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BILLION INDUSTRIAL HOLDINGS LIMITED

百宏實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2299)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 10 December 2020 in respect of the renewal of continuing connected transactions.

ADDITIONAL SALES AGREEMENTS AND ADDITIONAL PURCHASE AND PROCESSING AGREEMENTS

The Company currently expects that the EGM will be held after 31 December 2020. Given that each of the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements will become effective only upon approval by the Independent Shareholders, and that due to business requirement, the Group intends to carry on the continuing connected transactions under the Existing Sales Agreements and the Existing Purchase and Processing Agreements after 31 December 2020, on 31 December 2020 (after trading hours), Billion Fujian, Billion High-tech and Billion Vietnam (as the case may be), indirect wholly-owned subsidiaries of the Company, entered into the Additional Sales Agreements and the Additional Purchase and Processing Agreements, the terms of each of which are substantially the same as the respective 2021 Sales Agreements and 2021 Purchase and Processing Agreements, for the purpose of carrying out the aforesaid continuing connection transactions during the period from 1 January 2021 until the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements become effective.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES

Baikai Vietnam is a wholly foreign-owned subsidiary of Baikai Wrap Knitting, and each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper is a wholly foreign-owned subsidiary of Baikai H.K., which in turn is wholly-owned by Mr. Lin, who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Since Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper, Baikai Paper and Baikai Vietnam. Accordingly, each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper, Baikai Paper and Baikai Vietnam is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company.

Accordingly, the transactions under the Additional Sales Agreements and the Additional Purchase and Processing Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As the products to be provided by the Group under the Additional Sales Agreements to Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Vietnam are of the same nature and the relevant counterparties to such agreements are controlled by the same ultimate shareholder, namely, Mr. Lin, the sales arrangements under the Additional Sales Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the maximum aggregated value of the transactions as permitted under the Additional Sales Agreements is less than 5%, the transactions contemplated under the Additional Sales Agreements are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the products and services to be provided to the Group under the Additional Purchase and Processing Agreements are of the same nature and the relevant counterparties to such agreements are the same, the purchase and process arrangements under the Additional Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the maximum aggregated value of the transactions as permitted under the Additional Purchase and Processing Agreements is less than 5%, the transactions contemplated under the Additional Purchase and Processing Agreements are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 10 December 2020 in respect of the renewal of continuing connected transactions (the “**Announcement**”). Terms defined in the Announcement shall have the same meanings when used in this announcement unless otherwise stated.

The Company currently expects that the EGM will be held after 31 December 2020. Given that each of the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements will become effective only upon approval by the Independent Shareholders, and that due to business requirement, the Group intends to carry on the continuing connected transactions under the Existing Sales Agreements and the Existing Purchase and Processing Agreements after 31 December 2020, on 31 December 2020 (after trading hours), Billion Fujian, Billion High-tech and Billion Vietnam (as the case may be), indirect wholly-owned subsidiaries of the Company, entered into the Additional Sales Agreements and the Additional Purchase and Processing Agreements, the terms of each of which are substantially the same as the respective 2021 Sales Agreements and 2021 Purchase and Processing Agreements, for the purpose of carrying out the aforesaid continuing connection transactions during the period from 1 January 2021 until the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements become effective.

THE ADDITIONAL SALES AGREEMENTS

The parties, subject matter and terms of each of the Additional Sales Agreement I, Additional Sales Agreement II, Additional Sales Agreement III, Additional Agreement IV and Additional Sales Agreement V are the same as those of each of the 2021 Sales Agreement I, 2021 Sales Agreement II, 2021 Sales Agreement III, 2021 Sales Agreement IV and 2021 Sales Agreement V, respectively, except as follows:

- (1) the parties to each of the Additional Sales Agreements have agreed to maintain the aggregated value of the transactions to be carried out pursuant to the Additional Sales Agreements to a level such that the applicable percentage ratios as defined in the Listing Rules on such aggregate transaction value shall be less than 5% at any time when the Additional Sales Agreements are in force, and that they shall co-operate with the Company and take necessary control mechanisms to ensure that such aggregate transaction value shall fall within the 5% threshold; accordingly, the maximum aggregated value of the transactions as permitted under the Additional Sales Agreements is RMB350,241,000; and
- (2) each of the Additional Sales Agreements shall become effective from 1 January 2021 and shall be automatically terminated upon the respective 2021 Sales Agreements becoming effective.

ADDITIONAL PURCHASE AND PROCESSING AGREEMENTS

The parties, subject matter and terms of each of the Additional Purchase Agreement I, Additional Processing Agreement I, Additional Purchase Agreement II, Additional Processing Agreement II and Additional Purchase Agreement III are the same as those of each of the 2021 Purchase Agreement I, 2021 Processing Agreement I, 2021 Purchase Agreement II, 2021 Processing Agreement II and 2021 Purchase Agreement III, respectively, except as follows:

- (1) the parties to each of the Additional Purchase and Processing Agreements have agreed to maintain the aggregated value of the transactions to be carried out pursuant to the Additional Purchase and Processing Agreements to a level such that the applicable percentage ratios as defined in the Listing Rules on such aggregate transaction value shall be less than 5% at any time when the Additional Purchase and Processing Agreements are in force, and that they shall co-operate with the Company and take necessary control mechanisms to ensure that such aggregate transaction value shall fall within the 5% threshold; accordingly, the maximum aggregated value of the transactions as permitted under the Additional Purchase and Processing Agreements is RMB350,241,000; and
- (2) each of the Additional Purchase and Processing Agreements shall become effective from 1 January 2021 and shall be automatically terminated upon the respective 2021 Purchase and Processing Agreements becoming effective.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES

Baikai Vietnam is a wholly foreign-owned subsidiary of Baikai Wrap Knitting, and each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper is a wholly foreign-owned subsidiary of Baikai H.K., which in turn is wholly-owned by Mr. Lin, who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Since Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper, Baikai Paper and Baikai Vietnam. Accordingly, each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper, Baikai Paper and Baikai Vietnam is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company.

Accordingly, the transactions under the Additional Sales Agreements and the Additional Purchase and Processing Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ADDITIONAL SALES AGREEMENTS AND THE ADDITIONAL PURCHASE AND PROCESSING AGREEMENTS

The 2021 Sales Agreements and the 2021 Purchase and Processing Agreement are pending approval by the Independent Shareholders at the EGM, which is expected to be held after 31 December 2020. In order to avoid any disruption to the current business and operations of the Group and the adverse effects as a result of such disruption, the Directors consider it appropriate for the Group to enter into the Additional Sales Agreements and the Additional Purchase and Processing Agreements, the terms of which are generally in line with the Existing Sales Agreements and the Existing Purchase and Processing Agreements, as an interim measure.

The Directors (including the independent non-executive Directors but excluding Mr. Sze Tin Yau and Mr. Wu Jinbiao who had abstained from voting on the board resolutions for approving the Additional Sales Agreements and the Additional Purchase and Processing Agreements) consider that the terms of the Additional Sales Agreements and the Additional Purchase and Processing Agreements have been entered into on normal commercial terms or better and in the ordinary course of business of the Group, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON BILLION FUJIAN, BILLION HIGH-TECH, THE GROUP AND THE CONNECTED PERSONS

Billion Fujian is an indirectly wholly-owned subsidiary of the Company. It is primarily engaged in the business of developing, manufacturing and selling regular and differentiated polyester filament yarns in the PRC.

Billion High-tech is an indirect wholly-owned subsidiary of the Company. It is primarily engaged in the business of manufacturing and selling of multi-functional BOPET.

Billion Vietnam is an indirectly wholly-owned subsidiary of the Company. It is primarily engaged in the business of developing, manufacturing and selling polyester bottle chip and polyester filament yarns in Vietnam.

The Group is one of the largest developers and manufacturers of polyester filament yarns in China, including DTY and FDY, the two main polyester filament yarns, which have a variety of end applications in consumer products, including apparel, footwear and home furnishings. The Group also produces partially oriented POY, which may be used as a raw material for the DTY or sold separately to the customers of the Group.

Baikai Elastic Weaving is primarily engaged in the business of manufacturing fabric, weave belt, knit products and high-end textile.

Baikai Wrap Knitting is primarily engaged in the business of weaving, dyeing and processing high-end knit fabric.

Baikai Textile is primarily engaged in the business of manufacturing DTY, chemical fabric, clothing and accessories of clothing.

Baikai Zipper is primarily engaged in the business of manufacturing zippers, hardware die cast products and clothing.

Baikai Paper is primarily engaged in the business of manufacturing paper boxes, rolls and polyfoam boards.

Baikai Vietnam is principally engaged in the business of manufacturing paper boxes, rolls, lace fabrics, wearing fabrics and ribbons.

IMPLICATIONS UNDER THE LISTING RULES

As the products to be provided by the Group under the Additional Sales Agreements to Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Vietnam are of the same nature and the relevant counterparties to such agreements are controlled by the same ultimate shareholder, namely, Mr. Lin, the sales arrangements under the Additional Sales Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. According to the terms of the Additional Sales Agreements described above, the maximum aggregated value of the transactions as permitted under the Additional Sales Agreements is RMB350,241,000. As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on such maximum aggregated value is less than 5%, the transactions contemplated under the Additional Sales Agreements are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the products and services to be provided to the Group under the Additional Purchase and Processing Agreements are of the same nature and the relevant counterparties to such agreements are the same, the purchase and process arrangements under the Additional Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. According to the terms of the Additional Purchase and Processing Agreements described above, the maximum aggregated value of the transactions as permitted under the Additional Purchase and Processing Agreements is RMB350,241,000. As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on such maximum aggregated value is less than 5%, the transactions contemplated under the Additional Purchase and Processing Agreements are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules governing connected transactions in the event that the total amount of the transactions under the Additional Sales Agreements or the total amount of the transactions under the Additional Purchase and Processing Agreements exceeds 5% for each of the percentage ratios (other than the profit ratio), or that there are any material amendments to their terms.

DEFINITIONS

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

“Additional Processing Agreement I”	the processing agreement entered into by Baikai Paper and Billion Fujian dated 31 December 2020, in relation to the provision of processing services of paper boxes, rolls and polyfoam boards by Baikai Paper to Billion Fujian
“Additional Processing Agreement II”	the processing agreement entered into by Baikai Paper and Billion High-tech dated 31 December 2020, in relation to the provision of processing services related to paper boxes and rolls by Baikai Paper to Billion High-tech
“Additional Purchase Agreement I”	the purchase agreement entered into by Baikai Paper and Billion Fujian dated 31 December 2020, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Fujian from Baikai Paper
“Additional Purchase Agreement II”	the purchase agreement entered into by Baikai Paper and Billion High-tech dated 31 December 2020, in relation to the purchase of paper boxes and rolls by Billion High-tech from Baikai Paper
“Additional Purchase Agreement III”	the purchase agreement entered into by Baikai Vietnam and Billion Vietnam dated 31 December 2020, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Vietnam from Baikai Vietnam
“Additional Purchase and Processing Agreements”	the Additional Purchase Agreement I, the Additional Processing Agreement I, the Additional Purchase Agreement II, the Additional Processing Agreement II and the Additional Purchase Agreement III

“Additional Sales Agreement I”	the sales agreement entered into by Baikai Elastic Weaving and Billion Fujian dated 31 December 2020, in relation to the sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving
“Additional Sales Agreement II”	the sales agreement entered into by Baikai Wrap Knitting and Billion Fujian dated 31 December 2020, in relation to the sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting
“Additional Sales Agreement III”	the sales agreement entered into by Baikai Textile and Billion Fujian dated 31 December 2020, in relation to the sales of PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile
“Additional Sales Agreement IV”	the sales agreement entered into by Baikai Zipper and Billion Fujian dated 31 December 2020, in relation to the sales of DTY by Billion Fujian to Baikai Zipper
“Additional Sales Agreement V”	the sales agreement entered into by Baikai Vietnam and Billion Vietnam dated 31 December 2020, in relation to the sales of DTY, FDY and POY by Billion Vietnam to Baikai Vietnam
“Additional Sales Agreements”	the Additional Sales Agreement I, the Additional Sales Agreement II, the Additional Sales Agreement III, the Additional Sales Agreement IV and Sales Agreement V

By Order of the Board
Billion Industrial Holdings Limited
Sze Tin Yau
Co-chairman

Hong Kong, 31 December 2020

As at the date of this announcement, the Board comprises Mr. Sze Tin Yau and Mr. Wu Jinbiao, as executive directors, Mr. Zhang Shengbai as non-executive director and Mr. Chan Shek Chi, Mr. Lin Jian Ming and Mr. Shih Chun Pi as independent non-executive directors.