

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 announcements of the Company dated 10 December 2020, 31 December 2020, 1 February 2021, 2 February 2021 and 30 June 2021 and the circular of the Company dated 13 January 2021.

Due to business requirement, on 29 December 2021, the parties have agreed to further extend the term of each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements to cover the period from 1 January 2022 to 30 June 2022.

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the maximum aggregated transaction value for the extended period from 1 January 2022 to 30 June 2022 (both days inclusive) are all less than 5%, the transactions contemplated under the Additional Sales Agreements as extended 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.

As the applicable percentage ratios as defined under Chapter 14A of the Listing Rules on the maximum aggregated transaction value for the extended period from 1 January 2022 to 30 June 2022 (both days inclusive) are all less than 5%, the transactions contemplated under the Additional Purchase and Processing Agreements as extended 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.

Reference is made to the announcements of the Billion Industrial Holdings Limited (the “**Company**”) dated 10 December 2020, 31 December 2020, 1 February 2021, 2 February 2021 and 30 June 2021 (the “**Announcements**”) and the circular of the Company dated 13 January 2021 (the “**Circular**”). Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Announcements and the Circular.

INTRODUCTION

As disclosed in the Circular, the continuing connected transactions under the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements and the proposed annual caps thereunder for the years ending 31 December 2021, 2022 and 2023 were conditional upon the approval by the Independent Shareholders at the EGM. As disclosed in the announcement of the Company dated 31 December 2020, due to business requirements, Billion Fujian and Billion Vietnam entered into the Additional Sales Agreements with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Vietman (as the case may be) on 31 December 2020, the terms of each of which are substantially the same as the respective 2021 Sales Agreements, 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; 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.

In addition, as disclosed in the announcement of the Company dated 31 December 2020, due to business requirements, Billion Fujian, Billion High-tech and Billion Vietnam entered into the Additional Purchase and Processing Agreements with Baikai Paper and Baikai Vietnam (as the case may be) on 31 December 2020, the terms of each of which are substantially the same as the respective 2021 Purchase and Processing Agreements, 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; 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.

As disclosed in the announcement of poll results of the Company dated 1 February 2021, more than 50% of the votes were cast against the ordinary resolutions to approve and confirm the 2021 Sales Agreements and the 2021 Purchase and Processing Agreements, and thus these ordinary resolutions were not passed. As a result, the parties to each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements agreed to extend the term of each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements to cover the period until 30 June 2021, which was further extended to cover the period until 31 December 2021 to avoid any disruption to the business and operations of the Group.

EXTENSION OF THE ADDITIONAL SALES AGREEMENTS AND THE ADDITIONAL PURCHASE AND PROCESSING AGREEMENTS

Due to business requirement, on 29 December 2021, the parties have agreed to further extend the term of each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements to cover the period from 1 January 2022 to 30 June 2022.

The parties to each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements have agreed to maintain the aggregate value of the transactions to be carried out pursuant to the Additional Sales Agreements and the Additional Purchase and Processing Agreements during the period from 1 January 2022 to 30 June 2022 (both dates inclusive) to a level such that the highest 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 and 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.

In view of the above, the parties agreed that the maximum aggregated transaction amount under the Additional Sales Agreements and the Additional Purchase and Processing Agreements during the period from 1 January 2022 to 30 June 2022 (both dates inclusive) shall be RMB421,552,000 and RMB421,552,000 respectively.

The parties agreed that no transaction under each of the Additional Sales Agreements and the Additional Purchase and Processing Agreements should be consummated if any such transaction would cause the aggregate transaction amount under any Additional Sales Agreement or Additional Purchase and Processing Agreement during the period from 1 January 2022 to 30 June 2022 (both dates inclusive) to exceed the maximum aggregated transaction amount in respect of the relevant Additional Sales Agreement or Additional Purchase and Processing Agreement (as applicable) as stated above. Save as disclosed above, the terms of the Additional Sales Agreements and the Additional Purchase and Processing Agreements remain unchanged.

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

The Group is in the process of negotiating the terms of the sales agreements and purchase and processing agreements covering the period up to 31 December 2024 (“**New Agreements**”) with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper, Baikai Paper and Baikai Vietnam, respectively. The Company will make further announcement and, if applicable, issue a circular in relation to the New Agreements for the Independent Shareholders’ approval as and when appropriate.

Given that more time is required for the negotiation on the terms of the New Agreements, 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 further extend the terms of the Additional Sales Agreements and the Additional Purchase and Processing Agreements for the time being.

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 extension of the terms of the Additional Sales Agreements and the Additional Purchase and Processing Agreements) consider that the Additional Sales Agreements and the Additional Purchase and Processing Agreements as extended have been entered into on normal commercial terms or better and in the ordinary course of business of the Group, and that their terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 as extended 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 transaction value for the extended period from 1 January 2022 to 30 June 2022 (both days inclusive) are all less than 5%, the transactions contemplated under the Additional Sales Agreements as extended 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.

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 transaction value for the extended period from 1 January 2022 to 30 June 2022 (both days inclusive) are all less than 5%, the transactions contemplated under the Additional Purchase and Processing Agreements as extended 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.

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.

By order of the Board of
Billion Industrial Holding Limited
Sze Tin Yau
Co-chairman

Hong Kong, 29 December 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.