSL entered into the IT Agreement, under which NSL agreed to provide information technology support services (such as hardware and networking support) to the Group in its ordinary course of business pursuant to the IT Agreement. In return, NSL would receive service charges from Baguio Cleaning for the provision of the IT Services.

After the entering of the IT Agreement, the Group considered that it requires an IT Services Upgrade to promote efficiency in its IT system for its expanding operations and it will need an increase in IT Services from NSL as such, the Group considers that the Original Annual Caps will be insufficient. The Directors therefore proposed to revise the annual caps of the service charges payable by Baguio Cleaning to NSL for each of the two years ending 31 December 2015 and 2016.

Major Terms of the IT Agreement

- Date : 28 January 2014
- Parties : (1) Baguio Cleaning
(2) 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 was/will be settled upon the issuance of the invoice issued/to be issued by NSL to Baguio Cleaning.
- Term : three years from the date of the IT Agreement or until the termination thereof in accordance with the terms of the IT Agreement.

REVISION OF ANNUAL CAPS

For the year ended 31 December 2014, the historical transaction amount under the IT Agreement was approximately HK\$984,000. The Directors confirm that the transaction amount under the IT Agreement for the period from 1 January 2015 to the date of this announcement comply with the relevant Original Annual Caps.

In view of the increase in IT Services from NSL for the reasons mentioned above, the Group considers that the Original Annual Caps will be insufficient. The Directors therefore revised the Original Annual Caps to as follows:

Financial Period	Revised Annual Caps
1 January 2015 to 31 December 2015	HK\$6,000,000
1 January 2016 to 31 December 2016	HK\$2,500,000

The Revised Annual Caps have been 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.

Save for the Revision of Annual Caps, all the terms and conditions of the IT Agreement remain unchanged.

Our Directors, including our independent non-executive Directors have confirmed that the entering into the IT Agreement is in the ordinary and usual course of business of our Group, the IT Agreement is on normal commercial terms, and the terms of the IT Agreement are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

NSL is owned as to approximately 87% by Mr. Ng, a Controlling Shareholder and an executive Director of the Company, and as to approximately 0.14% through his wholly-owned company, IT Holdings Limited. Accordingly, NSL is a connected person of our Company under Chapter 14A of the Listing Rules and the Revision of Annual Caps constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for the Revised Annual Caps (on an aggregated basis) exceeds 0.1% but is less than 5%, the Revision of Annual Caps is subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Ng has a material interest in the IT Agreement, he has abstained from attending the board meeting or voting on the Board resolutions approving the Revision of Annual Caps.

GENERAL

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.

NSL is principally engaged in providing IT Services such as hardware and network connection services to the Group.

DEFINITIONS

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

“ACCPAC”	a comprehensive enterprise resource planning (ERP) system which is expected to provide end-to-end accounting and financial management, sales and purchasing management and inventory management support to the Group
“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
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IT Agreement”	an information technology service agreement entered between Baguio Cleaning and NSL
“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
“IT Services Upgrade”	upgrade of the IT system of the Group (including purchasing and maintenance of the ACCPAC and the Sage CRM programs)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Wing Hong, the controlling shareholder and 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

“Original Annual Caps”	the annual caps as disclosed in the paragraphs headed “continuing connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements — Category (A)” under the section “Continuing Connected Transactions” on page 151 to 152 of the Prospectus
“Prospectus”	the prospectus of the Company published on 12 May 2014
“Revised Annual Caps”	the revised annual caps as set out on pages 2 and 3 of this announcement
“Revision of Annual Caps”	the revision of the Original Annual Caps for the financial periods ending 31 December 2015 and 31 December 2016, respectively
“Sage CRM”	part of an enterprise relationship planning program which is expected to manage the Group marketing and customer services
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

By order of the Board
NG WING HONG
Chairman

Hong Kong, 1 April 2015

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