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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)

CONTINUING CONNECTED TRANSACTION

SUMMARY

The Board announces that on 31 March 2021, Billion Fujian, a wholly-owned subsidiary of the Company entered into the Electricity Supply Agreement with Baikai Wrap Knitting pursuant to which Billion Fujian will supply electricity to Baikai Wrap Knitting.

As at the date of this announcement, Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K., which in turn is wholly-owned by Mr. Lin Jinjing, the brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Given the relationships between Mr. Lin Jinjing and each of Mr. Sze Tin Yau and Mr. Wu Jinbiao and the ownership of Mr. Lin Jinjing in Baikai Wrap Knitting, the Board considered it appropriate to treat Baikai Wrap Knitting as a connected person for the purpose of the Company's compliance with Chapter 14A of the Listing Rules in relation to the Electricity Supply Agreement and the transactions contemplated under it.

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Electricity Supply Agreement is higher than 0.1% but less than 5%, and the annual transaction amount is expected to be greater than HK\$3,000,000. Accordingly, the Electricity Supply Agreement and the transactions contemplated under it are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 31 March 2021, Billion Fujian, a wholly-owned subsidiary of the Company, entered into the Electricity Supply Agreement with Baikai Wrap Knitting, pursuant to which Billion Fujian will supply electricity to Baikai Wrap Knitting. Given the relationships between Mr. Lin Jinjing and each of Mr. Sze Tin Yau and Mr. Wu Jinbiao and the ownership of Mr. Lin Jinjing in Baikai Wrap Knitting, the Board considered it appropriate to treat Baikai Wrap Knitting as a connected person for the purpose of the Company's compliance with Chapter 14A of the Listing Rules in relation to the Electricity Supply Agreement and the transactions contemplated under it.

THE ELECTRICITY SUPPLY AGREEMENT

The principal terms of the Electricity Supply Agreement are as follows:

Date of agreement	:	31 March 2021
Parties	:	Billion Fujian as supplier Baikai Wrap Knitting as purchaser
Term	:	With effect from 1 January 2021 to 31 December 2021 (both dates inclusive)
Power capacity	:	120 million volt-amperes
Unit price	:	Pursuant to the Electricity Supply Agreement, Billion Fujian will supply electricity to Baikai Wrap Knitting, and Baikai Wrap Knitting will purchase electricity at a unit price which shall be calculated based on such price of electricity as prescribed by the relevant governmental authorities plus RMB0.018 per KWh. The pricing mechanism is determined by the parties through arm's length negotiation, taking into account the pricing approved by the relevant governmental authorities.
Payment terms	:	Power meters will be installed by Billion Fujian to record the amount of electricity consumed by Baikai Wrap Knitting. Billion Fujian will conduct meter reading on a monthly basis and shall issue payment notice to Baikai Wrap Knitting accordingly. Baikai Wrap Knitting shall settle the payment notice within 3 business days upon receipt of such notice from Billion Fujian.

Proposed annual cap : The maximum aggregate annual sales from Billion Fujian to Baikai Wrap Knitting under the Electricity Supply Agreement is estimated not to exceed RMB65,000,000 for the year ending 31 December 2021. The annual caps for the Electricity Supply Agreement as set out above are determined with reference to (i) the average tariffs and the historical consumption by Baikai Wrap Knitting for the period between January 2020 and December 2020; (ii) the estimation that the electricity to be consumed by Baikai Wrap Knitting during the term of the Electricity Supply Agreement; and (iii) the current government prescribed unit price for electricity.

Prior to the Electricity Supply Agreement, Billion Fujian had entered into the Previous Electricity Supply Agreement with Baikai Wrap Knitting, pursuant to which Billion Fujian supplied electricity to Baikai Wrap Knitting. Please refer to the announcement of the Company dated 20 March 2020 for details. Based on the audited accounts of Billion Fujian, the aggregate historical transaction amount between Billion Fujian and Baikai Wrap Knitting under the Previous Electricity Supply Agreement for the year ended 31 December 2020 was approximately RMB 39,249,000 (which was within the respective annual caps as disclosed in the announcement of the Company dated 20 March 2020).

For the two months ended 28 February 2021, the aggregate amount payable by Baikai Wrap Knitting to Billion Fujian for the purchase of electricity amounted to approximately RMB 6,170,000.

PRICING POLICY AND INTERNAL CONTROL

The relevant staff of Billion Fujian will oversee and update the actual price of the electricity supplied under the Electricity Supply Agreement upon any updates on the price as prescribed by Fujian Provincial Price Bureau and the relevant governmental authorities, which is subject to adjustment from time to time. The independent non-executive Directors and the auditors of the Company will review the transactions under the Electricity Supply Agreement annually to ensure that the transactions under the Electricity Supply Agreement are conducted in compliance with the terms of the Electricity Supply Agreement.

GENERAL INFORMATION ABOUT THE GROUP AND BAIKAI WRAP KNITTING

The Group is principally engaged in the development and manufacturing of differentiated polyester filament yarns in the PRC.

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

RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K., which in turn is wholly-owned by Mr. Lin Jinjing. Mr. Lin Jinjing is the brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, who are executive Directors. Given the relationships between Mr. Lin Jinjing and each of Mr. Sze Tin Yau and Mr. Wu Jinbiao and the ownership of Mr. Lin Jinjing in Baikai Wrap Knitting, the Board considered it appropriate to treat Baikai Wrap Knitting as a connected person for the purpose of the Company's compliance with Chapter 14A of the Listing Rules in relation to the Electricity Supply Agreement and the transactions contemplated under it.

REASONS FOR AND BENEFITS OF THE ELECTRICITY SUPPLY AGREEMENT

The provision of electricity to Baikai Wrap Knitting will enable Billion Fujian to increase the utilization rate of its substations and provide an additional source of revenue for the Group during the term of the Electricity Supply Agreement by utilising the excess capacity of the relevant substations.

The Board (including the independent non-executive Directors) considers that the Electricity Supply Agreement was entered into in the ordinary course of business of the Company, its terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Mr. Sze Tin Yau and Mr. Wu Jinbiao have abstained from voting on the relevant board resolution approving the Electricity Supply Agreement and the transactions contemplated under it. Save as disclosed above, no other Directors have any material interest in the Electricity Supply Agreement and the transactions contemplated under it.

LISTING RULES IMPLICATIONS

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Electricity Supply Agreement is higher than 0.1% but less than 5%, and the annual transaction amount is expected to be greater than HK\$3,000,000. Accordingly, the Electricity Supply Agreement and the transactions contemplated under it are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Baikai H.K.”	Baikai (HK) Industrial Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Lin Jinjing at the date of this announcement
“Baikai Wrap Knitting”	Fujian Baikai Wrap Knitting Industry Co., Ltd.* (福建省百凱經編實業有限公司), a company incorporated in the PRC with limited liability and wholly-owned by Baikai H.K.

“Billion Fujian”	Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Billion Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Electricity Supply Agreement”	the agreement dated 31 March 2021 entered into between Billion Fujian and Baikai Wrap Knitting in respect of the supply of electricity by Billion Fujian to Baikai Wrap Knitting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Previous Electricity Supply Agreement”	the agreement dated 20 March 2020 entered into between Billion Fujian and Baikai Wrap Knitting in respect of the supply of electricity by Billion Fujian to Baikai Wrap Knitting as disclosed in the announcement of the Company dated 20 March 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

* *English names of the PRC entities are literal translation of their Chinese names and are included for identification purpose only*

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

Hong Kong, 31 March 2021

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.