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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

SALE AND PURCHASE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 5 July 2013, Billion Fujian, an indirectly wholly-owned subsidiary of the Company entered into the Framework Agreement with the COSTIN Subsidiaries, pursuant to which, (1) Billion Fujian agreed to sell to the COSTIN Subsidiaries, and the COSTIN Subsidiaries agreed to purchase from Billion Fujian, polyester filament yarns and waste polyester filament yarns, and (2) Billion Fujian agreed to purchase from the COSTIN Subsidiaries, and the COSTIN Subsidiaries agreed to sell to Billion Fujian, non-woven materials. The Framework Agreement is valid with retrospective effect from 1 January 2013 to 31 December 2015. The annual caps for the Billion Sales contemplated thereunder for each of the three consecutive years ending 31 December 2015 are RMB69,500,000, RMB73,000,000 and RMB76,500,000, respectively, and the annual caps for the Billion Purchases contemplated thereunder for each of the three consecutive years ending 31 December 2015 are RMB500,000, RMB500,000 and RMB500,000, respectively.

CECEP Chongqing is a substantial shareholder of the Company interested in approximately 29.99% of its issued share capital, thus a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing also controls the composition of a majority of the board of directors of CECEP COSTIN, which in turn owns 100% of the shares of each of the COSTIN Subsidiaries, thus each of the COSTIN Subsidiaries is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that both the parties of the Billion Sales and Billion Purchases and the nature of the transactions thereunder are the same, pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the Board believes that the annual caps for the Billion Sales and Billion Purchases shall be aggregated when determining which category the transactions fall. As such, the aggregate annual caps for the transactions contemplated under the Framework Agreement for each of the three consecutive years ending 31 December 2015 are RMB70,000,000, RMB73,500,000 and RMB77,000,000. Given that each of the applicable percentage ratios of the aggregate annual caps under the Framework Agreement is more than 0.1% and does not exceed 5%, the transactions contemplated thereunder are only subject to reporting, annual review and announcement requirements but exempt from approval of the independent shareholders of the Company under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, consider that the Framework Agreement has been entered into on normal commercial terms, in the ordinary course of business of the Company and is fair and reasonable and in the interests of the Shareholders as a whole.

FRAMEWORK AGREEMENT

Parties: (i) Billion Fujian, and
(ii) the COSTIN Subsidiaries

Date: 5 July 2013

Subject: Pursuant to the Framework Agreement, (1) the COSTIN Subsidiaries agreed to purchase from Billion Fujian, and Billion Fujian agreed to sell to the COSTIN Subsidiaries, polyester filament yarns and waste polyester filament yarns, and (2) Billion Fujian agreed to purchase from the COSTIN Subsidiaries, and the COSTIN Subsidiaries agreed to sell to Billion Fujian, non-woven materials.

Annual cap: The annual caps for the Billion Sales under the Framework Agreement for each of the three consecutive years ending 31 December 2015 are RMB69,500,000, RMB73,000,000 and RMB76,500,000, respectively, and the annual caps for the Billion Purchases contemplated thereunder for each of the three consecutive years ending 31 December 2015 are RMB500,000, RMB500,000 and RMB500,000, respectively.

The annual caps were determined based on (1) the historical sale and purchase amounts of the relevant products between the parties; (2) the current market price of the products to be sold and purchased; and (3) the expected demand of the products by each of the parties during the term of the Framework Agreement.

Term: The Framework Agreement is valid with retrospective effect from 1 January 2013 to 31 December 2015. The Framework Agreement is renewable by the parties in writing prior to its expiration, subject to compliance with the relevant requirements of the applicable laws and the Listing Rules.

Other terms: Pursuant to the Framework Agreement, the parties should enter into a separate agreement for each purchase order to set out the transaction details, such as product price, volume and payment terms. The product price shall be determined based on the then market price at the time such separate agreement is entered into.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES

CECEP Chongqing is a substantial shareholder of the Company interested in approximately 29.99% of its issued share capital, thus a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing also controls the composition of a majority of the board of directors of CECEP COSTIN, which in turn owns 100% of the shares of each of the COSTIN Subsidiaries, thus each of the COSTIN Subsidiaries is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

HISTORICAL TRANSACTIONS

Billion Fujian entered into the Former Framework Agreement with the COSTIN Subsidiaries on 18 October 2012 in relation to the sales of polyester filament yarns and waste polyester filament yarns to the COSTIN Subsidiaries. The actual aggregate transaction amount under the Former Framework Agreement was approximately RMB10,061,000. The Former Framework Agreement expired on 31 December 2012. Since then Billion Fujian and the COSTIN Subsidiaries had commenced negotiation on entering into another framework agreement, however, the parties were not able to agree on the appropriate annual caps for each of the three consecutive financial years ending 31 December 2015, until July 2013. The parties then entered into the Framework Agreement on 5 July 2013. The Company made this announcement immediately after the Framework Agreement was signed by the parties.

For the period from 1 January 2013 to the date of the Framework Agreement, the aggregate value of transactions conducted between the parties was approximately RMB21,868,000, comprising 21,855,000 of polyester filament yarns and waste polyester filament yarns purchased by the COSTIN Subsidiaries from Billion Fujian and RMB13,000 of non-woven materials purchased by Billion Fujian from the COSTIN Subsidiaries. As each of the applicable percentage ratios for the aggregate value of transactions conducted during such period was more than 0.1% but less than 5%, such transactions were exempt from independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Rule 14A.34 of the Listing Rules. Such transactions have been approved and ratified by the Board through board resolutions and the parties have also extended the term of the Framework Agreement to include the transactions conducted during that period of time.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The sales of polyester filament yarns and waste polyester filament yarns to the COSTIN Subsidiaries pursuant to the Framework Agreement will increase the overall revenue and profit of the Group. The Group uses non-woven materials in its production process and the COSTIN Subsidiaries produce such products. By entering into the Framework Agreement, the Group can secure a stable supply of such materials at a market price and it will also enhance the business cooperation between the Group and CECEP COSTIN. Therefore, it is beneficial for the Group to enter into such agreement.

The Directors, including the independent non-executive Directors, consider that the Framework Agreement has been entered into on normal commercial terms, in the ordinary course of business of the Company and is fair and reasonable and in the interests of the Shareholders as a whole. Since each of Mr. Yu Heping, Mr. Xue Mangmang, Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun, Mr. Ding Guoqiang, Ms. Ma Yun and Mr. Chen Bo was nominated by CECEP Chongqing, a common substantial shareholder of the Company and CECEP COSTIN, and Mr. Yu Heping, Mr. Xue Mangmang, Ms. Ma Yun and Mr. Chen Bo also serve as directors of CECEP COSTIN, to avoid any potential conflict of interest, each of the above eight Directors has abstained from voting on the board resolutions with respect to the approval of the Framework Agreement and the transactions thereunder.

IMPLICATIONS UNDER THE LISTING RULES

Having considered that both the parties of the Billion Sales and Billion Purchases and the nature of the transactions thereunder are the same, pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the Board believes that the annual caps for the Billion Sales and Billion Purchases shall be aggregated when determining which category the transactions fall. As such, the aggregate annual caps for the transactions contemplated under the Framework Agreement for each of the three consecutive years ending 31 December 2015 are RMB70,000,000, RMB73,500,000 and RMB77,000,000. Given that each of the applicable percentage ratios of the aggregate annual caps under the Framework Agreement is more than 0.1% and does not exceed 5%, the transactions thereunder are only subject to reporting, annual review and announcement requirements but exempt from approval of the independent shareholders of the Company under Chapter 14A of the Listing Rules.

GENERAL INFORMATION ABOUT THE GROUP AND THE COSTIN SUBSIDIARIES

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

Xinhua Fujian is principally engaged in manufacturing and sales of non-woven materials and recycled chemical fibers.

Gerfalcon Fujian is principally engaged in manufacturing of filtration materials and non-woven materials, provisions of information technology and management supporting services.

Gerfalcon Jinjiang is principally engaged in wholesale of filtration materials and non-woven materials.

DEFINITIONS

“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 wholly foreign-owned enterprise established in the PRC on 20 November 2003 and an indirect wholly-owned subsidiary of the Company
“Billion Purchases”	the purchase of non-woven materials by Billion Fujian from the COSTIN Subsidiaries pursuant to the Framework Agreement
“Billion Sales”	the sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to the COSTIN Subsidiaries pursuant to the Framework Agreement
“Board”	the board of Directors of the Company
“CECEP”	China Energy Conservation and Environmental Protection Group* (中國節能環保集團公司), a state owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and the parent company of CECEP Chongqing
“CECEP COSTIN”	CECEP COSTIN New Materials Group Limited (中國節能海東青新材料集團有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2228)
“CECEP Chongqing”	CECEP Chongqing Industry Co., Ltd.* (重慶中節能實業有限責任公司), a company established under the laws of the PRC with limited liability, a substantial shareholder of each of the Company and CECEP COSTIN

“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 Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Former Framework Agreement”	The sale and purchase framework agreement dated 18 October 2012 entered into between the COSTIN Subsidiaries and Billion Fujian in relation to the sale and purchase of polyester filament yarns and waste polyester filament yarns for the period commencing from 17 September 2012 and ended on 31 December 2012
“Framework Agreement”	The sale and purchase framework agreement entered into between Billion Fujian and the COSTIN Subsidiaries dated 5 July 2013, in relation to the sale and purchase of polyester filament yarns, waste polyester filament yarns and non-woven materials
“Gerfalcon Fujian”	Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.* (海東青非織工業(福建)有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of CECEP COSTIN
“Gerfalcon Jinjiang”	Gerfalcon Trade Co., Ltd. Jinjiang* (晉江海東青貿易有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of CECEP COSTIN
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China

“COSTIN Subsidiaries”	Xinhua Fujian, Gerfalcon Fujian and Gerfalcon Jinjiang
“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
“Xinhua Fujian”	Xinhua Share Co., Ltd. Fujian* (福建鑫華股份有限公司), an indirect wholly-owned subsidiary of CECEP COSTIN established in the PRC
“%”	per cent.

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

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

Hong Kong, 5 July 2013

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. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun, Mr. Ding Guoqiang, Ms. Ma Yun and Mr. Chen Bo as non-executive Directors and Mr. Yeung Chi Tat, Ms. Zhu Meifang, Mr. Ma Yuliang, Mr. Li Zhi Xian and Mr. Lin Jian Ming as independent non-executive Directors.