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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 TRANSACTION AND THE PROPOSED ANNUAL CAPS

THE SUPPLEMENTAL IT AGREEMENTS

Reference is made to the announcement of the Company dated 2 January 2020 in relation to, among other things, the Annual Caps of the service charges payable by Baguio Cleaning to NSL.

As the Annual Caps expired on 31 December 2022 and the Second Supplemental IT Agreement expired on 31 December 2022, on 3 January 2023 (after trading hours), Baguio Cleaning and NSL entered into the Third Supplemental IT Agreement to extend the term of the provision of IT Services to the Group under the Second Supplemental IT Agreement for a further term of three years up to and including 31 December 2025. In view of the above, the Board has determined the Proposed Annual Caps for the abovementioned continuing connected transaction for the three years ending 31 December 2025.

LISTING RULES IMPLICATION

As at the date of this announcement, 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. Accordingly, NSL is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Third Supplemental IT Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios for the Third Supplemental IT Agreement exceed 0.1% but are less than 5%, the Third Supplemental IT Agreement is 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 announcement of the Company dated 2 January 2020 in relation to, among other things, the Annual Caps of the service charges payable by Baguio Cleaning to NSL.

As the Annual Caps expired on 31 December 2022 and the Second Supplemental IT Agreement expired on 31 December 2022, on 3 January 2023 (after trading hours), Baguio Cleaning and NSL entered into the Third Supplemental IT Agreement to extend the term of the provision of IT Services to the Group under the Second Supplemental IT Agreement for a further term of three years up to and including 31 December 2025. In view of the above, the Board has determined the Proposed Annual Caps for the abovementioned continuing connected transaction for the three years ending 31 December 2025.

THE THIRD SUPPLEMENTAL IT AGREEMENT

- Date** : 3 January 2023 (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 Third Supplemental IT Agreement, the term of IT Services is to be extended for a period of three years after the expiry of the Second Supplemental IT Agreement.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the Annual Caps under the Second Supplemental IT Agreement for each of the years ended 31 December 2020, 2021 and 2022 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 Caps payable by Baguio Cleaning to NSL	Actual amount paid or expected to be paid by Baguio Cleaning to NSL
2020	HK\$4,000,000	HK\$3,296,506
2021	HK\$6,000,000	HK\$2,522,726
2022	HK\$6,000,000	HK\$3,757,878

PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION

Set out below are the Proposed Annual Caps for transactions under the Third Supplemental IT Agreement for each of the three years ending 31 December 2023, 2024 and 2025:

For the year ending 31 December	Proposed Annual Caps
2023	HK\$6,000,000
2024	HK\$6,000,000
2025	HK\$6,000,000

The Proposed Annual Caps under the Third Supplemental IT Agreement were determined with reference to (i) the historical transaction amounts; (ii) the business plan of the Group, in particular, the Group to implement and enhance the enterprise resource planning system (ERP system); and (iii) the projected IT Services to be assigned to NSL by the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Our Directors, including our independent non-executive Directors, considered that the Services provided by NSL have been reliable and reasonable and that the transactions with NSL 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 in accordance with the terms and conditions of the IT Agreement and the Supplemental IT Agreements.

Having considered the proposed fees to be paid under the IT Agreement (as amended by the Supplemental IT 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 2025 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 Third Supplemental IT 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 for services and products in similar quantities to determine if the price and terms offered by NSL 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, including whether they are based on the Third Supplemental IT Agreement and the fairness of our Group's basis of selecting its information technology service provider.

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.

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. Accordingly, NSL is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Third Supplemental IT Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios for the Third Supplemental IT Agreement exceed 0.1% but are less than 5%, the Third Supplemental IT Agreement is 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 for the years ended 31 December 2020, 2021 and 2022
“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

“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
“First Supplemental IT Agreement”	the agreement entered into between Baguio Cleaning and NSL on 29 December 2016 to extend the term of the IT Agreement to 31 December 2019
“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 into 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 and the Supplemental IT Agreements
“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 amount of annual caps proposed for the years ending 31 December 2023, 2024 and 2025
“Second Supplemental IT Agreement”	the agreement entered into between Baguio Cleaning and NSL on 2 January 2020 to further extend the term of the First Supplemental IT Agreement to 31 December 2022
“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 IT Agreements”	the First Supplemental IT Agreement, the Second Supplemental IT Agreement and the Third Supplemental IT Agreement

“Third Supplemental IT Agreement”

the agreement entered into between Baguio Cleaning and NSL on 3 January 2023 to further extend the term of the Second Supplemental IT Agreement to 31 December 2025

“%”

per cent.

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

Hong Kong, 3 January 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 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.