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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)**

### **DISCLOSEABLE TRANSACTION:**

### **SHAREHOLDERS' AGREEMENT**

On 25 September 2019 (after trading hours of the Stock Exchange), the Company and Baguio Waste (an indirect wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with, amongst others, Swire Recycling and Alba in relation to the investment into and management of the JV Company. The JV Company will be engaged in the business of constructing and operating a plant (the "**Plant**") at Lot T6 of EcoPark for the recovery, recycling and reprocessing (including, without limitation, by way of washing, crushing, grinding and flake production) of the Specified Waste Plastics in Hong Kong as a subcontractor of Baguio Waste under the Government Lease, but excluding the collecting, storing, sorting or processing of mixed solid waste (the "**Business**").

As one or more of the applicable percentage ratios (as defined in the Listing Rules) is more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

### **THE SHAREHOLDERS' AGREEMENT**

On 25 September 2019 (after trading hours of the Stock Exchange), the Company and Baguio Waste (an indirect wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with, amongst others, Swire Recycling and Alba in relation to the investment into and management of the JV Company. The principal terms of the Shareholders' Agreement are set out below.

**Date:** 25 September 2019 (after trading hours of the Stock Exchange)

**Parties:** (i) Swire Recycling  
(ii) Alba

- (iii) Baguio Waste
- (iv) Swire Guarantor
- (v) Alba Guarantor
- (vi) The Company
- (vii) The JV Company

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries:

- (a) Swire Recycling is principally an investment holding company and a subsidiary of Swire Guarantor;
- (b) Swire Guarantor is an investment holding company;
- (c) Alba is principally an investment holding company and a subsidiary of Alba Guarantor;
- (d) Alba Guarantor is engaged in the investment in recycling and environmental services in Asia; and
- (e) Swire Recycling, Swire Guarantor, Alba, Alba Guarantor and their ultimate beneficial owner(s) are Independent Third Parties.

The JV Company is a company established by Swire Recycling as a joint venture company to carry on the Business. Prior to completion of the subscription, the JV Company has 10,000 issued shares and is wholly-owned by Swire Recycling.

**Scope of Business:**

The JV Company will engage in the Business, namely the business of constructing and operating a plant at Lot T6 of EcoPark for the recovery, recycling and reprocessing (including, without limitation, by way of washing, crushing, grinding and flake production) of the Specified Waste Plastics in Hong Kong as a subcontractor of Baguio Waste under the Government Lease, but excluding the collecting, storing, sorting or processing of mixed solid waste.

**Total investment amount:**

On the Completion Date, Swire Recycling, Alba and Baguio Waste will subscribe for the following shares in the JV Company respectively in cash:

Shareholder	No. of shares	Subscription price	Total no. of shares immediately after completion of the subscription	Approximate percentage of total issued shares immediately after completion of the subscription
Swire Recycling	9,990,000 <i>(Note)</i>	HK\$9,990,000 <i>(Note)</i>	10,000,000	33.33%
Alba	10,000,000	HK\$10,000,000	10,000,000	33.33%
Baguio	10,000,000	HK\$10,000,000	10,000,000	33.33%

*Note:* Swire Recycling subscribed for 10,000 shares in the JV Company for HK\$10,000 upon incorporation of the JV Company.

In addition, Swire Recycling, Alba and Baguio Waste will contribute to the JV Company shareholder loans pursuant to the Shareholder Loan Agreement. The amount of shareholder loan committed to be provided by Baguio Waste is HK\$3,300,000.

The shareholder loan shall carry interest in accordance with and subject to the terms of the Shareholder Loan Agreement.

The total amount of investment to be invested in the JV Company by the Group is HK\$13,300,000, being the sum of the subscription price for 10,000,000 shares in the JV Company and the amount of shareholder loan committed to be provided by Baguio Waste.

Immediately after completion of the subscription, the JV Company will be accounted for as an associated company in the consolidated accounts of the Company.

The total investment amount and the terms of the Shareholders' Agreement were determined pursuant to arm's length negotiations between Swire Recycling, Alba and the Group based on, amongst other things, estimated construction costs of the Plant and estimated working capital requirements of the Business, availability and amount of bank facility and other funding, and strengths and financial resources of and contribution by each party to the Business.

The Group will finance the investment in the JV Company by internal resources.

- Board composition:** The board of directors of the JV Company shall comprise six directors. Immediately after completion of subscription, each of Swire Recycling, Alba and Baguio Waste shall be entitled to appoint two directors of the JV Company.
- Ancillary agreements:** As a condition to the Shareholders' Agreement, the JV Company as borrower, Swire Guarantor as guarantor and The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as lender entered into a loan agreement for a loan facility to be granted by HSBC to the JV Company (“**HSBC Loan**”).
- In addition, the parties and/or their affiliates will enter into various agreements on or around the Completion Date, including:
- (i) Baguio Sub-contracting Agreement; and
  - (ii) Baguio Collection and Sourcing Agreement.
- Under the Baguio Sub-contracting Agreement, Baguio Waste grants the JV Company an exclusive right to use Lot T6 of EcoPark for the construction and operation of the Plant in compliance with the terms of the Government Lease.
- Under the Baguio Collection and Sourcing Agreement, the JV Company engages Baguio Waste to source, collect and sort Specified Waste Plastics on an exclusive basis on and subject to the terms of the agreement.
- Security given by Baguio Waste:** Pursuant to the HSBC Loan, Baguio Waste will give the following security in favour of HSBC as security for the facility to be granted by HSBC thereunder:
- (a) a charge over all the shares in the JV Company held by Baguio Waste pursuant to the security over shares agreement by Baguio Waste in favour of HSBC; and
  - (b) an assignment of rights over shareholder loans owing by the JV Company to Baguio Waste pursuant to the security assignment by Baguio Waste in favour of HSBC.
- Restriction on disposal of shares:** No Disposal (as defined in the Shareholders' Agreement) of any share or any legal or beneficial interest in a share in the JV Company shall be permitted except a transfer of the entire legal and beneficial interest in the share which is permitted by the terms of the Shareholders' Agreement.

**Duration of the Shareholders' Agreement:**

Unless otherwise specified therein, the Shareholders' Agreement shall terminate:

- (i) if the shares in the JV Company are listed on, or dealings in its shares commence in, a securities market;
- (ii) if only one shareholder of the JV Company (together with members of its group) remains holding shares in the JV Company; or
- (iii) in respect of the rights and obligations of any shareholder of the JV Company if it and all members of its group cease to hold any shares in the JV Company and each person to whom shares have been transferred by that shareholder and members of its group has entered into a deed of adherence in respect of the Shareholders' Agreement.

**Completion Date:** The Completion Date is expected to be 26 September 2019.

**REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group is principally engaged in providing professional cleaning, landscaping, pest management and waste management and recycling services and is one of the largest integrated environmental services providers in Hong Kong in terms of revenue.

Leveraging on the strength of the Group's domestic collection network and its extensive experience in the waste management industry, Alba Group's experience in providing recycling and environmental services as well as Swire Guarantor's strength in the domestic beverages market, the parties have agreed to set up the JV Company as a joint venture company to construct and operate a state-of-the-art recycling facility for plastic waste in Hong Kong, which is expected to commence operations in the third quarter of 2020. The facility is planned to be able to process the entire domestic volume of post consumer plastic beverage plastic bottles and personal care plastic bottles in Hong Kong upon commencement of operation and full production and will turn waste plastics into plastic resins and the highest quality food-grade plastic flakes. The project will place the Group in an advanced position in capturing future opportunities from related segments, while offering a platform for it to expand upstream and downstream along the waste management value chain.

The Directors are of the view that the transaction contemplated by the Shareholders' Agreement is in the interest of the Company and the terms of the transaction (including the terms of the Shareholders' Agreement) are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

Appended to this announcement is a press release of the JV Company dated today containing further information relating to the project.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) is more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

## DEFINITIONS

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

“Alba”	Alba Asia Plastics Recycling Limited, a company incorporated in Hong Kong
“Alba Group”	Alba and its Affiliated Group (as defined in the Shareholders’ Agreement)
“Alba Guarantor”	Alba Group Asia Limited, a company incorporated in Hong Kong
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baguio Sub-contracting Agreement”	the sub-contracting agreement to be entered into between Baguio Waste, the Company and the JV Company on or around the Completion Date
“Baguio Collection and Sourcing Agreement”	the collection and sourcing agreement to be entered into between Baguio rPlastic Ltd. (an indirect wholly-owned subsidiary of the Company), the Company and the JV Company on or around the Completion Date
“Baguio Waste”	Baguio Waste Management & Recycling Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Baguio Green Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the date upon which the condition specified in the Shareholders’ Agreement is satisfied or waived (or such other date as may be agreed among Swire Recycling, Alba and Baguio Waste)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EcoPark”	Area 38 Tuen Mun, New Territories, Hong Kong
“Government Lease”	the lease agreement dated 30 November 2017 entered into between the Government of Hong Kong and Baguio Waste in respect of Lot T6 of EcoPark (as amended and supplemented and as may from time to time be further amended, extended, modified, supplemented and/or varied)
“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 People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“JV Company”	New Life Plastics Limited 塑新生有限公司, a company incorporated in Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder Loan Agreement”	the shareholder loan agreement to be entered into between Swire Recycling, Alba, Baguio Waste and the JV Company on or around the Completion Date
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into between Swire Recycling, Alba, Baguio Waste, Swire Guarantor, Alba Guarantor, the Company and the JV Company on 25 September 2019 in relation to the investment into and management of the JV Company
“Specified Waste Plastics”	means: <ul style="list-style-type: none"> <li>(a) PET and HDPE waste bottles; and</li> <li>(b) other PET and HDPE waste plastic which is from time to time capable of being recovered, recycled or reprocessed by the Plant</li> </ul>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swire Recycling”	Swire Recycling Limited, a company incorporated in Hong Kong

“Swire Guarantor”

Swire Beverages Holdings Limited, a company incorporated in Hong Kong

“%”

per cent

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

Hong Kong, 25 September 2019

*As at the date of this announcement, the board of directors of the Company 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.*



**FOR IMMEDIATE RELEASE**

**Ground-breaking of New Plastics Recycling Facility  
Heralds Creation of Closed-loop Economy for Reusable Plastic Containers**

**【 Hong Kong - 25 September 2019 】** ALBA Group Asia Limited (ALBA), Baguio Waste Management & Recycling Limited (Baguio) and Swire Coca-Cola Limited (Swire Coca-Cola) broke ground today on their joint venture project – the first food-grade ready plastics recycling facility in Hong Kong. Located in Lot T6 of the EcoPark, Tuen Mun, a plot which has been tenanted by Baguio under a 20-year lease from the Environmental Protection Department, this state-of-the-art recycling facility for plastic waste will be operated under the banner of New Life Plastics Limited (NLP).

Upon completion in 2020, the facility will be able to process and recycle 35,000 metric tonnes of the post-consumer PET (polyethylene terephthalate or clear beverage bottles) and HDPE (high density polyethylene or personal care bottles) plastic materials on an annual basis.

Speaking at the ceremony, the Secretary for the Environment of the HKSAR Government, Mr. Wong Kam-sing said, “Plastic waste is a global challenge. I am happy to see that Baguio, Swire Coca-Cola and ALBA join hands to work on this local plastics recycling facility which will turn waste plastics into plastic resins and the highest quality food-grade ready plastic flakes upon its commissioning in the third quarter of 2020, the biggest of its kind in Hong Kong. The plastic recycling facility goes in line with our waste plastics management and recycling work.”

Mr. Ben Ng, Chairman & Executive Director of Baguio Green Group said, “With the establishment of the new plant, our objective is to enable the processing of a large proportion of PET drink bottles and packaging waste from personal care HDPE products in Hong Kong within a foreseeable time, and thus eliminating the previous practice of burying in landfill sites. Additionally, we aim to leverage our extensive waste collection network to create a positive impact on shaping the recycling behaviour in Hong Kong in order to build a sustainable living environment.”

Mr. Nigel Mattravers, representative of NLP echoed, “This new plastics recycling facility marks a milestone in the development of modern processing of plastic containers in Hong Kong. I

am pleased to see a sustainable route for the resource management in Hong Kong take shape, led by a team comprising of experts from the recycling technology, waste collection and beverage sectors.”

The new facility is expected to deal with in excess of 100 metric tonnes of post-consumer PET and HDPE plastic materials per day, where approximately 2/3 of the capacity would be dedicated to PET resins and the remaining 1/3 to HDPE resins. Mattravers continued, “It represents the collective effort in championing the responsible management of plastics by stakeholders across society. Our new, fully-equipped facility designed with three-stage processing will turn classified PET and HDPE plastics waste into food-grade ready rPET flakes and high grade rHDPE pellets, which can be reused as raw materials for new, high-quality consumable or industrial products. This recovery process prolongs the life of reusable plastics, thereby, minimising the amount of plastics ending up in landfill sites or escaping into the oceans.”

Dr. Axel Schweitzer, Chief Executive Officer of ALBA Group plc & Co. KG said, “As a global leader of recycling technology, we are honoured to have the opportunity to expand our commitment to Hong Kong further, with the upcoming opening of the city’s first food-grade ready plastics processing plant shortly after the bringing into the operation of our first local Waste Electrical and Electronics Equipment treatment and recycling facility, WEEE-PARK in March 2018. Hong Kong is an international city with a strong motivation to go more sustainable. A modern recycling and recovery system for reusable plastic waste will definitely help build a greener community and move towards a closed-loop economy.”

Mr. Patrick Healy, Managing Director of Swire Coca-Cola said, “Swire Coca-Cola, alongside other stakeholders, came together as founding members of the Single-Use Beverage Packaging Working Group in 2017 and launched the ‘Drink Without Waste’ initiative to reduce the amount of beverage packaging going to landfill in Hong Kong. Today’s ceremony celebrates one of our most significant commitments under ‘Drink Without Waste’ - the establishment of a food-grade ready PET and HDPE plastics recycling facility for Hong Kong. Leveraging on the expertise of ‘Drink Without Waste’ participants including ALBA, Bagueo and Swire Coca-Cola, this joint venture is a huge step forward towards our goal to ‘close the loop’: to process Hong Kong’s discarded PET bottles to produce the raw materials which will feed back into our own supply chain as recycled PET.” Healy continued, “As part of that initiative, Swire Coca-Cola also made a series of commitments, which include having all ‘Bonaqua’

water bottles in Hong Kong be made from 100% recycled PET, placing 300 'Bonaqua Water Stations' across Hong Kong and the recent launch of reverse vending machines which would incentivise the public with cash rebates to recycle their PET bottles.”

The new facility is designed with green features including waste water treatment, full photovoltaic solar panels, heat recovery from HDPE extrusion line and air compressors. NLP has successfully secured a green sustainability-linked loan from HSBC acting as the venture's sole lender and green structuring advisor. The loan, adhering to the Green Loan Principles, is independently verified by the Hong Kong Quality Assurance Agency (HKQAA). Mr. Matthew Lobner, Head of International, Asia-Pacific and Head of Strategy & Planning, Asia-Pacific, HSBC said, “This facility is crucial for the recycling of plastics in Hong Kong. HSBC is proud to support it by providing a financing solution that incentivises improved environmental performance, while demonstrating both Hong Kong's commitment to addressing pressing environmental issues, and its capabilities as an international centre for green finance.”

For Event photos and captions downloading, please check this link:

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This press release is issued on behalf of New Life Plastics Limited by Lighthouse Consultant Limited. For enquiries, please contact:

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Treasure raw materials.

### **About ALBA Group**

The ALBA Group, one of the leading recycling and environmental services companies as well as raw material providers worldwide, operates with its two brands - ALBA and Interseroh - within Germany, Europa and Asia. In 2018 its divisions generated an annual turnover of 2.1 billion Euros and employed a staff of more than 8,000 employees. In 2017 alone ALBA Group saved almost 4.1 million tonnes of greenhouse gases compared to primary production and at the same time about 30.2 million tonnes of primary raw materials through its recycling activities.



### **About Baguio Green Group**

Baguio Green Group Limited is a leading integrated environmental service provider in Hong Kong. Baguio's services include professional cleaning, integrated pest management, horticulture & landscaping, waste management, collection & recycling. Baguio Green Group Limited is a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1397)



### **About Swire Coca-Cola Limited**

Swire Coca-Cola is a division of Swire Pacific Limited, which is a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00019/ 00087). As the fifth largest Coca-Cola bottlers by volume in the world, Swire Coca-Cola has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company in Hong Kong, Taiwan, 11 provinces and the Shanghai Municipality in Mainland China and an extensive area with the acquisition by Swire of the majority shareholding in the Hong Kong bottling company. Swire Coca-Cola manufactures over 60 beverage brands and distributes them to a franchise population of over 720 million people.