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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 TRANSACTIONS RENEWAL OF SALES AGREEMENTS AND PURCHASE AND PROCESSING AGREEMENTS

Reference is made to the announcement of the Company dated 13 February 2012 (the “**Announcement**”) in respect of the Existing Sales Agreements and the Existing Purchase and Processing Agreements.

RENEWAL OF EXISTING SALES AGREEMENTS AND EXISTING PURCHASE AND PROCESSING AGREEMENTS

As disclosed in the Announcement, the Existing Sales Agreements and the Existing Purchase and Processing Agreements will expire on 31 December 2014.

As 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 2014 due to business requirement, on 28 November 2014 (after trading hours), Billion Fujian and Billion High-tech (as the case may be), indirect wholly-owned subsidiaries of the Company, entered into the New Sales Agreements and the New Purchase and Processing Agreements to renew the aforesaid agreements. The principal terms of each of the New Sales Agreements and the New Purchase and Processing Agreements are substantially the same as the relevant Existing Sales Agreements and Existing Purchase and Processing Agreements.

NEW SALES AGREEMENTS

(1) New Sales Agreement I

The New Sales Agreement I was entered into on 28 November 2014 between Billion Fujian and Baikai Elastic Weaving with a term of three years from 1 January 2015 to 31 December 2017 and an annual cap for each of the years ending 31 December 2015, 2016 and 2017 being RMB199,800,000.

(2) New Sales Agreement II

The New Sales Agreement II was entered into on 28 November 2014 between Billion Fujian and Baikai Wrap Knitting with a term of three years from 1 January 2015 to 31 December 2017 and an annual cap for each of the years ending 31 December 2015, 2016 and 2017 being RMB255,600,000.

(3) New Sales Agreement III

The New Sales Agreement III was entered into on 28 November 2014 between Billion Fujian and Baikai Textile with a term of three years from 1 January 2015 to 31 December 2017 and an annual cap for each of the years ending 31 December 2015, 2016 and 2017 being RMB245,000,000.

(4) New Sales Agreement IV

The New Sales Agreement IV was entered into on 28 November 2014 between Billion Fujian and Baikai Zipper with a term of three years from 1 January 2015 to 31 December 2017 and an annual cap for each of the years ending 31 December 2015, 2016 and 2017 being RMB10,300,000.

NEW PURCHASE AND PROCESSING AGREEMENTS

(1) New Purchase and Processing Agreements I

The New Purchase Agreement I and the New Processing Agreement I were entered into on 28 November 2014 between Billion Fujian and Baikai Paper each with a term of three years from 1 January 2015 to 31 December 2017. The aggregated annual cap for the transactions under the New Purchase Agreement I and the New Processing Agreement I for each of the years ending 31 December 2015, 2016 and 2017 is RMB323,000,000.

(2) New Purchase and Processing Agreements II

The New Purchase Agreement II and the New Processing Agreement II were entered into on 28 November 2014 between Billion High-tech and Baikai Paper each with a term of three years from 1 January 2015 to 31 December 2017. The aggregated annual cap for the transactions under the New Purchase Agreement II and the New Processing Agreement II for each of the years ending 31 December 2015, 2016 and 2017 is RMB86,200,000.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES

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, and an uncle of Mr. Wu Zhongqin (son of Mr. Wu Jinbiao), a non-executive Director. 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 and Baikai Paper. Accordingly, each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper is an associate of Mr. Sze Tin Yau, Mr. Wu Jinbiao and Mr. Wu Zhongqin, and therefore a connected person of the Company.

Accordingly, the transactions under the New Sales Agreements and the New 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 New Sales Agreements to Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper 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 New Sales Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. The applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, exceed 5%, and the aggregated annual cap for each of three years ending 31 December 2015, 2016 and 2017 is more than HK\$10 million.

As the products and services to be provided to the Group under the New 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 New Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. The applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, exceed 5%, and the aggregated annual cap for each of three years ending 31 December 2015, 2016 and 2017 is more than HK\$10 million.

Therefore, the transactions contemplated under the New Sales Agreements and the New Purchase and Processing Agreements are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will hold the EGM to approve the New Sales Agreements and the New Purchase and Processing Arrangements and the proposed annual caps for the continuing connected transactions contemplated thereunder.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the New Sales Agreements and the New Purchase and Processing Agreements, and the respective annual caps for the transactions thereunder for each of the three years ending 31 December 2015, 2016 and 2017 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (1) details of the New Sales Agreements and the New Purchase and Processing Agreements; (2) the recommendation of the Independent Board Committee; (3) the advice of the independent financial adviser; and (4) a notice of the EGM, will be despatched to the Shareholders on or about 9 December 2014.

Reference is made to the announcement of the Company dated 13 February 2012 (the “**Announcement**”) in respect of the Existing Sales Agreements and the Existing Purchase and Processing Agreements.

RENEWAL OF EXISTING SALES AGREEMENTS AND EXISTING PURCHASE AND PROCESSING AGREEMENTS

As disclosed in the Announcement, the Existing Sales Agreements and the Existing Purchase and Processing Agreements will expire on 31 December 2014.

As 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 2014 due to business requirement, on 28 November 2014 (after trading hours), Billion Fujian and Billion High-tech (as the case may be), indirect wholly-owned subsidiaries of the Company, entered into the New Sales Agreements and the New Purchase and Processing Agreements to renew the aforesaid agreements. The principal terms of each of the New Sales Agreements and the New Purchase and Processing Agreements are substantially the same as the relevant Existing Sales Agreements and Existing Purchase and Processing Agreements.

NEW SALES AGREEMENTS

(1) New Sales Agreement I

Background

As disclosed in the Announcement, Billion Fujian, an indirect wholly-owned subsidiary of the Company, entered into the Revised Sales Agreement I with Baikai Elastic Weaving on 10 February 2012, pursuant to which Billion Fujian agreed to sell DTY, FDY and POY to Baikai Elastic Weaving for a term of three years ending on 31 December 2014.

Principal Terms of the New Sales Agreement I

On 28 November 2014, Billion Fujian and Baikai Elastic Weaving entered into the New Sales Agreement I, principal terms of which are set out below:

Subject Matter: Pursuant to the New Sales Agreement I, Billion Fujian agreed to provide DTY, FDY and POY to Baikai Elastic Weaving, at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products that Billion Fujian sells to other independent customers.

Annual Caps: The annual cap of the transaction amount under the New Sales Agreement I for each of the three years ending 31 December 2015, 2016 and 2017 will remain the same as that for the year ending 31 December 2014, being RMB199,800,000. The above annual caps are determined based on (i) the actual sales made to Baikai Elastic Weaving in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products; (iii) the expected production capacity of Billion Fujian in 2015, 2016 and 2017; and (iv) the estimated production capacity of Baikai Elastic Weaving and the anticipated steady demand for the products of Baikai Elastic Weaving within the PRC domestic market in 2015, 2016 and 2017.

Term: The New Sales Agreement I will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules.

(2) New Sales Agreement II

Background

As disclosed in the Announcement, Billion Fujian and Baikai Wrap Knitting entered into the Revised Sales Agreement II on 10 February 2012, pursuant to which Billion Fujian agreed to sell DTY and FDY to Baikai Wrap Knitting for a term of three years ending on 31 December 2014.

Principal Terms of the New Sales Agreement II

On 28 November 2014, Billion Fujian and Baikai Wrap Knitting entered into the New Sales Agreement II, principal terms of which are set out below:

Subject Matter: Pursuant to the New Sales Agreement II, Billion Fujian agreed to provide DTY and FDY to Baikai Wrap Knitting, at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products that Billion Fujian sells to other independent customers.

- Annual Caps:** The annual cap of the transaction amount under the New Sales Agreement II for each of the three years ending 31 December 2015, 2016 and 2017 will be remain the same as that for the year ending 31 December 2014, being RMB255,600,000. The above annual caps are determined based on (i) the actual sales made to Baikai Wrap Knitting in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products; (iii) the expected production capacity of Billion Fujian in 2015, 2016 and 2017; and (iv) the estimated production capacity of Baikai Wrap Knitting and the anticipated steady demand for the products of Baikai Wrap Knitting within the PRC domestic market in 2015, 2016 and 2017.
- Term:** The New Sales Agreement II will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules.

(3) New Sales Agreement III

Background

As disclosed in the Announcement, Billion Fujian and Baikai Textile entered into the Revised Sales Agreement III on 10 February 2012, pursuant to which Billion Fujian agreed to sell semi-dull PET chips, POY and spin finish oil to Baikai Textile for a term of three years ending on 31 December 2014.

Principal Terms of the New Sales Agreement III

On 28 November 2014, Billion Fujian and Baikai Textile entered into the New Sales Agreement III, principal the terms of which are set out below:

Subject Matter: Pursuant to the New Sales Agreement III, Billion Fujian agreed to provide semi-dull PET chips, POY and spin finish oil to Baikai Textile, at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products that Billion Fujian sells to other independent customers.

Annual Caps: The annual cap of the transaction amount under the New Sales Agreement III for each of the three years ending 31 December 2015, 2016 and 2017 will remain the same as that for the year ending 31 December 2014, being RMB245,000,000. The above annual caps are determined based on (i) the actual sales made to Baikai Textile in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products; (iii) the expected production capacity of Billion Fujian in 2015, 2016 and 2017; and (iv) the estimated production capacity of Baikai Textile and the anticipated steady demand for the products of Baikai Textile within the PRC domestic market in 2015, 2016 and 2017.

Term: The New Sales Agreement III will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules.

(4) New Sales Agreement IV

Background

As disclosed in the Announcement, Billion Fujian and Baikai Zipper entered into the Revised Sales Agreement IV on 10 February 2012, pursuant to which Billion Fujian agreed to sell DTY to Baikai Zipper for a term of three years ending on 31 December 2014.

Principal Terms of the New Sales Agreement IV

On 28 November 2014, Billion Fujian and Baikai Zipper entered into the New Sales Agreement IV, principal terms of which are set out below:

Subject Matter: Pursuant to the New Sales Agreement IV, Billion Fujian agreed to provide DTY to Baikai Zipper, at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products that Billion Fujian sells to other independent customers.

Annual Caps: The annual cap of the transaction amounts under the New Sales Agreement IV for each of the three years ending 31 December 2015, 2016 and 2017 will remain the same as that for the year ending 31 December 2014, being RMB10,300,000. The above annual caps are determined based on (i) the actual sales made to Baikai Zipper in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products; (iii) the expected production capacity of Billion Fujian in 2015, 2016 and 2017; and (iv) the estimated production capacity of Baikai Zipper and the anticipated steady demand for the products of Baikai Zipper within the PRC domestic market in 2015, 2016 and 2017.

Term: The New Sales Agreement IV will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules.

ANNUAL CAPS OF THE NEW SALES AGREEMENTS

Historical Transaction Values and Annual Caps

The aggregated historical transaction values of the continuing connected transactions under the Existing Sales Agreements of the Group for the two previous financial years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014 according to the unaudited management accounts of the Group and the approved aggregated annual caps for the three years ending 31 December 2014 are as follows:

	Year ended 31 December 2012 (RMB)	Year ended 31 December 2013 (RMB)	Nine months ended 30 September 2014 (RMB)	Year ending 31 December 2014 (RMB)
Aggregated Transaction Value	441,157,000	552,181,000	376,193,000	N/A
Approved Aggregated Annual Cap	527,100,000	617,600,000	N/A	710,700,000

Proposed Annual Caps

Due to the reasons set out below, the transactions under each of the New Sales Agreements should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As such, the proposed annual caps for the transactions contemplated under such agreements in aggregate for the three years ending 31 December 2015, 2016 and 2017 will be as follows:

Year ending 31 December 2015 (RMB)	Year ending 31 December 2016 (RMB)	Year ending 31 December 2017 (RMB)
710,700,000	710,700,000	710,700,000

The basis for determining the annual caps in each of the New Sales Agreements has been set out above.

NEW PURCHASE AND PROCESSING AGREEMENTS

New Purchase and Processing Agreements I

Background

As disclosed in the Announcement, Billion Fujian and Baikai Paper entered into the following agreements on 10 February 2012 each for a term of three years ending on 31 December 2014:

- (1) Revised Purchase Agreement I, pursuant to which Baikai Paper agreed to provide paper boxes and rolls to Billion Fujian; and
- (2) Revised Processing Agreement I, pursuant to which Baikai Paper agreed to provide processing services related to paper boxes and rolls to Billion Fujian.

Principal Terms of the New Purchase and Processing Agreements I

On 28 November 2014, Billion Fujian and Baikai Paper entered into the New Purchase and Processing Agreements I. Principal terms of these agreements are set out below:

Subject Matter: Pursuant to the New Purchase and Processing Agreements I, Baikai Paper agreed to provide paper boxes, rolls and polyfoam boards and related processing services to Billion Fujian, under each case at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products or services that Billion Fujian pays to other independent suppliers.

Annual Caps: The aggregated annual cap of the transaction amounts under the New Purchase and Processing Agreements I for each of the years ending 31 December 2015, 2016 and 2017 will remain the same as that for the year ending 31 December 2014, being RMB323,000,000. The above aggregated annual caps are determined based on (i) the actual transaction amount Billion Fujian paid to Baikai Paper in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products and services; (iii) that the production base of Baikai Paper is in close proximity to the Group, which allows timely delivery of the relevant products and minimizes delivery costs; and (iv) the estimated sales and production capacity of Billion Fujian which are expected to remain at a steady level throughout 2015 to 2017.

Term: Each of the New Purchase and Processing Agreements I will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules.

New Purchase and Processing Agreements II

Background

As disclosed in the Announcement, Billion High-tech and Baikai Paper entered into the following agreements on 10 February 2012 each for a term of three years ending on 31 December 2014:

- (1) Purchase Agreement II, pursuant to which Baikai Paper agreed to provide paper boxes and rolls to Billion High-tech; and
- (2) Processing Agreement II, pursuant to which Baikai Paper agreed to provide processing services related to paper boxes and rolls to Billion High-tech.

Principal Terms of the New Purchase and Processing Agreements II

On 28 November 2014, Billion High-tech and Baikai Paper entered into the New Purchase and Processing Agreements II. Principal terms of these agreements are set out below:

Subject Matter: Pursuant to the New Purchase and Processing Agreements II, Baikai Paper agreed to provide paper boxes and rolls and related processing services to Billion High-tech, under each case at a price to be agreed between the parties from time to time after arm's length negotiation and comparable to market prices of similar products or services that Billion High-tech pays to other independent suppliers.

Annual Caps: The aggregated annual cap of the transaction amounts under the New Purchase and Processing Agreements II for each of the years ending 31 December 2015, 2016 and 2017 will remain the same as that for the year ending 31 December 2014, being RMB86,200,000. The above annual caps are determined based on (i) the actual transaction amount Billion High-tech paid to Baikai Paper in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014; (ii) the prevailing market prices of similar products and services; (iii) that the production base of Baikai Paper is in close proximity to the Group, which allows timely delivery of the relevant products and minimizes delivery costs; and (iv) the estimated sales and production capacity of Billion High-tech which are expected to remain at a steady level throughout 2015 to 2017.

Term: Each of the New Purchase and Processing Agreements II will become effective upon approval by the Independent Shareholders, and is for a term of three years from 1 January 2015 to 31 December 2017 and renewable for a further term of three years at the option of Billion High-tech subject to compliance with applicable requirements of the Listing Rules.

ANNUAL CAPS OF THE NEW PURCHASE AND PROCESSING AGREEMENTS

Historical Transaction Values and Annual Caps

The aggregated historical transaction values of the continuing connected transactions under the Existing Purchase and Processing Agreements of the Group for the two previous financial years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014 according to the unaudited management accounts of the Group and the approved aggregated annual caps for the three years ending 31 December 2014 are as follows:

	Year ended 31 December 2012 (RMB)	Year ended 31 December 2013 (RMB)	Nine months ended 30 September 2014 (RMB)	Year ending 31 December 2014 (RMB)
Aggregated Transaction Value	111,209,000	198,772,000	143,458,000	N/A
Approved Aggregated Annual Cap	303,100,000	421,900,000	N/A	552,100,000

Proposed Annual Caps

Due to the reasons set out below, the transactions under the New Purchase and Processing Agreements I and the New Purchase and Processing Agreements II should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As such, the proposed annual caps for the transactions contemplated under such agreements in aggregate for the three years ending 31 December 2015, 2016 and 2017 are as follows:

Year ending 31 December 2015 (RMB)	Year ending 31 December 2016 (RMB)	Year ending 31 December 2017 (RMB)
409,200,000	409,200,000	409,200,000

The basis for determining the aggregated annual caps for the transactions under the New Purchase and Processing Agreements has been set out above.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES

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, and an uncle of Mr. Wu Zhongqin (son of Mr. Wu Jinbiao), a non-executive Director. 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 and Baikai Paper. Accordingly, each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper is an associate of Mr. Sze Tin Yau, Mr. Wu Jinbiao and Mr. Wu Zhongqin, and therefore a connected person of the Company.

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

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

The transactions to be conducted under the New Sales Agreements will increase the overall revenue of the Group; therefore, it is beneficial for the Group to enter into such agreements.

The paper boxes, rolls and polyfoam boards produced or processed by Baikai Paper are of high quality and are suitable for the use of the Group and the production base of Baikai Paper is in close proximity to the Group, which allows timely delivery of the paper boxes, rolls and polyfoam boards and minimizes delivery costs; therefore, it is in the best interest of the Group to enter into the New Purchase and Processing Agreements with Baikai Paper.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) consider that the terms of the New Sales Agreements and the New Purchase and Processing Agreements have been entered into on normal commercial terms and in the ordinary course of business of the Group, and are fair and reasonable and in the interests of the 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.

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.

IMPLICATIONS UNDER THE LISTING RULES

As the products to be provided by the Group under the New Sales Agreements to Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper 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 New Sales Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. The applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, exceed 5%, and the aggregated annual cap for each of three years ending 31 December 2015, 2016 and 2017 is more than HK\$10 million.

As the products and services to be provided to the Group under the New 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 New Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. The applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, exceed 5%, and the aggregated annual cap for each of three years ending 31 December 2015, 2016 and 2017 is more than HK\$10 million.

Therefore, the transactions contemplated under the New Sales Agreements and the New Purchase and Processing Agreements are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will hold the EGM to approve the New Sales Agreements and the New Purchase and Processing Arrangements and the proposed annual caps for the continuing connected transactions contemplated thereunder.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the New Sales Agreements and the New Purchase and Processing Agreements, and the respective annual caps for the transactions thereunder for each of the three years ending 31 December 2015, 2016 and 2017 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (1) details of the New Sales Agreements and the New Purchase and Processing Agreements; (2) the recommendation of the Independent Board Committee; (3) the advice of the independent financial adviser; and (4) a notice of the EGM, will be despatched to the Shareholders on or about 9 December 2014.

DEFINITIONS

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

- “Baikai Elastic Weaving” Fujian Baikai Elastic Weaving Co., Ltd.* (福建省百凱彈性織造有限公司), a limited liability company established under the laws of the PRC on 14 April 1997 and a wholly-owned subsidiary of Baikai H.K.
- “Baikai H.K.” Baikai (HK) Industrial Limited (百凱(香港)實業有限公司), a company incorporated in Hong Kong with limited liability on 3 June 2008. Baikai H.K. is wholly-owned by Mr. Lin
- “Baikai Paper” Fujian Baikai Paper Co., Ltd.* (福建百凱紙品有限公司), a limited liability company established under the laws of the PRC on 13 June 2001 and a wholly-owned subsidiary of Baikai H.K.
- “Baikai Textile” Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.* (福建百凱紡織化纖實業有限公司), a limited liability company established under the laws of the PRC on 18 May 2000 and a wholly-owned subsidiary of Baikai H.K.

“Baikai Wrap Knitting”	Fujian Baikai Wrap Knitting Industry Co., Ltd.* (福建省百凱經編實業有限公司), a limited liability company established under the laws of the PRC on 27 September 2002 and a wholly-owned subsidiary of Baikai H.K.
“Baikai Zipper”	Fujian Baikai Zipper Dress Co., Ltd.* (福建省百凱拉鍊服飾有限公司), a limited liability company established under the laws of the PRC on 30 January 2002 and a wholly-owned subsidiary of 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
“Billion High-tech”	Fujian Billion High-tech Material Industrial Co, Ltd.* (福建百宏高新材料實業有限公司), 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 of the Company
“BOPET”	Biaxially-oriented polyethylene terephthalate, a polyester film made from stretched PET and is used for its high tensile strength, chemical and dimensional stability, transparency, reflectivity, environmentally-friendly properties, gas and aroma barrier properties and electrical insulation
“Company”	Billion Industrial Holdings Limited (百宏實業控股有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange

“Director(s)”	the director(s) of the Company
“DTY”	drawn textured yarn, a type of polyester filament yarn which has, among other qualities, good resistance to abrasion and elasticity. It is typically used to produce high-end sportswear, sport shoes and home furnishing textiles
“EGM”	an extraordinary general meeting of the Company to be convened to approve the New Sales Agreements and the New Purchase and Processing Agreements
“Existing Purchase and Processing Agreements”	the Revised Purchase Agreement I, the Revised Processing Agreement I, the Purchase Agreement II and the Processing Agreement II
“Existing Sales Agreements”	the Revised Sales Agreement I, the Revised Sales Agreement II, the Revised Sales Agreement III and the Revised Sales Agreement IV
“FDY”	fully draw yarn, a type of polyester filament yarn which has, among other qualities, good fabric strength. It is typically used to produce high-end undergarments, high-end sportswear and home furnishing textile
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in respect of the ordinary resolutions proposed for approval at the EGM pursuant to the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Lin”	Mr. Lin Jinjing, who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors, and an uncle of Mr. Wu Zhongqin (son of Mr. Wu Jinbiao), a non-executive Director
“New Processing Agreement I”	the processing agreement entered into by Baikai Paper and Billion Fujian dated 28 November 2014, in relation to the provision of processing services of paper boxes, rolls and polyfoam boards by Baikai Paper to Billion Fujian
“New Purchase Agreement I”	the purchase agreement entered into by Baikai Paper and Billion Fujian dated 28 November 2014, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Fujian from Baikai Paper
“New Purchase and Processing Agreements I”	the New Purchase Agreement I and the New Processing Agreement I
“New Processing Agreement II”	the processing agreement entered into by Baikai Paper and Billion High-tech dated 28 November 2014, in relation to the provision of processing services related to paper boxes and rolls by Baikai Paper to Billion High-tech
“New Purchase Agreement II”	the purchase agreement entered into by Baikai Paper and Billion High-tech dated 28 November 2014, in relation to the purchase of paper boxes and rolls by Billion High-tech from Baikai Paper
“New Purchase and Processing Agreements II”	the New Purchase Agreement II and the New Processing Agreement II

“New Purchase and Processing Agreements”	the New Purchase and Processing Agreements I and the New Purchase and Processing Agreements II
“New Sales Agreement I”	the sales agreement entered into by Baikai Elastic Weaving and Billion Fujian dated 28 November 2014, in relation to the sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving
“New Sales Agreement II”	the sales agreement entered into by Baikai Wrap Knitting and Billion Fujian dated 28 November 2014, in relation to the sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting
“New Sales Agreement III”	the sales agreement entered into by Baikai Textile and Billion Fujian dated 28 November 2014, in relation to the sales of semi-dull PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile
“New Sales Agreement IV”	the sales agreement entered into by Baikai Zipper and Billion Fujian dated 28 November 2014, in relation to the sales of DTY by Billion Fujian to Baikai Zipper
“New Sales Agreements”	the New Sales Agreement I, the New Sales Agreement II, the New Sales Agreement III and the New Sales Agreement IV
“PET”	polyethylene terephthalate, an organic compound which is used in producing polyester filament yarns and other products such as plastic containers and bottles
“POY”	partially oriented yarn, a type of polyester filament yarn which is typically used to produce DTY
“PRC”	the People’s Republic of China

“Processing Agreement II”	the processing agreement entered into by Baikai Paper and Billion High-tech dated 10 February 2012, in relation to the provision of processing services related to paper boxes and rolls by Baikai Paper to Billion High-tech
“Purchase Agreement II”	the purchase agreement entered into by Baikai Paper and Billion High-tech dated 10 February 2012, in relation to the purchase of paper boxes and rolls by Billion High-tech from Baikai Paper
“Revised Processing Agreement I”	the processing agreement entered into by Baikai Paper and Billion Fujian dated 10 February 2012, in relation to the provision of processing services of paper boxes, rolls and polyfoam boards by Baikai Paper to Billion Fujian
“Revised Purchase Agreement I”	the purchase agreement entered into by Baikai Paper and Billion Fujian dated 10 February 2012, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Fujian from Baikai Paper
“Revised Sales Agreement I”	the sales agreement entered into by Baikai Elastic Weaving and Billion Fujian dated 10 February 2012, in relation to the sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving
“Revised Sales Agreement II”	the sales agreement entered into by Baikai Wrap Knitting and Billion Fujian dated 10 February 2012, in relation to the sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting
“Revised Sales Agreement III”	the sales agreement entered into by Baikai Textile and Billion Fujian dated 10 February 2012, in relation to the sales of semi-dull PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile

“Revised Sales Agreement IV”	the sales agreement entered into by Baikai Zipper and Billion Fujian dated 10 February 2012, in relation to the sales of DTY by Billion Fujian to Baikai Zipper
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *For identification purposes only*

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

Hong Kong, 28 November 2014

As at the date of this announcement, the Board comprises Mr. Sze Tin Yau, Mr. Wu Jinbiao, Mr. Yu Heping and Mr. Xue Mangmang as executive Directors, Mr. Yang Yihua and Mr. Wu Zhongqin as non-executive Directors and Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming as independent non-executive Directors.