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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**

**(1) 2025 SALES AGREEMENTS**

**(2) 2025 PURCHASE AND PROCESSING AGREEMENTS**

**AND**

**(3) 2025 ELECTRICITY SUPPLY AGREEMENT**

**2025 SALES AGREEMENTS, 2025 PURCHASE AND PROCESSING AGREEMENTS AND  
2025 ELECTRICITY SUPPLY AGREEMENT**

On 6 December 2024 (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 2025 Sales Agreements, the 2025 Purchase and Processing Agreements and the 2025 Electricity Supply Agreement.

The Board announces that on the same day (after trading hours), Billion Fujian entered into the 2025 Electricity Supply Agreement with Baikai Wrap Knitting pursuant to which Billion Fujian will supply electricity to Baikai Wrap Knitting during the period from 1 January 2025 to 31 December 2027.

## **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 Jinjing, who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. 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 2025 Sales Agreements, the 2025 Purchase and Processing Agreements and the 2025 Electricity Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## **IMPLICATIONS UNDER THE LISTING RULES**

As (i) the products to be provided by the Group under the 2025 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, and (ii) pursuant to the 2025 Electricity Supply Agreement, Billion Fujian will supply electricity to Baikai Wrap Knitting, which is one of the relevant counterparties to the 2025 Sales Agreements, the sales arrangements under the 2025 Sales Agreements and the 2025 Electricity Supply Agreement are aggregated pursuant to Rule 14A.81 of the Listing Rules. Each of the applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, is higher than 0.1% but less than 5%. Accordingly, the 2025 Sales Agreements, the 2025 Electricity Supply Agreement and the transactions contemplated under them 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 2025 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 2025 Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. Each of the applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, is higher than 0.1% but less than 5%. Accordingly, the 2025 Purchase and Processing Agreements and the transactions contemplated under them 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

References are made to the announcement of the Company dated 12 January 2022 in respect of the 2022 Sales Agreements and the 2022 Purchase and Processing Agreements, and the announcement of the Company dated 30 December 2022 in respect of the 2023 Electricity Supply Agreement.

On 6 December 2024 (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 2025 Sales Agreements and the 2025 Purchase and Processing Agreements to renew the aforesaid agreements. On the same date (after trading hours), Billion Fujian also entered into the 2025 Electricity Supply Agreement with Baikai Wrap Knitting pursuant to which Billion Fujian will supply electricity to Baikai Wrap Knitting for a period of three years from 1 January 2025 to 31 December 2027.

## PRINCIPAL TERMS OF THE 2025 SALES AGREEMENTS

The principal terms of each of the 2025 Sales Agreements are as follows:

### (1) 2025 Sales Agreement I

Date:	6 December 2024
Parties:	Billion Fujian Baikai Elastic Weaving
Term:	From 1 January 2025 to 31 December 2027 (both dates inclusive)
Subject Matter:	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 as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Elastic Weaving during the same period.
Annual Caps:	The annual cap of the transaction amount under the 2025 Sales Agreement I for each of the three years ending 31 December 2025, 2026 and 2027 is RMB70,000,000.

The above annual caps are determined based on (i) the actual sales made to Baikai Elastic Weaving in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products; (iii) the estimated production capacity of Billion Fujian for the years 2025, 2026 and 2027; (iv) the estimated production capacity of Baikai Elastic Weaving and the anticipated steady demand for Baikai Elastic Weaving's products in 2025, 2026 and 2027 in the PRC; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Sales Agreement I.

**(2) 2025 Sales Agreement II**

Date: 6 December 2024

Parties: Billion Fujian  
Baikai Wrap Knitting

Term: From 1 January 2025 to 31 December 2027 (both dates inclusive)

Subject Matter: 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 as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Wrap Knitting during the same period.

Annual Caps: The annual cap of the transaction amount under the 2025 Sales Agreement II for each of the three years ending 31 December 2025, 2026 and 2027 is RMB90,000,000.

The above annual caps are determined based on (i) the actual sales made to Baikai Wrap Knitting in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products; (iii) the estimated production capacity of Billion Fujian for the years 2025, 2026 and 2027; (iv) the estimated production capacity of Baikai Wrap Knitting and the anticipated steady demand for Baikai Wrap Knitting's products in 2025, 2026 and 2027 in the PRC; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Sales Agreement II.

### **(3) 2025 Sales Agreement III**

Date: 6 December 2024

Parties: Billion Fujian

Baikai Textile

Term: From 1 January 2025 to 31 December 2027 (both dates inclusive)

Subject Matter: Billion Fujian agreed to provide PET chips, POY and spin finish oil to Baikai Textile, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Textile during the same period.

Annual Caps: The annual cap of the transaction amount under the 2025 Sales Agreement III for each of the three years ending 31 December 2025, 2026 and 2027 is RMB160,000,000.

The above annual caps are determined based on (i) the actual sales made to Baikai Textile in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products; (iii) the estimated production capacity of Billion Fujian for the years 2025, 2026 and 2027; (iv) the estimated production capacity of Baikai Textile and the anticipated steady demand for Baikai Textile's products in 2025, 2026 and 2027 in the PRC; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Sales Agreement III.

### **(4) 2025 Sales Agreement IV**

Date: 6 December 2024

Parties: Billion Fujian

Baikai Zipper

Term: From 1 January 2025 to 31 December 2027 (both dates inclusive)

**Subject Matter:** Billion Fujian agreed to provide DTY to Baikai Zipper, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Zipper during the same period.

**Annual Caps:** The annual cap of the transaction amounts under the 2025 Sales Agreement IV for each of the three years ending 31 December 2025, 2026 and 2027 is RMB12,000,000.

The above annual caps are determined based on (i) the actual sales made to Baikai Zipper in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products; (iii) the estimated production capacity of Billion Fujian for the years 2025, 2026 and 2027; (iv) the estimated production capacity of Baikai Zipper's products and the anticipated steady demand for Baikai Zipper's products in 2025, 2026 and 2027 in the PRC; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Sales Agreement IV.

#### **(5) 2025 Sales Agreement V**

**Date:** 6 December 2024

**Parties:** Billion Vietnam

Baikai Vietnam

**Term:** From 1 January 2025 to 31 December 2027 (both dates inclusive)

**Subject Matter:** Billion Vietnam agreed to provide DTY and FDY to Baikai Vietnam, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Vietnam conducts with other independent parties of similar scale to Baikai Vietnam during the same period.

**Annual Caps:** The annual cap of the transaction amounts under the 2025 Sales Agreement V for each of the three years ending 31 December 2025, 2026 and 2027 is RMB10,000,000.

The above annual caps are determined based on (i) the actual sales made to Baikai Vietnam in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products; (iii) the estimated production capacity of Billion Vietnam for the years 2025, 2026 and 2027; (iv) the expected production capacity of Baikai Vietnam and the anticipated steady demand for Baikai Vietnam's products for relevant product in 2025, 2026 and 2027 in Vietnam; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Sales Agreement V.

## ANNUAL CAPS OF THE 2025 SALES AGREEMENTS

### Historical Transaction Amount and Annual Cap

The aggregated historical transaction amounts and the annual caps of the continuing connected transactions under the Previous Sales Agreements for the previous financial years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024 are as follows:

	Year ended 31 December		Ten months ended
	2022	2023	31 October
	(RMB'000)	(RMB'000)	2024
			(RMB'000)
Aggregated transaction amount	233,824	296,575	117,375
Aggregated annual cap	1,581,000	1,581,000	1,581,000*

\* for the year ended 31 December 2024

### Proposed Annual Cap

The transactions under each of the 2025 Sales Agreements should be aggregated pursuant to Rule 14A.81 of the Listing Rules. The proposed annual cap for the transactions contemplated under the 2025 Sales Agreements in aggregate for the years ending 31 December 2025, 2026 and 2027 are as follows:

	Year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual cap	342,000	342,000	342,000

The basis for determining the annual caps in each of the 2025 Sales Agreements has been set out above.

## **2025 PURCHASE AND PROCESSING AGREEMENTS**

The principal terms of each of the 2025 Purchase and Processing Agreements are as follows:

### **(1) 2025 Purchase and Processing Agreements I**

Date:	6 December 2024
Parties:	Billion Fujian Baikai Paper
Term:	From 1 January 2025 to 31 December 2027 (both dates inclusive)
Subject Matter:	Baikai Paper agreed to provide paper boxes, rolls, polyfoam boards and cardboards and related processing services to Billion Fujian, under each case at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Paper during the same period.
Annual Caps:	The aggregated annual cap of the transaction amounts under the 2025 Purchase and Processing Agreements I for each of the years ending 31 December 2025, 2026 and 2027 is RMB220,000,000.

The above annual caps are determined based on (i) the actual transaction amounts Billion Fujian paid to Baikai Paper in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products and services; (iii) the fact that the factories of Baikai Paper and Billion Fujian are located in close proximity allows timely delivery of products and minimizes delivery costs; (iv) the expected steady sales and production capacity of Billion Fujian in the years from 2025 to 2027; and (v) the anticipated improvement in the macroeconomic environment over the terms of the 2025 Purchase and Processing Agreements I.

## **(2) 2025 Purchase and Processing Agreements II**

Date: 6 December 2024

Parties: Billion High-tech  
Baikai Paper

Term: From 1 January 2025 to 31 December 2027 (both dates inclusive)

Subject Matter: 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 as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion High-tech conducts with other independent parties of similar scale to Baikai Paper during the same period.

Annual Caps: The aggregated annual cap of the transaction amounts under the 2025 Purchase and Processing Agreements II for each of the years ending 31 December 2025, 2026 and 2027 is RMB37,000,000, RMB38,000,000 and RMB40,000,000, respectively.

The above annual caps are determined based on (i) the actual transaction amounts Billion High-tech paid to Baikai Paper in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products and services; (iii) the fact that the factories of Baikai Paper and Billion High-tech are located in close proximity allows timely delivery of products and minimizes delivery costs; (iv) the expected steady sales and production capacity of Billion High-tech in the years from 2025 to 2027; and (v) the anticipated improvement in the macroeconomic environment over the terms of the 2025 Purchase and Processing Agreements II.

## **(3) 2025 Purchase Agreement III**

Date: 6 December 2024

Parties: Billion Vietnam  
Baikai Vietnam

Term: From 1 January 2025 to 31 December 2027 (both dates inclusive)

**Subject Matter:** Baikai Vietnam agreed to provide paper boxes, rolls and polyfoam boards to Billion Vietnam, under each case at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principles of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Vietnam conducts with other independent parties of similar scale to Baikai Vietnam during the same period.

**Annual Caps:** The aggregated annual cap of the transaction amounts under the 2025 Purchase Agreement III for each of the three years ending 31 December 2025, 2026 and 2027 is RMB85,000,000.

The above annual caps are determined based on (i) the actual transaction amounts Billion Vietnam paid to Baikai Vietnam in the years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024; (ii) the prevailing market prices of similar products and services; (iii) the fact that the factories of Baikai Vietnam and Billion Vietnam are located in close proximity allows timely delivery of products and minimizes delivery costs; (iv) the expected steady sales and production capacity of Billion Vietnam in the years from 2025 to 2027; and (v) the anticipated improvement in the macroeconomic environment over the term of the 2025 Purchase Agreement III.

## **ANNUAL CAPS OF THE 2025 PURCHASE AND PROCESSING AGREEMENTS**

### **Historical Transaction Amount and Annual Cap**

The aggregated historical transaction amounts and the annual caps of the continuing connected transactions under the Previous Purchase and Processing Agreements for the previous financial years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024 are as follows:

	<b>Year ended 31 December</b>		<b>Ten months ended</b>
	<b>2022</b>	<b>2023</b>	<b>31 October</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aggregated transaction amount	278,623	196,426	170,590
Aggregated annual cap	603,000	621,000	626,000*

\* *for the year ended 31 December 2024*

## Proposed Annual Cap

The transactions under each of the 2025 Purchase and Processing Agreements should be aggregated pursuant to Rule 14A.81 of the Listing Rules. The proposed annual cap for the transactions contemplated under the 2025 Purchase and Processing Agreements in aggregate for the years ending 31 December 2025, 2026 and 2027 are as follows:

	Year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual cap	342,000	343,000	345,000

The basis for determining the annual caps in each of the 2025 Purchase and Processing Agreements has been set out above.

## THE PRINCIPAL TERMS OF THE 2025 ELECTRICITY SUPPLY AGREEMENT

The principal terms of the 2025 Electricity Supply Agreement are as follows:

Date:	6 December 2024
Parties:	Billion Fujian Baikai Wrap Knitting
Term:	From 1 January 2025 to 31 December 2027 (both dates inclusive)
Power capacity:	120 million volt-amperes
Unit price:	Billion Fujian agreed to supply electricity to Baikai Wrap Knitting, and Baikai Wrap Knitting agreed to 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: The amount of electricity consumed by Baikai Wrap Knitting will be recorded by power meters installed by Billion Fujian. 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.

## ANNUAL CAPS OF THE 2025 ELECTRICITY SUPPLY AGREEMENT

### Historical Transaction Amount and Annual Cap

The actual transaction amount and annual cap of the continuing connected transactions under the 2023 Electricity Supply Agreement for the previous financial year ended 31 December 2023 and the ten months ended 31 October 2024 are as follows:

	<b>Year ended 31 December 2023 (RMB)</b>	<b>Ten months ended 31 October 2024 (RMB)</b>
Transaction Amount	38,564,000	35,037,000
Annual cap	65,000,000	65,000,000*

\* for the year ended 31 December 2024

### Proposed Annual Cap

The proposed annual cap for the transactions contemplated under the 2025 Electricity Supply Agreement for the years ending 31 December 2025, 2026 and 2027 are as follows:

	<b>Year ending 31 December</b>		
	<b>2025 (RMB)</b>	<b>2026 (RMB)</b>	<b>2027 (RMB)</b>
Proposed annual cap	65,000,000	65,000,000	65,000,000

The annual caps for the 2025 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 2023 and October 2024; (ii) the estimation of the electricity to be consumed by Baikai Wrap Knitting during the term of the 2025 Electricity Supply Agreement; (iii) the current government prescribed unit price for electricity; and (iv) the anticipated improvement in the macroeconomic environment over the term of the 2025 Electricity Supply Agreement.

## **PRICING POLICY AND INTERNAL CONTROL**

### **2025 Sales Agreements and 2025 Purchase and Processing Agreements**

The basis of determining the prices of the products or services to be supplied to or purchased by the Group under each of the 2025 Sales Agreements and the 2025 Purchase and Processing Agreements will be in accordance with the prevailing market prices of similar products and be based on the following principles:

- (i) by reference to the prevailing market prices of the same or substantially similar products or services, taking into account the prices of the same or substantially similar products or services with comparable order quantities and quality offered to/by other purchasers, suppliers or processing service providers (as the case may be); and
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those currently offered by the Group to, or received by the Group from, independent third parties in respect of the same or substantially similar products or services with comparable quantities.

Given that none of the products or services under the 2025 Sales Agreements and the 2025 Purchase and Processing Agreements has a fixed unit price or standard price, or has a published reference price, in determining the prevailing market prices for the products or services for a particular contract, the Group will:

- (a) in respect of the sales of products to each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Vietnam, evaluate and assess the scope of the relevant order and the Finance Department (財務部) will prepare a detailed cost calculation by reference to the costs of materials, products and labours, up to two (if any) quotes of the Group to other independent third party customers and the level of fees charged by competitors of the Group in the market (if available) to ensure that the prices and terms of the products of the Group are competitive and comparable to those being offered to independent third party customers of the Group. The Group has a standard pricing policy for its sales which is applicable to all customers. Pursuant to such standard pricing policy, the Sales and Marketing Department (營銷部) is primarily responsible for providing price quotations to customers and setting prices for the Group's products in the Group's day-to-day operations, taking into account the costs of such products, customers' views, and competitors' pricing information. Under certain special circumstances, pricing of products will be

subject to approval by the president and the cost committee of Billion Fujian or Billion Vietnam (as applicable), which comprises the president, head of sales, head of finance, head of procurement and head of production of the relevant company. Such circumstances include: (i) special discount; (ii) non-standard products; (iii) discount requested by the customer due to quality issues; (iv) discount requested by the customer due to delay in delivery; (v) volume discount requested by the customer; (vi) products sourced externally; (vii) new products; and (viii) mode of transaction and payment terms, and other circumstances related to the above. In setting or revising the pricing for the products, market prices are obtained by reference to production costs and up to two (if any) recent transaction prices of the Group within one month, and through enquiry with other industry players and researches on industry websites. The prices for the products to be sold to a connected person will be governed by such pricing policy and will not be less favourable than the price of similar products sold by the Group to independent customers. Orders, including the prices contained therein, for the products to be supplied by the Group under each of the 2025 Sales Agreements have to be reviewed and approved by the Sales and Marketing Department (營銷部) and the Costing Department (成本核算部) of Billion Fujian and Billion Vietnam (as the case may be) and under certain circumstances, such as a modification of the selling price due to quality-related issues or orders involving new products of Billion Fujian and Billion Vietnam, by the Costing Committee (成本研究委員會) of the Group as well; and

- (b) in respect of procurement of products and services from Baikai Paper and Baikai Vietnam, invite quotations from at least two independent suppliers to get a reference on the prevailing market prices for the relevant products or services to be procured. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by the Quality Management Department (品質管理部) and compared against the quote from Baikai Paper and Baikai Vietnam to ensure that the products or services to be procured from Baikai Paper and Baikai Vietnam are comparable to the prices and terms for such products or services being offered by independent third parties. The Group will, based on the initial quotations from Baikai Paper and Baikai Vietnam and the independent suppliers, invite the independent suppliers to submit a revised offer. The revised offers will again be compared with the offer of Baikai Paper and Baikai Vietnam, and procurements will only be made from Baikai Paper and Baikai Vietnam if the price and terms offered are competitive and comparable to those offered by independent suppliers. Orders, including the prices contained therein, for the products or services to be purchased by the Group under each of the 2025 Purchase and Processing Agreements have to be reviewed and approved by the Procurement Department (採購部) of Billion Fujian, Billion High-tech or Billion Vietnam (as the case may be).

To ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms and on terms no less favourable to the Group than that available from independent third party suppliers or customers, the Group will conduct regular checks to review and assess whether the products have been supplied or purchased in accordance with the terms of the relevant agreement and the pricing policy set out above. In addition, the Company has engaged the auditors of the Company to conduct an annual review of the continuing connected transactions of the Group.

Given that sales to Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Vietnam have to strictly adhere to the pricing policy of the Group, and that procurements of the Group from Baikai Paper and Baikai Vietnam are based on prevailing market prices after comparison with offers from independent suppliers, the Directors, including the independent non-executive Directors, are of the view that the above could ensure that the aforementioned continuing connected transactions of the Group will be conducted on normal commercial terms or better, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **2025 Electricity Supply Agreement**

The relevant staff of Billion Fujian will oversee and update the actual price of the electricity supplied under the 2025 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 2025 Electricity Supply Agreement annually to ensure that the transactions under the 2025 Electricity Supply Agreement are conducted in compliance with the terms of the 2025 Electricity Supply Agreement.

### **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. 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 2025 Sales Agreements, the 2025 Purchase and Processing Agreements and the 2025 Electricity Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **REASONS FOR AND BENEFITS OF THE 2025 SALES AGREEMENTS, THE 2025 PURCHASE AND PROCESSING AGREEMENTS AND THE 2025 ELECTRICITY SUPPLY AGREEMENT**

The transactions to be conducted under the 2025 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 and Baikai Vietnam are of high quality and are suitable for the use of the Group and the production base of Baikai Paper and Baikai Vietnam 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 2025 Purchase and Processing Agreements with Baikai Paper and Baikai Vietnam.

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 2025 Electricity Supply Agreement by utilising the excess capacity of the relevant substations.

The Board, including the independent non-executive Directors, consider that the terms of the 2025 Sales Agreements, the 2025 Purchase and Processing Agreements and the 2025 Electricity Supply Agreement have been entered into on normal commercial terms and in the ordinary course of business of the Group, are fair and reasonable and are 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 (1) 2025 Sales Agreement (2) 2025 Purchase and Processing Agreement and (3) 2025 Electricity Supply Agreement and the transactions contemplated under it. Save as disclosed above, no other Directors have material interest in the (1) 2025 Sales Agreement (2) 2025 Purchase and Processing Agreement and (3) 2025 Electricity Supply Agreement and the transactions contemplated under it.

## **INFORMATION ON BILLION FUJIAN, BILLION HIGH-TECH, BILLION VIETNAM, 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 (i) the products to be provided by the Group under the 2025 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, and (ii) pursuant to the 2025 Electricity Supply Agreement, Billion Fujian will supply electricity to Baikai Wrap Knitting, which is one of the relevant counterparties to the 2025 Sales Agreements, the sales arrangements under the 2025 Sales Agreements and the 2025 Electricity Supply Agreement are aggregated pursuant to Rule 14A.81 of the Listing Rules. Each of the applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, is higher than 0.1% but less than 5%. Accordingly, the 2025 Sales Agreements, the 2025 Electricity Supply Agreement and the transactions contemplated under them 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 2025 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 2025 Purchase and Processing Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. Each of the applicable percentage ratios of the transactions under such agreements in aggregate, on an annual basis, is higher than 0.1% but less than 5%. Accordingly, the 2025 Purchase and Processing Agreements and the transactions contemplated under them 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 context requires otherwise:

“2023 Electricity Supply Agreement”	the agreement dated 30 December 2022 entered into between Billion Fujian and Baikai Wrap Knitting in respect of the supply of electricity by Billion Fujian to Baikai Wrap Knitting
“2025 Electricity Supply Agreement”	the agreement dated 6 December 2024 entered into between Billion Fujian and Baikai Wrap Knitting in respect of the supply of electricity by Billion Fujian to Baikai Wrap Knitting
“2025 Processing Agreement I”	the processing agreement entered into by Baikai Paper and Billion Fujian dated 6 December 2024, in relation to the provision of processing services of paper boxes, rolls, polyfoam boards and cardboards by Baikai Paper to Billion Fujian
“2025 Processing Agreement II”	the processing agreement entered into by Baikai Paper and Billion High-tech dated 6 December 2024, in relation to the provision of processing services related to paper boxes and rolls by Baikai Paper to Billion High-tech
“2025 Purchase Agreement I”	the purchase agreement entered into by Baikai Paper and Billion Fujian dated 6 December 2024, in relation to the purchase of paper boxes, rolls, polyfoam boards and cardboards by Billion Fujian from Baikai Paper
“2025 Purchase Agreement II”	the purchase agreement entered into by Baikai Paper and Billion High-tech dated 6 December 2024, in relation to the purchase of paper boxes and rolls by Billion High-tech from Baikai Paper
“2025 Purchase and Processing Agreements I”	the 2025 Purchase Agreement I and the 2025 Processing Agreement I
“2025 Purchase and Processing Agreements II”	the 2025 Purchase Agreement II and the 2025 Processing Agreement II
“2025 Purchase Agreement III”	the purchase agreement entered into by Baikai Vietnam and Billion Vietnam dated 6 December 2024, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Vietnam from Baikai Vietnam

“2025 Purchase and Processing Agreements”	the 2025 Purchase and Processing Agreements I, the 2025 Purchase and Processing Agreements II and the 2025 Purchase Agreement III
“2025 Sales Agreement I”	the sales agreement entered into by Baikai Elastic Weaving and Billion Fujian dated 6 December 2024, in relation to the sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving
“2025 Sales Agreement II”	the sales agreement entered into by Baikai Wrap Knitting and Billion Fujian dated 6 December 2024, in relation to the sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting
“2025 Sales Agreement III”	the sales agreement entered into by Baikai Textile and Billion Fujian dated 6 December 2024, in relation to the sales of PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile
“2025 Sales Agreement IV”	the sales agreement entered into by Baikai Zipper and Billion Fujian dated 6 December 2024, in relation to the sales of DTY by Billion Fujian to Baikai Zipper
“2025 Sales Agreement V”	the sales agreement entered into by Baikai Vietnam and Billion Vietnam dated 6 December 2024, in relation to the sales of DTY and FDY by Billion Vietnam to Baikai Vietnam
“2025 Sales Agreements”	the 2025 Sales Agreement I, the 2025 Sales Agreement II, the 2025 Sales Agreement III, the 2025 Sales Agreement IV and the 2025 Sales Agreement V
“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 Jinjing
“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 Vietnam”	Baikai Industry (Viet Nam) Co., Ltd. (百凱實業(越南)有限公司), a company incorporated in Vietnam with limited liability and a wholly-owned subsidiary of Baikai Wrap Knitting
“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.* (福建省百凱拉鏈服飾有限公司), 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
“Billion Vietnam”	Billion Industrial (Viet Nam) Co., Ltd. (百宏實業(越南)有限公司), a company incorporated in Vietnam with limited liability and a wholly-owned subsidiary of Billion Fujian
“Board”	the board of Directors
“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)”	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
“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
“Hong Kong	The Hong Kong Special Administrative Region of the PRC
“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
“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
“Previous Processing Agreement I”	the processing agreement entered into by Baikai Paper and Billion Fujian dated 12 January 2022, in relation to the provision of processing services of paper boxes, rolls and polyfoam boards by Baikai Paper to Billion Fujian
“Previous Processing Agreement II”	the processing agreement entered into by Baikai Paper and Billion High-tech dated 12 January 2022, in relation to the provision of processing services of paper boxes and rolls by Billion High-tech from Baikai Paper
“Previous Purchase Agreement I”	the purchase agreement entered into by Baikai Paper and Billion Fujian dated 12 January 2022, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Fujian from Baikai Paper

“Previous Purchase Agreement II”	the purchase agreement entered into by Baikai Paper and Billion High-tech dated 12 January 2022, in relation to the purchase of paper boxes and rolls by Billion High-tech from Baikai Paper
“Previous Purchase Agreement III”	the purchase agreement entered into by Baikai Vietnam and Billion Vietnam dated 12 January 2022, in relation to the purchase of paper boxes, rolls and polyfoam boards by Billion Vietnam from Baikai Vietnam
“Previous Purchase and Processing Agreements”	the Previous Purchase Agreement I, the Previous Processing Agreement I, the Previous Purchase Agreement II, the Previous Processing Agreement II and the Previous Purchase Agreement III
“Previous Sales Agreement I”	the sales agreement entered into by Baikai Elastic Weaving and Billion Fujian dated 12 January 2022, in relation to the sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving
“Previous Sales Agreement II”	the sales agreement entered into by Baikai Wrap Knitting and Billion Fujian dated 12 January 2022, in relation to the sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting
“Previous Sales Agreement III”	the sales agreement entered into by Baikai Textile and Billion Fujian dated 12 January 2022, in relation to the sales of semi-dull PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile
“Previous Sales Agreement IV”	the sales agreement entered into by Baikai Zipper and Billion Fujian dated 12 January 2022, in relation to the sales of DTY by Billion Fujian to Baikai Zipper
“Previous Sales Agreement V”	the sales agreement entered into by Baikai Vietnam and Billion Vietnam dated 12 January 2022, in relation to the sales of DTY and FDY by Billion Vietnam to Baikai Vietnam
“Previous Sales Agreements”	the Previous Sales Agreement I, the Previous Sales Agreement II, the Previous Sales Agreement III, Previous Sales Agreement IV and the Previous Sales Agreement V
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 6 December, 2024

*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. Yu Wai Ming, Mr. Lin Jian Ming and Mr. Shih Chun Pi as independent non-executive directors.*

\* *For identification purposes only*