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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- Revenue for the year ended 31 December 2020 amounted to RMB8,431.1 million, representing a decrease of 10.3% compared to the year ended 31 December 2019.
- Profit for the year ended 31 December 2020 amounted to RMB781.5 million, representing a decrease of 8.4% compared to the year ended 31 December 2019.
- Earnings per share for the year ended 31 December 2020 amounted to RMB0.37 (2019: RMB0.40).

The board (the “**Board**”) of directors (the “**Directors**”) of Billion Industrial Holdings Limited (the “**Company**”) is pleased to announce the consolidated results for the year ended 31 December 2020 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	2020 RMB’000	2019 <i>RMB’000</i>
Revenue	2	8,431,054	9,396,866
Cost of sales		<u>(7,050,709)</u>	<u>(7,779,920)</u>
Gross profit		1,380,345	1,616,946
Other revenue	3	247,290	157,980
Other net gains and losses	4	6,523	37,759
Selling and distribution expenses		(115,604)	(89,608)
Administrative expenses		<u>(409,312)</u>	<u>(442,672)</u>
Profit from operations		1,109,242	1,280,405
Finance costs	5(a)	<u>(196,175)</u>	<u>(214,804)</u>
Profit before tax	5	913,067	1,065,601
Income tax expenses	6	<u>(131,585)</u>	<u>(212,379)</u>
Profit for the year attributable to owners of the Company		<u>781,482</u>	<u>853,222</u>
Earnings per share	8		
Basic and diluted (<i>RMB</i>)		<u>0.37</u>	<u>0.40</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	781,482	853,222
Other comprehensive (loss) income:		
<i>Item that will not be reclassified to profit or loss</i>		
Exchange difference on consolidation	(10,414)	1,604
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	(49,773)	(1,739)
Total other comprehensive loss for the year	(60,187)	(135)
Total comprehensive income for the year attributable to owners of the Company	721,295	853,087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		10,393,976	8,975,594
Intangible assets		8,414	10,586
Deposits and prepayments	<i>10</i>	406,423	715,052
		10,808,813	9,701,232
Current assets			
Inventories	<i>9</i>	1,905,552	2,204,027
Trade and other receivables	<i>10</i>	1,695,744	1,496,597
Other financial assets		—	310,245
Restricted bank deposits	<i>11</i>	3,929,520	2,578,903
Cash and cash equivalents	<i>12</i>	342,919	201,398
		7,873,735	6,791,170
Current liabilities			
Trade and other payables	<i>13</i>	7,432,014	7,733,903
Contract liabilities		274,374	163,383
Bank loans	<i>14</i>	2,068,975	1,142,549
Lease liabilities		1,003	1,515
Deferred income		—	944
Tax payables		134,263	142,799
		9,910,629	9,185,093
Net current liabilities		(2,036,894)	(2,393,923)
Total assets less current liabilities		8,771,919	7,307,309

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities			
Bank loans	<i>14</i>	1,215,416	471,433
Lease liabilities		5,193	5,561
Deferred tax liabilities		176,467	169,855
		<u>1,397,076</u>	<u>646,849</u>
NET ASSETS		<u>7,374,843</u>	<u>6,660,460</u>
Capital and reserves			
Share capital		17,827	17,846
Reserves		7,357,016	6,642,614
TOTAL EQUITY		<u>7,374,843</u>	<u>6,660,460</u>

NOTES

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The functional currency of the Company is Hong Kong Dollars (“**HK\$**”). The consolidated financial statements are presented in Renminbi (“**RMB**”) as the functional currency of the Group’s major operating subsidiaries is RMB. All amounts have been rounded to the nearest thousand, unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed below.

Going concern

As at 31 December 2020, the Group recorded net current liabilities of approximately RMB2,036,894,000 (2019: approximately RMB2,393,923,000). Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank and cash balances as at 31 December 2020 and continuous net cash inflows from operating activities; and (ii) the confirmed and indicated credit commitments from financial institutions, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its normal operation and meet the obligation for its liabilities for the twelve months from the end of the reporting period of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

2 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and sales of polyester filament yarns products, polyester products*, polyester industrial yarns products and ES fiber products. The Group has only one reportable operating segment. The Group's most senior executive management reviews the Group as a whole and internal reports including only revenue analysis by product types and no other discretionary information is prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major products is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<u>Disaggregated by major products lines</u>		
Polyester filament yarns products	5,970,840	7,471,569
Polyester products*	2,258,398	1,925,297
Polyester industrial yarns products	199,459	—
ES fiber products	2,357	—
	<u>8,431,054</u>	<u>9,396,866</u>
<u>Disaggregated by geographical location of customers</u>		
The People's Republic of China (the "PRC")	6,653,118	8,202,806
Others	1,777,936	1,194,060
	<u>8,431,054</u>	<u>9,396,866</u>

* Polyester products represent BOPET thin films, polyester bottle chips, polyester films and wasted filament generated during the production process.

The Group's customer base is diversified. No individual customer (2019: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2020.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment (including right-of-use assets), intangible assets and deposits and prepayments ("Specified Non-current Assets"). The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

Location of the Specified Non-current Assets

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The PRC	8,532,758	7,333,757
Vietnam	2,234,040	2,321,357
Hong Kong	42,015	46,118
	<u>10,808,813</u>	<u>9,701,232</u>

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

3 OTHER REVENUE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	141,715	42,445
Government grants (<i>Note</i>)	83,374	107,817
Sales of raw materials	22,475	8,111
Others	(274)	(393)
	<u>247,290</u>	<u>157,980</u>

Note:

Government grants include approximately RMB82,216,000 (2019: approximately RMB107,104,000) were received from several local government authorities for the Group's contribution to local economies of which the entitlement was unconditional and at the discretion of the relevant authorities. The remaining amounts of approximately RMB1,158,000 (2019: approximately RMB713,000) were transferred from deferred income to profit or loss upon the conditions met. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

4 OTHER NET GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Donation	(3,200)	(153)
Exchange gain (loss), net	11,068	(10,479)
(Loss) Gain on disposal of property, plant and equipment, net	(39)	312
Realised gain on other financial assets, net	2,575	34,456
Realised loss on future contracts, net	(7,838)	—
Unrealised loss on future contracts, net	(1,245)	—
Unrealised gain on other financial assets, net	—	10,245
Others	5,202	3,378
	<u>6,523</u>	<u>37,759</u>

5 PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

(a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans (<i>Note (i)</i>)	125,240	70,366
Interest on lease liabilities	328	363
Other interest expenses	122,802	151,369
	<u>248,370</u>	<u>222,098</u>
Less: Capitalised into construction in progress	(52,195)	(7,294)
	<u>196,175</u>	<u>214,804</u>

(b) Staff costs (including directors' emoluments)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages, allowances and other benefits	386,159	323,953
Contributions to defined contribution retirement plan (<i>Note (ii)</i>)	8,792	9,082
	<u>394,951</u>	<u>333,035</u>

(c) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of intangible assets (included in “Administrative expenses”)	2,172	2,170
Auditors’ remuneration		
– audit services	3,102	1,400
– non-audit services	500	600
Cost of inventories (<i>Note (iii)</i>)	7,050,709	7,779,920
Depreciation (included in “Cost of sales” and “Administrative expenses”), as appropriate		
– property, plant and equipment	486,130	393,388
– right-of-use assets	17,122	12,944
Loss allowance on trade receivables, net	8,112	83
Research and development costs (<i>Note (iv)</i>)	<u>240,723</u>	<u>297,481</u>

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.92%–3% (2019: 2.92%–3%) per annum for the year ended 31 December 2020.
- (ii) Starting from February 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the social security insurance.
- (iii) For the year ended 31 December 2020, cost of inventories included approximately RMB692,637,000 (2019: approximately RMB524,186,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iv) For the year ended 31 December 2020, research and development costs included approximately RMB117,736,000 (2019: approximately RMB110,579,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

6 INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax (“CIT”)		
Current year	119,080	163,415
Over-provision in respect of prior years	—	(4,543)
	<u>119,080</u>	<u>158,872</u>
Hong Kong Profits Tax		
Current year	2,613	6,465
(Over-provision) Under-provision in respect of prior years	(1,520)	9,445
	<u>120,173</u>	<u>174,782</u>
Withholding tax		
Withholding tax on dividends	4,800	31,935
Deferred tax		
Origination and reversal of temporary differences	6,612	5,662
	<u>131,585</u>	<u>212,379</u>
Reconciliation of income tax expenses		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax	<u>913,067</u>	<u>1,065,601</u>
Notional tax on profit before tax, calculated at the rates applicable to profit in the jurisdiction concerned	218,346	267,461
Effect of preferential tax treatments	(94,855)	(108,672)
Additional tax deduction on research and development expenses	(10,653)	(2,699)
Tax effect of non-deductible expenses	6,156	13,194
Tax effect of non-taxable income	(26)	(7)
Tax effect of unused tax losses not recognised	9,337	6,265
(Over-provision) Under-provision in respect of prior years	(1,520)	4,902
Withholding tax on dividend income from PRC subsidiaries	4,800	31,935
	<u>131,585</u>	<u>212,379</u>
Income tax expenses for the year	<u>131,585</u>	<u>212,379</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Laws of the PRC on Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In accordance with the relevant CIT Law, regulations and implementation guidance notes, the subsidiary in the PRC, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) (“**Billion Fujian**”) was granted the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2018 to 2020 which entitles Billion Fujian to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations. Billion Fujian has submitted the application for renewal of the Advanced and New Technology Enterprise Status and in the opinion of the management of the Group, the application for renewal will be completed in 2021.

In accordance with the relevant CIT Law, regulations and implementation guidance notes, the subsidiary in the PRC, Fujian Billion High-tech Material Industry Co., Ltd.* (福建百宏高新材料實業有限公司) (“**Billion High-tech**”) was approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2020 to 2022 which entitles Billion High-tech to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations.

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK\$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Billion Development (Hong Kong) Limited, were taxed at 8.25% and assessable profits arising from Hong Kong above HK\$2 million were taxed at 16.5%.

From 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise. The Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective until 2022. Withholding tax on dividend represents tax charged by the PRC tax authority on dividends distributed by the Group’s subsidiaries in the PRC for the years ended 31 December 2020 and 2019.

The standard corporate income tax rate in Vietnam is 20%. Vietnam Corporate Income Tax has not been provided as the Group incurred a loss for taxation purpose for both years.

* *The English translation of the name is for reference only.*

7 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
No final dividend in respect of the previous financial year, approved and paid during the year (2019: HK5.7 cents per share)	—	103,888

8 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	<u>781,482</u>	<u>853,222</u>
	2020	2019
Number of shares:		
Issued ordinary shares at 1 January	2,122,098,000	2,125,308,000
Effect of shares repurchased	<u>(217,514)</u>	<u>(1,670,762)</u>
Weighted average number of ordinary shares	<u>2,121,880,486</u>	<u>2,123,637,238</u>

There were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	366,055	567,153
Work in progress	82,997	55,596
Finished goods	<u>1,456,500</u>	<u>1,581,278</u>
	<u>1,905,552</u>	<u>2,204,027</u>

10 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables from third parties	334,861	245,523
Less: Loss allowance	<u>(8,195)</u>	<u>(83)</u>
	326,666	245,440
Bills receivables from third parties	<u>117,875</u>	<u>104,085</u>
	444,541	349,525
Deposits, prepayments and other receivables	<u>1,657,626</u>	<u>1,862,124</u>
	2,102,167	2,211,649
Less: Non-current portion of deposits and prepayments	<u>(406,423)</u>	<u>(715,052)</u>
	<u><u>1,695,744</u></u>	<u><u>1,496,597</u></u>

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expenses within one year.

As at 31 December 2020, the Group had discounted bank acceptance bills totalling approximately RMB1,545,862,000 (2019: approximately RMB1,673,345,000) and endorsed bank acceptance bills totalling approximately RMB14,328,000 (2019: approximately RMB234,321,000), which are derecognised as financial assets. These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Non-current portion of deposits and prepayments mainly represents deposits for acquisition of interests in leasehold land and property, plant and equipment.

Current portion of deposits, prepayments and other receivables mainly represents prepayments on raw materials, interest receivables from deposits with banks and value added tax recoverable.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables and bills receivables (which are included in “trade and other receivables”), based on the date of billing and net of loss allowance for ECL, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	254,033	219,078
1 to 2 months	110,865	32,029
2 to 3 months	64,729	67,095
Over 3 months	14,914	31,323
	<u>444,541</u>	<u>349,525</u>

Trade receivables and bills receivables are due within 90 to 210 days (2019: 90 to 210 days) and 1 to 365 days (2019: 1 to 210 days), respectively, from the date of billing.

11 RESTRICTED BANK DEPOSITS

The restricted bank deposits of approximately RMB900,433,000 (2019: approximately RMB621,550,000) and approximately RMB3,029,087,000 (2019: approximately RMB1,957,353,000) were pledged to the banks to secure certain bank loans (Note 14) and bills payables (Note 13), respectively.

12 CASH AND CASH EQUIVALENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank balances and cash	<u>342,919</u>	<u>201,398</u>

As at 31 December 2020, cash at bank balances were placed with banks in the PRC amounted to approximately RMB245,809,000 (2019: approximately RMB157,544,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	423,862	316,340
Bills payables	5,566,919	5,790,470
Other payables and accrued charges	350,035	281,157
Interest payables	6,218	8,454
Equipment payables	930,347	1,181,039
Construction payables	154,633	156,443
	<u>7,432,014</u>	<u>7,733,903</u>

All of the trade and other payables are expected to be settled within one year or repayable on demand.

Certain bills payables were secured by restricted bank deposits as at 31 December 2020 and 2019 (*Note 11*).

The Group normally is allowed a credit term of 60 to 180 days by its suppliers. At the end of the reporting period, the ageing analysis of trade payables and bills payables (which are included in “Trade and other payables”), based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	2,229,125	2,789,314
More than 3 months but within 6 months	1,493,629	1,872,668
More than 6 months but within 1 year	2,263,208	1,442,913
More than 1 year	4,819	1,915
	<u>5,990,781</u>	<u>6,106,810</u>

14 BANK LOANS

At the end of the reporting period, the bank loans were repayable as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year or on demand	2,068,975	1,142,549
After 1 year but within 2 years	699,193	90,082
After 2 years but within 5 years	462,600	378,364
After 5 years	53,623	2,987
	<u>1,215,416</u>	<u>471,433</u>
	<u>3,284,391</u>	<u>1,613,982</u>

At the end of the reporting period, the bank loans were secured as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans		
– secured	948,129	691,936
– unsecured	2,336,262	922,046
	<u>3,284,391</u>	<u>1,613,982</u>

The interest-bearing borrowings are collectively secured by:

- (i) bank deposits amounted to approximately RMB900,433,000 (2019: approximately RMB621,550,000);
- (ii) building held for own use amounted to approximately RMB41,613,000 (2019: approximately RMB45,570,000); and
- (iii) corporate guarantee given by certain subsidiaries of the Company in aggregate of approximately HK\$920,000,000 and US\$116,000,000 (2019: approximately HK\$920,000,000 and US\$116,000,000).

15 CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2020 and 2019 not provided, net of any deposits paid, for in the consolidated financial statements were as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised but not contracted for	72,932	195,022
Contracted for	1,644,385	1,607,060
	<u>1,717,317</u>	<u>1,802,082</u>

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

Affected by the outbreak of COVID-19 pandemic, the world economy in 2020 fell into the worst recession since the Great Depression, major economies successively introduced large-scale response policies, which has promoted the rebound of the world economy since the second half of the year. However, the epidemic in Europe and the US relapsed in the fourth quarter, which affected the recovery momentum of the world economic to some extent. The World Bank expects that the economy of the U.S. will decline by 3.6%, Eurozone countries as a whole by 7.4% and Japan by 5.3%. In face of the adversely affected business activities in global trade, many countries around the world have been proposing and enhancing their economic stimulus policies to cope with the economic downturn and rising unemployment brought by the pandemic. The progress of global recovery largely depends on the effectiveness of various economic stimulus policies and the improvement of global economic governance.

In the face of the sudden outbreak of pandemic, the rise of protectionism, the global economy recession and other severe challenges, China's economy showed a relatively high resilience to stress. The total growth rate, which exceeds the market expectations, coupled with structural improvements, indicates that China's economy has basically returned to normal prior to the pandemic. China further deepened its supply-side structural reform, accelerated the construction of a new pattern of development, and drove the world's common recovery with its own recovery, and became more integrated with the world, sought common development, and continued to make positive contributions to the recovery of the global economy.

According to statistics from the National Bureau of Statistics of China, China's GDP recorded RMB102,598.6 billion in 2020, exceeding RMB100 trillion for the first time. Excluding the impact of inflation, the GDP actually grew by 2.3% year on year, among which, the GDP grew by 6.5% year on year in the fourth quarter, exceeding general market expectations. In the second half of 2020, the domestic demand market of China's textile industry recovered obviously. The year-on-year decline in the retail sales of apparel, footwear, hats and textile products above a designated size across the country narrowed from more than 30% at the beginning of 2020 to 6.6% of the whole year. On the other hand, driven by the export of masks and other epidemic prevention supplies, the export competitiveness of China's textile has been released steadily. The cumulative export of textile and apparel reached US\$291.22 billion, representing a year-on-year increase of 9.6%. The steady release of export competitiveness, especially the return of orders, reflected the "hard power" of the supply chain and industrial chain of the domestic textile industry, and also demonstrated the practical results of the deep adjustment and improvement of the quality of development of the China's textile industry.

INDUSTRY REVIEW

In recent years, the overall development of China's textile industry has been under deep adjustment and transformation with a focus on improving the quality of development. The textile and apparel industry, creating a large number of employments, played an important role in ensuring the employment of residents, protecting the market players and stabilizing the industrial chain and supply chain. In 2020, affected by the COVID-19 pandemic, the textile industry has also been impacted, and the external situation has become more complex and severe. With the stable progress of the domestic resumption of work and production, various operating indicators of textile industry have shown a continuous upward trend, and the domestic demand market of China's textile industry recovered notably in the second half of the year.

With the support of "stabilizing foreign trade" policy, the export of China's textile and apparel industry has withstood the huge impact brought by the COVID-19 pandemic. In particular, the textile industry has recorded growth for nine consecutive months since April 2020, and the apparel has also reversed since August 2020. The export of textile and apparel grew for consecutive five months, becoming an important driving force for the nation's trade in goods.

The advantages of concentrated industrial chain of China's textile industry and abundant upstream and downstream facility, have become important driving forces to promote the growth of national trade in goods, and also driven improvement in the demand for polyester filament. In the fourth quarter of 2020, the bulk market rebounded, and coupled with the recovery of downstream demand, the market volume and price of polyester filament rose, market demand improved, and the industry's operating rate was higher than the level of the same period last year. Therefore, the output of China's textiles industry maintained a relatively high growth rate.

In recent years, the polyester thin film industry in China has developed rapidly. Enterprises in the industry have accelerated the research and development and innovation of high-end products, optimized product structure, further improved their independent and innovative capabilities and the product quality while expanding, and focused more on environmental-friendly, safe and ecological sustainability. With the continuous improvement of China's requirements for environmental protection technology, safe production and social responsibility, enterprises in industry pay more attention to the trend of industrial chain technology progress than before, in order to achieve sustainable development of the industry.

BUSINESS REVIEW

By always adhering to the mission of “providing eco-friendly products for the public, aspiring to be the world’s premier supplier of consumer product materials”, the Group implements the operation philosophy of “creating green products”. In order to achieve “technology innovation and improving competitive strength”, we persist in pursuing the technology innovation in a comprehensive approach addressing “Production, Learning, Research and Application”. The Group formulates the deepened reform proposal through technology improvement, technology innovation, perfecting product mix and recruiting innovative talents, strives to research and develop new products and enhance product added value, and improves brand values and market competitiveness of the Company. The Group owns the largest differentiated chemical fiber production base in Southern China. It is also the first enterprise in Fujian Province to adopt the world’s advanced melt-direct spinning differentiated chemical fiber production line and possesses the industry leading spinning and texturing equipment and technology. As a “High Technology Enterprise” and the “Pilot Demonstration Enterprise of Intelligent Manufacturing in Fujian Province”, the Group is the first enterprise pioneering in the application of the full process intelligent automatic production in the industry. The Group leverages on the digitalization, networking and modularization of automatic equipment to keep on improving its products’ quality and production volume. During the epidemic, the Group showed great resilience to risks. Benefiting from technologies and equipment such as intelligent transformation, intelligent production, intelligent packaging and intelligent storage, our production was less impacted by the epidemic. The Group’s production lines of each workshop continued to run at full speed during the critical period of the first outbreak of the epidemic when manpower was largely limited. The capability of maintaining operation benefits from the automation, which proves that our forward-looking decision made years ago to carry out intelligent transformation, and also reinforces the Group’s determination towards further intelligent upgrade.

The Group attaches great importance to the introduction and cultivation of talents and has adopted the talent strategy of “recruiting employees with due care and connecting people with heart (招人留心、用人連心)” which attracts more talented individuals to join the business. We established a talents practice base in cooperation with Donghua University, and we have become an enterprise with excellent research and development talents. The Group has a research and development team, comprising over 600 senior technicians from all around the country, to develop new products under a market-oriented approach. The Group also has a sizable quality control team equipped with the world class testing facilities to ensure stringent product quality and personalized quality service.

The management team of the Group applied scientific management software to achieve automation and intelligent management during the course of production, and deployed equipment between production and research and development to maximise the usage of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enables the Group to constantly launch new

products in time targeting at market demand with a view to increasing the strengths of product differentiation. Our ES fiber project has also been successfully put into production during the year under review. With respect to model selection and main equipment installation, our ES fiber project adopts German facilities. The excellent equipment largely ensures the Group's product innovation and technological innovation. The Group manufactures the high-end customized products according to high-end customers' demand. Moving forward, the Group expects more promising prospects for the ES fiber business as to demand and application. High value-added products can generate higher profits, which will also consolidate the position of the Group in the industry.

The Group manufactures functional polyester thin film project of 255,000 tons in production site G on an annual basis, of which, 2 of the production lines focused on the production of polyester thin film, with an annual capacity of 70,000 tons, were duly put into production in December 2020. The project adopts international advanced polyester production process with six biaxially-oriented polyester thin films production lines of the latest model purchased from Dornier in Germany, equipped with the cutting machines in KAMPF of Germany, and 9 APET sheet production lines. By virtue of the automatic control, the implementation of purification management in production workshops, and the smooth operation and stability of the equipment and the production lines, we can manufacture thin films of larger span, which can satisfy more customers' needs and ensure the quality of various products. Positioning at high-end functional polyester thin films market at home and abroad, the products can be mainly applied in the segments including soft packaging, composite printing, garments, safety and energy saving, cosmetics, food packaging, toys, electronic products including solar backplane, protective film and release film. Due to the prosperous market conditions in the thin film market this year and wide market potential, there have been advanced orders placed by our customers prior to the commencement of commercial production of the project. Relying on the entire supply chain platform of the Group and mature technology management team, the products will serve customers in all respects with a focus on high quality, high starting point and specialization. The production of the project will allow the Group to double the capacity of its existing polyester thin film and APET sheet and strengthen its market position as a large polyester thin film manufacturer in China.

After more than one year of planning and construction, the manufacturing facilities of polyester industrial yarns products, which has an annual production capacity of approximately 250,000 tons, commenced operation in July of the year under review. The Group has been committed to constructing its polyester industrial yarns products with the belief of "high quality, high starting point, specialization, and serving various fields". The Group adopts world-class advanced polyester process in its production by introducing the latest high-speed spinning winder of Oerlikon Barmag (a German brand), which can produce a full range of products including ordinary high-strength, low-shrink, ultra-low-shrink, activated, anti-wicking and water-repellent, car seat belt wear-resistant and special sewing thread and non-ferrous type, as complemented by the plied and twisted lines and twisting device to enrich the product structure. Meanwhile, the Group is equipped with the

whole-process intelligent production and management from the latest intelligent winding, product inspection, packaging to storage, together with the optimized application of Oerlikon Barmag’s automation solution. The Group is also among the top ten polyester industrial yarns manufacturers in China. The project has led the Group to expand the business of polyester industrial yarns products, marking another milestone towards the whole industry chain layout of the Group. We gradually acquire expertise in the direction of customer flow, information flow and capital flow in the industry. Meanwhile, the Company continues to strengthen its publicity efforts to further enhance our reputation for polyester industrial yarns products, and proactively deepens understanding of customers’ needs for polyester industrial yarns prices, functions and services. The Group will continue to provide customers with high-end quality products and gradually take the lead in the market.

During the year, the Group signed a 5G new technology strategic cooperation with China Mobile, to jointly explore development opportunities in the 5G business sector by further leveraging the unique advantages of both parties. The Group’s commissioning of 5G smart factories has eased the pressure caused by rising labor costs, improved production efficiency, and promoted high-quality development in digital, intelligent, and flexible aspects with reform and innovation. As the first 5G intelligent chemical factory in the chemical fiber industry in the country, the Group and China Mobile cooperate in the fields of intelligent manufacturing, 5G data acquisition and transmission, high-precision positioning, visual recognition, network security, etc., to expand 5G industrial Internet application scenarios and achieve mutual benefit and win-win results.

As a leading enterprise in Fujian, the Group has been dedicated to building the front-end platform for foreign economic and trading cooperation in recent years. In active response to the national call, the Group invested in Vietnam to build a polyester factory as early as 2016. In May 2020, the Group officially commenced the second project, i.e. the “polyester bottle chips project with an annual production capacity of 250,000 tons”, under phase I of the Group’s investment in and construction of the “700,000-ton differentiated chemical fiber project” in Tay Ninh, Vietnam. The main product of the project is bottle grade chips suitable for making bottles for water such as mineral water and purified water. Coupled with the “polyester filament yarns and chips project with an annual production capacity of 200,000 tons”, which commenced operation in September 2019, construction of the two projects under phase I of our investment in and construction of the “700,000-ton differentiated chemical fiber project” in Vietnam have completed. The Group targets to develop these projects to create a demonstration platform for China-Vietnam production capacity cooperation, being a further great leap forward for the development of the Group. Leveraging on the geographical location of Vietnam and its huge market potential, the Group will continue to capitalize on its opportunities and utilise its strengths as a large-scale corporation to differentiate itself from the competitors and enter the textile and polyester bottle chips market in Vietnam.

The Group has always been highly valuing the importance of marketing channel expansion and customer services. The flexible sales strategies enable it to understand market situations in time, focus on customers' experience and timely communicate the feedback from customers to the technology and production center, in order to ensure the bilateral interaction and providing fast and efficient product aftersales services. While consolidating its market share in Fujian and Guangdong Provinces, the Group also strives to develop international markets and continued to improve its response to the market whilst expanding the emerging markets. According to the feedback of downstream users in the emerging markets, the Group is recognized for making functional improvement and technology upgrade to its existing product lines with suitable marketing strategy, strengthening quality control on export products, and maintaining cost advantages.

The Group's major subsidiaries, Billion Fujian and Billion High-tech have been awarded as high technology enterprises. During the year under review, the revenue from and the research and development expenses of the Group's differentiated products amounted to RMB5,337,689,000 and RMB240,723,000, representing 63.3% and 2.9% of the total revenue respectively. The Group's research and development focused on improving the product quality and production efficiency, as well as enhancing its innovative capability in all aspects from chemical fiber to textile fabrics. Such a high rate ensures our market competitiveness and is also a key factor contributing to the steady growth of the Group's sales. In addition, the Group owned 123 national patents registered in China and had applied for 133 national patents. Among all of the Group's patented products, 105 of them have already been applied to our products sold to customers. The Group remains confident in the short-and medium-term development as it continues to push ahead its innovative capability and intelligentization achievements, alongside with the application for patents in China, increasing national income, optimizing demographic structure and consumption upgrade.

FINANCIAL REVIEW

Operational performance

1. Revenue

Revenue of the Group in 2020 amounted to RMB8,431,054,000, representing a decrease of 10.3% as compared to RMB9,396,866,000 in 2019. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,970,840,000, accounting for 70.8% of the total revenue. Revenue attributable to the sales of polyester products was RMB2,258,398,000, accounting for 26.8% of the total revenue. The revenue of the new products ES fiber and polyester industrial yarns of the Group which started production during the year under review was RMB2,357,000 and RMB199,459,000, respectively, accounting for 0.0% and 2.4% of the total revenue, respectively. The revenue analysis of the various products is as follows:

Polyester filament yarns

The Group adopts melt-direct spinning differentiated chemical fiber production line which is technologically advanced by global standard, and possesses the leading spinning and texturing equipment and technology in the industry. The Group targets its polyester filament yarns products at the middle and high-end markets both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. These products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Group's product solutions have a clear positioning and are targeted at the mid to high-end market. In response to the needs of the target markets, the product plan designs are based on the production of differential oerlikon fibers and functional fibers.

Revenue attributable to the sales of polyester filament yarns products for the year under review was RMB5,970,840,000, representing a decrease of RMB1,500,729,000 or 20.1% as compared to RMB7,471,569,000 in 2019. The decrease was mainly due to the Group's investment in new products ES fiber and polyester industrial yarns during the year and the outbreak of the epidemic since the beginning of 2020 has imposed short-term impacts on the operating environment of the Group. The average selling price of polyester filament yarns in the year under review was RMB7,876 per ton, representing a decrease of RMB2,190 or 21.8% as compared to RMB10,066 per ton in 2019.

Polyester products

The Group's polyester products can be widely used in various sectors including packaging, magnetic materials, imaging, industry, electronics and electrical appliances, with its principal products positioned at the middle and high-end markets both domestically and abroad. The Group re-engineered its polyester products production lines to conduct research and development on various categories of thin films products under different raw material formulae and various technological conditions. The Group introduced the production lines and research and development equipment with advanced international standards for biaxially-oriented polyethylene terephthalate ("BOPET") thin films from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films. It has become one of the largest polyester thin films production enterprises in China. In addition, the commencement of production of the facility of Billion Vietnam has also expanded the production capacity of polyester products of the Group.

Revenue attributable to the sales of polyester products for the year under review was RMB2,258,398,000, representing an increase of RMB333,101,000 or 17.3% as compared to RMB1,925,297,000 in 2019. The average selling price of polyester products in the year under review was RMB6,772 per ton, representing a decrease of RMB2,243 or 24.9% as compared to RMB9,015 in 2019. Benefiting from the commencement of production of the facility of Billion Vietnam and the development of the polyester bottle chip business in Vietnam, the sales volume of the Group's polyester products significantly increased by 56.1% from 213,572 tons in 2019 to 333,469 tons during the year under review, the sales volume continued to record steady growth.

ES fiber and polyester industrial yarns

The Group's ES fiber is a new type of thermally bonded composite fiber. After heating, a portion of the skin component will be melted and bonded together enjoying a low thermal shrinkage rate. Fibers are interlinked to form a non-woven fabric without adhesives. Different heat treatment methods will produce non-woven fabrics with different effects. For example, the application of hot air bonding can produce fluffy non-woven fabrics, the application of hot rolling bonding can produce high strength non-woven fabrics, products are mainly used in disposable sanitary products. The prospects for ES fiber demand are becoming broader, and the broad demand potential for ES fibers in the future is expected to open up new sources of economic growth for the Group. During the year under review, the revenue attributable to the sale of ES fiber products was RMB2,357,000, and the average selling price of the products was RMB4,994 per ton.

Different from the production process of polyester filament, polyester industrial yarns of the Group requires a solid phase polymerization device which can increase the viscosity through solid phase polycondensation. The tensile strength of such yarns is

controlled by winding hot rolls industrial silk, and physical properties are controlled. Different strengths have different uses. Industrial silk products of the Group will serve various fields with high quality, high starting point and specialization, including hoisting belts, conveyor belts, car seat belts, canvas, teslin, coated cloth, fire hoses, oil and water pipelines, geotextiles and so on. During the year under review, the revenue attributable to the sale of polyester industrial yarns products was RMB199,459,000, and the average selling price of the products was RMB5,859 per ton.

Analysis of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	2020		2019		2020		2019	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	4,515,904	53.6%	5,298,328	56.4%	506,401	45.0%	463,455	48.5%
FDY	759,759	9.0%	1,097,233	11.7%	104,389	9.3%	113,998	11.9%
POY	131,136	1.5%	103,137	1.1%	24,187	2.1%	13,290	1.4%
Other polyester filament yarns products*	564,041	6.7%	972,871	10.3%	123,137	10.9%	151,527	15.9%
Sub-total	5,970,840	70.8%	7,471,569	79.5%	758,114	67.3%	742,270	77.7%
Polyester products								
BOPET thin films	1,590,431	18.9%	1,525,485	16.2%	190,119	16.9%	152,642	15.9%
Polyester bottle chips	395,308	4.7%	—	—	86,310	7.7%	—	—
Other polyester products**	272,659	3.2%	399,812	4.3%	57,040	5.1%	60,930	6.4%
Sub-total	2,258,398	26.8%	1,925,297	20.5%	333,469	29.7%	213,572	22.3%
ES fiber	2,357	0.0%	—	—	472	0.0%	—	—
Polyester industrial yarns	199,459	2.4%	—	—	34,041	3.0%	—	—
Total	8,431,054	100.0%	9,396,866	100.0%	1,126,096	100.0%	955,842	100.0%

* Other polyester filament yarns products represent polyethylene terephthalate (“PET”) chips and wasted filament generated during the production process.

** Other polyester products represent polyester chips, polyester films and wasted filament generated during the production process.

Sales by geographic region

The Group's overseas sales revenue increased from RMB1,194,060,000 in 2019 to RMB1,777,936,000 during the year under review or an increase of 48.9%. Consequentially, the percentage of overseas sales revenue also increased from 12.7% in 2019 to 21.1% during the year under review, representing an increase of 8.4 percentage points. The epidemic disrupted the international shipping, which affected the Group's overseas sales. Nevertheless, the second project under phase I of the Group's investment in and construction of the "700,000-ton differentiated chemical fiber project" in Tay Ninh, Vietnam fully commenced production, which boosted the sales of the overall overseas sales of the Group. Approximately 78.9% of the Group's revenue was generated from domestic market sales, of which 48.9% was from sales to customers in Fujian Province and 20.9% to customers in the adjacent Guangdong Province. The textile manufacturing industries in these two provinces have been booming, resulting in a relatively strong demand for the Group's products.

Geographic Breakdown of Revenue

	2020		2019	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Domestic sales				
Fujian Province	4,123,590	48.9%	5,505,055	58.6%
Guangdong Province	1,766,053	20.9%	1,974,492	21.0%
Other Provinces	763,475	9.1%	723,259	7.7%
Overseas sales*	1,777,936	21.1%	1,194,060	12.7%
Total	<u>8,431,054</u>	<u>100.0%</u>	<u>9,396,866</u>	<u>100.0%</u>

* Overseas sales were mainly made to countries such as Vietnam, Turkey, Italy, Belgium, Brazil, the United State, Spain, Russia and Poland.

2. *Cost of Sales*

Cost of sales of the Group in 2020 was RMB7,050,709,000, representing a decrease of 9.4% as compared to RMB7,779,920,000 in 2019. Such decrease was mainly attributable to the effect of the decrease in raw materials prices. The cost of sales for polyester filament yarns, the Group's main products, was RMB5,301,273,000, accounting for 75.2% of the total cost of sales. The cost of sales for polyester products was RMB1,570,530,000, accounting for 22.3% of total cost of sales. The cost of sales for ES fiber and polyester industrial yarns products was RMB3,008,000 and RMB175,898,000 accounting for 0.0% and 2.5% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns decreased from RMB8,445 per ton in 2019 to RMB6,993 per ton during the year under review, representing a decrease of RMB1,452 or 17.2% per ton, which was mainly due to comprehensive impact of the decrease in the selling price of purified terephthalic acid (“PTA”) and mono ethylene glycol (“MEG”), the raw materials of polyester filament yarns. The average price of raw materials for polyester filament yarns decreased from RMB6,424 per ton in 2019 to RMB4,808 per ton during the year under review, representing a decrease of RMB1,616 or 25.2% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 64.2% of the total cost of sales and the prices of which were mainly affected by the price of their raw materials, i.e. crude oil.

Polyester products

Average cost of sales for polyester products decreased from RMB7,077 per ton in 2019 to RMB4,709 per ton during the year under review, representing a decrease of RMB2,368 or 33.5% per ton, which was mainly due to the decrease in the selling price of raw materials of polyester products. In addition, the average price of raw materials for polyester products decreased from RMB6,357 per ton in 2019 to RMB3,903 per ton during the year under review, representing a decrease of RMB2,454 or 38.6% per ton.

ES fiber and polyester industrial yarns

Average cost of sales for ES fiber was RMB6,372 per ton, while the average price of raw materials for ES fiber was RMB4,493 per ton.

Average cost of sales for polyester industrial yarns was RMB5,168 per ton, while the average price of raw materials for polyester industrial yarns was RMB4,157 per ton.

Analysis of Cost of Sales

	2020		2019	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
Cost of raw materials				
PTA	2,440,164	34.6%	3,365,342	43.3%
MEG	966,078	13.8%	1,134,164	14.6%
POY and other raw materials	239,008	3.4%	268,629	3.4%
Sub-total	3,645,250	51.8%	4,768,135	61.3%
Manufacturing costs	1,652,837	23.4%	1,495,355	19.2%
Other costs	3,186	0.0%	5,189	0.1%
Sub-total	5,301,273	75.2%	6,268,679	80.6%
Polyester products				
Cost of raw materials				
PTA	864,433	12.3%	954,833	12.2%
MEG	368,696	5.2%	318,833	4.1%
Chips and other raw materials	68,430	1.0%	83,937	1.1%
Sub-total	1,301,559	18.5%	1,357,603	17.4%
Manufacturing costs	268,703	3.8%	153,029	2.0%
Other costs	268	0.0%	609	0.0%
Sub-total	1,570,530	22.3%	1,511,241	19.4%
ES fiber				
Cost of raw materials				
PTA	533	0.0%	—	—
MEG	211	0.0%	—	—
Other raw materials	1,377	0.0%	—	—
Sub-total	2,121	0.0%	—	—
Manufacturing costs	885	0.0%	—	—
Other costs	2	0.0%	—	—
Sub-total	3,008	0.0%	—	—
Polyester industrial yarns				
Cost of raw materials				
PTA	94,674	1.3%	—	—
MEG	39,758	0.6%	—	—
Other raw materials	7,065	0.1%	—	—
Sub-total	141,497	2.0%	—	—
Manufacturing costs	34,242	0.5%	—	—
Other costs	159	0.0%	—	—
Sub-total	175,898	2.5%	—	—
Total	7,050,709	100.0%	7,779,920	100.0%

Analysis of Average Cost of Sales of Products Per Ton

	2020		2019	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>(per ton)</i>		<i>(per ton)</i>	
Polyester filament yarns				
Cost of raw materials				
PTA	3,219	46.0%	4,534	53.7%
MEG	1,275	18.2%	1,528	18.1%
POY and other raw materials	315	4.5%	362	4.3%
Sub-total	4,809	68.7%	6,424	76.1%
Manufacturing costs	2,180	31.2%	2,014	23.8%
Other costs	4	0.1%	7	0.1%
Sub-total	<u>6,993</u>	<u>100.0%</u>	<u>8,445</u>	<u>100.0%</u>
Polyester products				
Cost of raw materials				
PTA	2,592	55.0%	4,471	63.2%
MEG	1,106	23.5%	1,493	21.1%
Chips and other raw materials	205	4.4%	393	5.6%
Sub-total	3,903	82.9%	6,357	89.9%
Manufacturing costs	805	17.1%	717	10.1%
Other costs	1	0.0%	3	0.0%
Sub-total	<u>4,709</u>	<u>100.0%</u>	<u>7,077</u>	<u>100.0%</u>
ES fiber				
Cost of raw materials				
PTA	1,129	17.7%	—	—
MEG	447	7.0%	—	—
Other raw materials	2,917	45.8%	—	—
Sub-total	4,493	70.5%	—	—
Manufacturing costs	1,875	29.4%	—	—
Other costs	4	0.1%	—	—
Sub-total	<u>6,372</u>	<u>100.0%</u>	<u>—</u>	<u>—</u>
Polyester industrial yarns				
Cost of raw materials				
PTA	2,781	53.8%	—	—
MEG	1,168	22.6%	—	—
Other raw materials	208	4.0%	—	—
Sub-total	4,157	80.4%	—	—
Manufacturing costs	1,006	19.5%	—	—
Other costs	5	0.1%	—	—
Sub-total	<u>5,168</u>	<u>100.0%</u>	<u>—</u>	<u>—</u>
Total	<u>6,261</u>		<u>8,139</u>	

3. *Gross Profit*

Gross profit of the Group in 2020 was RMB1,380,345,000, representing a decrease of RMB236,601,000 or 14.6% as compared to RMB1,616,946,000 in 2019. Average selling price of products decreased by RMB2,344 per ton or 23.8% from RMB9,831 per ton in 2019 to RMB7,487 per ton during the year under review, while average cost of products also decreased by RMB1,878 per ton or 23.1% from RMB8,139 per ton in 2019 to RMB6,261 per ton during the year under review. Therefore, the average gross profit of products per ton decreased from RMB1,692 in 2019 to RMB1,226 during the year under review. Gross profit margin decreased by 0.8 percentage point from 17.2% in 2019 to 16.4% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarns decreased by RMB2,190 per ton or 21.8% from RMB10,066 in 2019 to RMB7,876 during the year under review. The average gross profit of polyester filament yarns per ton decreased from RMB1,621 in 2019 to RMB883 during the year under review. As the average selling price of products per ton decreased significantly than the average cost of products per ton, the gross profit margin decreased by 4.9 percentage points from 16.1% in 2019 to 11.2% during the year under review.

Polyester products

Average selling price of polyester products decreased by RMB2,243 per ton or 24.9% from RMB9,015 per ton in 2019 to RMB6,772 per ton during the year under review. The average gross profit of polyester products per ton increased from RMB1,939 in 2019 to RMB2,063 during the year under review. The gross profit margin increased by 9.0 percentage points from 21.5% in 2019 to 30.5% during the year under review.

ES fiber and polyester industrial yarns

During the year under review, the average selling prices of the Group's new products ES fiber and polyester industrial yarns were RMB4,994 and RMB5,859, respectively. As the initial investment and the initial stage of market expansion, ES fiber recorded an average loss per ton, while the average gross profit of polyester industrial yarns per ton was RMB692.

During the year under review, the decrease in gross profit and gross profit margin of the Group's polyester filament yarns was primarily attributable to impacts of the epidemic outbreak in early 2020, which affected various industries including the textile industry and imposed certain short-term impacts on the operating environment of the Group. Nonetheless, the commencement of the production of the Vietnam project partially offset the impacts arising from the epidemic. As a result, the gross profit and gross profit margin of the polyester products increased as compared with the

same period of last year. With regard to the Group's business, the epidemic led to the delay of certain production and delivery in the first half of the year. Nonetheless, the production activities of the Group's facility located in Jinjiang, China, gradually resumed normal operation since the second half of 2020 in an orderly manner, while the production and sales in the facility in Vietnam were not materially affected, and the Group's production capacity continued to expand as planned, the official production of ES fiber and polyester industrial yarns will further increase the sales volume and sales of our products. As the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

Analysis of gross profit by product

	2020		2019	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
DTY	630,441	45.6%	1,033,301	63.9%
FDY	57,379	4.2%	177,782	11.0%
POY and other polyester filament yarns products*	(18,253)	(1.3%)	(8,193)	(0.5%)
Sub-total	669,567	48.5%	1,202,890	74.4%
Polyester products				
BOPET thin films	646,209	46.8%	398,457	24.6%
Polyester bottle chips	25,057	1.8%	—	—
Other polyester products**	16,602	1.2%	15,599	1.0%
Sub-total	687,868	49.8%	414,056	25.6%
ES fiber	(651)	—	—	—
Polyester industrial yarns	23,561	1.7%	—	—
Total	1,380,345	100.0%	1,616,946	100.0%

* *Other polyester filament yarns products represent PET chips and wasted filament generated during the production process.*

** *Other polyester products represent polyester chips, polyester films and wasted filament generated during the production process.*

Breakdown of Product Selling Price, Cost and Gross Profit (Average per ton)

	2020	2019
	RMB	RMB
Polyester filament yarns		
Average selling price	7,876	10,066
Average cost of sales	<u>6,993</u>	<u>8,445</u>
Average gross profit	<u>883</u>	<u>1,621</u>
Average gross profit margin	<u>11.2%</u>	<u>16.1%</u>
Polyester products		
Average selling price	6,772	9,015
Average cost of sales	<u>4,709</u>	<u>7,076</u>
Average gross profit	<u>2,063</u>	<u>1,939</u>
Average gross profit margin	<u>30.5%</u>	<u>21.5%</u>
ES fiber		
Average selling price	4,994	—
Average cost of sales	<u>6,373</u>	—
Average gross loss	<u>(1,379)</u>	—
Average gross loss margin	<u>(27.6%)</u>	—
Polyester industrial yarns		
Average selling price	5,859	—
Average cost of sales	<u>5,167</u>	—
Average gross profit	<u>692</u>	—
Average gross profit margin	<u>11.8%</u>	—

4. Other revenue

Other revenue of the Group in 2020 amounted to RMB247,290,000, representing an increase of 56.5% as compared to RMB157,980,000 in 2019. Other revenue included bank interest income, government grants and gains on sales of raw materials. Such change was mainly attributable to the combined effect of an increase in gains from bank interest income and sales of raw materials and a decrease in gains on government grants.

5. Other net gains and losses

Other net gains and losses of the Group in 2020 amounted to RMB6,523,000, representing a decrease of 82.7% as compared to RMB37,759,000 in 2019. Other net gain mainly comprised the realised and unrealised gains on other financial assets and the net exchange loss. Such change was mainly attributable to the increase in realised loss on several financial instruments and donation expenses, and the increase in net exchange gain.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2020 amounted to RMB115,604,000, representing an increase of 29.0% as compared to RMB89,608,000 in the 2019. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such increase was mainly due to the increase in transportation costs resulted from the increase in sales volume upon commencement of production of Billion Vietnam and the new production site in Jinjiang City.

7. Administrative expenses

Administrative expenses of the Group in 2020 amounted to RMB409,312,000, decreased by 7.5% as compared to RMB442,672,000 in 2019. Administrative expenses mainly comprised research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees, etc. Such change was mainly due to the slight decrease in research and development expenses during the period under review.

8. Finance costs

Finance costs of the Group in 2020 amounted to RMB196,175,000, decreased by 8.7% as compared to RMB214,804,000 in 2019. Such change was mainly due to the decrease in the weighted average interest rate of bank loan.

9. Income tax

Income tax of the Group in 2020 amounted to RMB131,585,000, decreased by 38.0% as compared to RMB212,379,000 in 2019. Such change was mainly due to the decrease in profit before income tax of the Group and the decrease in payment of withholding income tax arising from dividends distribution to Billion Development (Hong Kong) Limited by Billion Fujian.

Billion Fujian and Billion High-tech, major subsidiaries of the Group, were recognized as the Advanced and New Technology Enterprises and entitled to a preferential tax rate of 15% in 2020.

10. Profit for the year

Profit of the Group in 2020 amounted to RMB781,482,000, decreased by RMB71,740,000 or 8.4% as compared to RMB853,222,000 in 2019, while the net profit margin of 9.3% represented an increase of 0.2 percentage point as compared to 9.1% in 2019, which was mainly attributable to the Group's continuous development of functional new products, the continuous growth as well as the continuous recovery of the polyester filament yarns and polyester thin films industry.

FINANCIAL POSITION

1. Liquidity and capital resources

As at 31 December 2020, cash and cash equivalents of the Group amounted to RMB342,919,000, increased by RMB141,521,000 or 70.3% as compared to RMB201,398,000 as at 31 December 2019. Such increase was mainly due to the combined effect of the increase in cash inflow from operating activities, the decrease in bank wealth management products held and expansion of plants and procurement of production facility during the year under review.

During the year under review, net cash inflow from operating activities amounted to RMB1,345,963,000, net cash outflow used in investing activities amounted to RMB2,651,873,000 and net cash inflow from financing activities amounted to RMB1,449,772,000.

The Group satisfies its working capital needs mainly with cash inflows from operating activities. During the period under review, inventory turnover days were 106.4 days (2019: 88.4 days), an increase of 18.0 days as compared to the same period last year, which was mainly due to the further increase in sales due to the continuous recovery of the industry and upon the expansion of the Group. Accordingly, the Group increased inventory to prepare for the sales activities in the upcoming year. The trade receivable turnover days were 17.2 days (2019: 10.4 days), representing an increase of 6.8 days as compared to the same period last year, which was mainly due to the decrease in

the discounting of bills receivables during the period. The trade payable turnover days were 308.1 days (2019: 410.9 days), representing a decrease of 102.8 days as compared to the same period last year mainly due to the sound relationship the Group maintains with the suppliers.

As at 31 December 2020, the Group had capital commitments of RMB1,717,317,000, which were mainly used for the expansion of production capacity as well as development of the production line for polyester industrial yarns products in Jinjiang.

2. Capital Structure

As at 31 December 2020, the total liabilities of the Group amounted to RMB11,307,705,000 whereas capital and reserves amounted to RMB7,374,843,000. The gearing ratio (total liabilities divided by total equity) was 153.3%. Total assets amounted to RMB18,682,548,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.7 times. Bank loans of the Group amounted to RMB3,284,391,000, of which RMB2,068,975,000 were repayable within one year, and RMB1,215,416,000 were repayable after one year. RMB948,129,000 of the bank borrowings were secured by properties and restricted bank deposits.

Significant investments held, and material acquisitions or disposals of subsidiaries

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review.

The Group will continue to seek opportunities in utilising its idle cash by investing in appropriate financial products. The Company's future plan in the coming year for other material investments and additions of capital assets is primarily related to the expansion of domestic production capacity as well as development of the Vietnam production business. The Company intends to finance such plan through internally generated funds and bank loans.

Charges on assets

Save as disclosed in this announcement, there was no other charge on Group's assets as of 31 December 2020.

Contingent liabilities

As at 31 December 2020, the Group did not have any contingent liabilities (2019: Nil).

Foreign currency risk

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

Certain financial assets and financial liabilities of the Group are denominated in RMB, which is different from the functional currency of the respective group entities.

The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should need arise. At 31 December 2020, the Group had outstanding foreign currency forward contracts of approximately RMB164,320,000 (2019: Nil). No significant fair value gain or loss has been arising for the unrealised foreign currency forward contracts.

Employees and remuneration

As at 31 December 2020, the Group had a total of 7,078 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

BUSINESS OUTLOOK

The outbreak of the epidemic in 2020 led to the suspension of work in the textile industry at the beginning of the year, and domestic and foreign demand shrank. After entering the second half of the year, favorable policies were frequently issued, the resumption of work and production proceeded in an orderly manner, and the business conditions of the Company gradually improved. Recently, a number of Coronavirus Vaccines have been approved for marketing, giving people greater hope for the improvement of the epidemic. As countries continue to implement vaccines and fiscal and monetary policies, the global economy is expected to continue to rebound in 2021. While China is pursuing stable economic development, it has strengthened its social safety net, which is more conducive to people's access to services and commodities to stimulate consumption in this way.

Although the recovery of global trade and investment is slower than expected, the easing of the US-Sino trade war and the loosening of monetary policy by major central banks around the world and the introduction of various fiscal stimulus policies in some countries in response to the economic slowdown, global economic growth will be slightly improved in this year, recession risks will be limited, monetary policy will be looser, and the economic outlook will be flat. In recent years, the price and spread performance of polyester filament yarns have been stronger than that in the same period in history. The concentration has continued to increase at the same time as the conversion of old and new capacity.

As the largest polyester filament yarns manufacturer in Southern China, the largest differentiated chemical fiber production base in Fujian region and one of China's top 500 private enterprises, the Group has always been focusing on technological innovation. It adopts the world advanced melt-direct spinning differentiated chemical fiber production

line, and possesses the leading spinning and texturing equipment and technology in the industry. Benefiting from the economic cycle and the rise of the crude oil price, the price trend of polyester thin films of the Group continued to improve. In addition, the continuous launch of new products has driven up the price of the Group's products and coupled with our appropriate cost control, the Group's overall business has experienced steady growth.

The Billion Vietnam Polyester Filament Project, which has an iconic significance for the Group's expansion into emerging markets, was formally put into operation in September 2019, further expanding the Group's overseas markets. Furthermore, in view of the increasing consumption of polyester industrial yarns in the PRC in recent years, in particular, the accelerating expansion of the polyester industrial yarns market in Eastern China, the Group is investing approximately US\$185 million to set up a production line for polyester industrial yarns products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum, and they have been gradually commenced commercial production in the second quarter of 2020.

Polyester products consumption has been increasing in China in recent years, and China has become an important production base for polyester products worldwide. By expanding the existing polyester thin film business, the Company will be able to leverage its existing scale and expertise in manufacturing polyester products to enjoy the growth of this market. The Group currently has geographical, technological and cost advantages in the polyester thin film industry. At a time when the industry is still in the blue ocean stage, the future polyester thin film will remain an important performance growth driver of the Group. Therefore, the Group is investing approximately US\$230 million to establish a polyester thin film production line in the three years from 2019 to 2021. Upon completion, its estimated total production capacity will be approximately 255,000 tons per year.

After the expansion plans for the polyester industrial yarns project and the polyester thin film project are completed, the size of the Group, and the sales volume and sales revenue of products will further increase. However, due to the impact of the continuing of the epidemic, there was some short-term impacts on the overall textile industry and the sales of the Group. However, as the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Company had reviewed, together with the management, the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2020. The audit committee of the Company has also met and discussed with the Group's external auditors regarding the Group's audit and financial reporting matters.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company believes that corporate governance is essential to its success and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board is committed to upholding a high standard of good corporate governance practices and procedures with a view to enhancing investors' confidence and the Company's accountability and transparency. For the year ended 31 December 2020, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. All the Directors confirmed, following specific enquiries by the Company, that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2020.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2020. In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2020, the Company bought back its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares bought back	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>RMB</i>
November 2020	1,354,000	4.00	3.55	4,359,000
December 2020	<u>820,000</u>	3.75	3.55	<u>2,551,000</u>
Total	<u><u>2,174,000</u></u>			<u><u>6,910,000</u></u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 2,174,000 shares were repurchased in 2020 and the repurchased shares were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB18,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$8,112,000 (equivalent to RMB6,892,000) was charged to share premium.

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2020 and the subsequent period ended the date of this announcement.

EXTRACT OF DRAFT INDEPENDENT AUDITOR’S REPORT ON THE GROUP’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following is the extract of the draft independent auditor’s report from Mazars CPA Limited (“**Mazars**”), the external auditor of the Company on the Group’s consolidated financial statements for the year ended 31 December 2020:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

During the year ended 31 December 2020, the Group made sales of approximately Renminbi 114.3 million, represented approximately 1.4% of the Group’s revenue, to a corporation previously controlled by two then employees of the Group (the “**Trading Customer**”) with all the trade receivables settled by the Trading Customer prior to 31 December 2020 (the “**Sales Transactions**”). The relevant goods were then resold by the Trading Customer to its customers (the “**Next Customers**”). We were unable to obtain sufficient appropriate audit evidence to ascertain the identity of the Next Customers nor the delivery arrangements and other key trading terms of the goods resold from the Trading Customer to the Next Customers because we were denied, by the management of the Trading Customer, access to the financial information and other relevant documents of the Trading Customer in respect of the Sales Transactions. In addition, there was no reliable information or other evidence available to us for determining whether the classification, presentation and disclosures of the Sales Transactions in the consolidated financial statements are appropriate. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT’S POSITION AND ASSESSMENT ON THE QUALIFIED OPINION

The management of the Company has made due enquires and performed sufficient work to assess the Qualified Opinion and there was no disagreement on the Qualified Opinion between the management of the Company and the Company’s auditor.

The work performed by the management of the Company to assess and address the Qualified Opinion include:

- engaging SWRS Risk Services Limited (“SWRS”) to conduct an independent investigation on, among others, the sales made to the Trading Customer pursuant to 25 sales contracts entered into between Fujian Billion and the Trading Customer from April to August 2020 that were not subsequently cancelled, which covered the Sales Transactions. The management of the Company considered that SWRS has exploited all reasonably practicable means to conduct the investigation procedures. For details of the key investigation findings of the independent investigation in relation to these sales contracts, please refer to the announcement of the Company dated 3 November 2021;
- engaging SHINEWING Risk Services Limited to conduct an independent internal control review, who made various recommendations to remedy, among others, internal control weaknesses that enabled the occurrence of the Sales Transactions. These recommendations include, but not limited to, establishing a management system for dealing with conflicts of interest, conducting background checks on potential customers, and enhancing the refund approval mechanism. The Group has implemented these recommendations. For details of the key findings of the independent internal control review, please refer to the announcement of the Company dated 3 November 2021; and
- discussing with the Company’s auditor in relation to the situation and the financial treatment of the Sales Transactions and whether there was any alternative procedures that could be performed by the Company’s auditor.

AUDIT COMMITTEE’S VIEW ON THE QUALIFIED OPINION

The audit committee of the Company has reviewed the report of the independent investigation, the report of the independent internal control review, the management account and the draft auditor’ report (including the Qualified Opinion) for the year ended 31 December 2020 and discussed the Qualified Opinion with the management of the Company and the auditor. The audit committee concurred with the treatment adopted by the Company’s auditor, and there was no disagreement on the Qualified Opinion between the audit committee and the management of the Company.

SCOPE OF WORK PERFORMED BY MAZARS CPA LIMITED

The figures in respect of the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position of the Group and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, *Mazars, Certified Public Accountants*, to the amounts set out in the draft consolidated financial statements of the Group for the year ended 31 December 2020. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is also published on the Company's website (www.baihong.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Thursday, 1 April 2021 and will remain suspended until further notice. The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

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

Hong Kong, 3 November 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Sze Tin Yau and Mr. Wu Jinbiao as executive directors, Mr. Zhang Shengbai as non-executive director and Mr. Chan Shek Chi, Mr. Lin Jian Ming and Mr. Shih Chun Pi as independent non-executive directors.