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 2013

HIGHLIGHTS

- Revenue for the year ended 31 December 2013 amounted to RMB6,152.7 million, representing an increase of 1.0% compared to the year ended 31 December 2012.
- Profit for the year ended 31 December 2013 amounted to RMB358.3 million, representing a decrease of 52.3% compared to the year ended 31 December 2012.
- Earnings per share for the year ended 31 December 2013 amounted to RMB0.16, representing a decrease of 51.5% compared to the year ended 31 December 2012.
- A final dividend of HK3.1 cents per share is proposed for 2013, full year dividend amounted to HK10.1 cents.

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 2013 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 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Revenue	*2*	**6,152,700**	6,091,703
Cost of sales		**(5,425,918)**	(4,984,052)
Gross profit		**726,782**	1,107,651
Other revenue	*3*	**92,160**	104,455
Other net gain	*4*	**16,878**	7,839
Selling and distribution expenses		**(47,438)**	(38,659)
Administrative expenses		**(308,939)**	(273,917)
Profit from operations		**479,443**	907,369
Finance costs	*5(a)*	**(44,939)**	(54,183)
Profit before taxation	*5*	**434,504**	853,186
Income tax	*6*	**(76,163)**	(102,707)
Profit for the year		**358,341**	750,479
Earnings per share			
Basic and diluted *(RMB)*	*8*	**0.16**	0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**358,341**	750,479
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside mainland China	**12,505**	(12,820)
Total comprehensive income for the year	**370,846**	737,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		**4,110,624**	3,117,951
– Construction in progress		**614,305**	1,180,302
– Interests in leasehold land held for own use under operating leases		**372,708**	276,882
		5,097,637	4,575,135
Deposits and prepayments	*11*	**497,087**	441,542
Deferred tax assets	*16(b)*	**–**	1,091
		5,594,724	5,017,768
Current assets			
Inventories	*10*	**675,755**	444,942
Trade and other receivables	*11*	**839,335**	935,113
Restricted bank deposits	*12*	**1,270,816**	788,491
Cash and cash equivalents	*13*	**219,846**	644,049
		3,005,752	2,812,595
Current liabilities			
Trade and other payables	*14*	**1,308,901**	1,147,770
Bank loans	*15*	**1,972,514**	1,119,422
Current taxation	*16(a)*	**42,565**	51,589
		3,323,980	2,318,781
Net current (liabilities)/assets		**(318,228)**	493,814
Total assets less current liabilities		**5,276,496**	5,511,582

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*15*	**18,362**	20,542
Deferred tax liabilities	*16(b)*	**82,760**	63,119
		101,122	83,661
NET ASSETS		**5,175,374**	5,427,921
CAPITAL AND RESERVES			
Capital		**18,694**	19,333
Reserves		**5,156,680**	5,408,588
TOTAL EQUITY		**5,175,374**	5,427,921

NOTES

1 SIGNIFICANT ACCOUNTING POLICIES

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and they have no material impact on the Group's consolidated financial statements as they were consistent with policies already adopted by the Group.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to use the undrawn banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the reporting date of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2 REVENUE

The principal activities of the Group are manufacturing and sales of polyester filament yarns products and polyester thin films products.

Revenue represents the sales value of goods supplied to customers (net of VAT, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2013	2012
	RMB'000	*RMB'000*
Polyester filament yarns products	**5,908,983**	6,085,473
Polyester thin films products	**243,717**	6,230
	6,152,700	6,091,703

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's revenue during the years ended 31 December 2013 and 2012.

3 OTHER REVENUE

	2013	2012
	RMB'000	*RMB'000*
Bank interest income	**44,971**	40,880
Government grants	**38,572**	55,748
Sales of raw materials	**8,530**	7,827
Others	**87**	–
	92,160	104,455

During the year, government grants of RMB38,572,000 (2012: RMB55,748,000) 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.

4 OTHER NET GAIN

	2013	2012
	RMB'000	*RMB'000*
Donation	**(106)**	(1,494)
Net exchange gain/(loss)	**9,932**	(3,241)
Net gain on financial assets and liabilities at fair value through profit or loss	**4,758**	12,321
Others	**2,294**	253
	16,878	7,839

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2013	2012
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**37,463**	36,970
Other interest expenses	**7,476**	17,708
	44,939	54,678
Less: interest expense capitalised into construction in progress*	**–**	495
	44,939	54,183

* *No borrowing costs have been capitalised in 2013 (2012: 6.7% per annum).*

(b) Staff costs:

	2013	2012
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**3,185**	2,233
Salaries, wages and other benefits	**151,034**	131,915
	154,219	134,148

(c) Other items:

	2013	2012
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**4,559**	3,658
Depreciation	**219,213**	161,165
Auditors' remuneration	**2,693**	2,932
Operating lease charges in respect of properties	**360**	360
Research and development costs*	**197,830**	209,823
Cost of inventories**	**5,425,918**	4,984,052

* *Research and development costs include RMB47,761,000 (2012: RMB42,973,000) relating to staff costs in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.*

** *Cost of inventories include RMB267,066,000 (2012: RMB216,497,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.*

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**55,431**	121,266
Deferred tax *(note 16(b))*		
Origination and reversal of temporary differences	**20,732**	13,695
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(32,254)
	20,732	(18,559)
	76,163	102,707

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**434,504**	853,186
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**109,992**	213,296
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(32,254)
Tax effect of non-deductible expenses	**8,476**	10,010
Tax effect of non-taxable income	**(951)**	(2,312)
Tax effect of unused tax losses not recognised	**2,172**	1,574
Under-provision in prior year	**99**	–
Tax concessions *(note (iii))*	**(43,625)**	(87,607)
Actual tax expenses	**76,163**	102,707

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits during the years ended 31 December 2013 and 2012.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China – Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") renewed the High and New Technology Enterprise Status in 2012 for a valid period of 3 years from 2012 to 2014 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China – Fujian Billion High-tech Material Industrial Co., Ltd.*（福建百宏高新材料實業有限公司）("Billion High-tech") is subject to PRC income tax rate at 25%.

* *The English translation of the name is for reference only. The official name of the entity is in Chinese.*

7 DIVIDENDS

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

	2013	2012
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK7.0 cents per share (2012: HK10.5 cents per share)	**123,760**	197,560
Final dividend proposed after the end of the reporting period of HK3.1 cents per ordinary share (2012: HK10.0 cents per share)	**54,618**	179,419
	178,378	376,979

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per ordinary share (2012: HK12.2 cents per share)	**177,658**	227,793

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB358,341,000 (2012: RMB750,479,000) and the weighted average of 2,225,298,521 ordinary shares (2012: 2,299,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**2,299,000,000**	2,299,000,000
Effect of shares repurchased	**(73,701,479)**	–
Weighted average number of ordinary shares	**2,225,298,521**	2,299,000,000

There were no dilutive potential ordinary shares during the years ended 31 December 2013 and 2012, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 FIXED ASSETS

	Buildings held for own use *RMB'000*	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor Vehicles *RMB'000*	Sub-total *RMB'000*	Construction in progress *RMB'000*	Interests in leasehold land held for own use under operating leases *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2013	1,279,885	2,268,700	284,622	58,569	3,891,776	1,180,302	300,064	5,372,142
Exchange adjustments	(1,504)	–	(24)	(43)	(1,571)	–	–	(1,571)
Additions	–	12,407	8,289	6,718	27,414	619,950	100,385	747,749
Transfers	546,392	621,573	16,401	1,581	1,185,947	(1,185,947)	–	–
At 31 December 2013	1,824,773	2,902,680	309,288	66,825	5,103,566	614,305	400,449	6,118,320
Accumulated depreciation and amortisation:								
At 1 January 2013	(144,686)	(510,001)	(92,489)	(26,649)	(773,825)	–	(23,182)	(797,007)
Exchange adjustments	65	–	11	20	96	–	–	96
Charge for the year	(52,732)	(137,294)	(19,130)	(10,057)	(219,213)	–	(4,559)	(223,772)
At 31 December 2013	(197,353)	(647,295)	(111,608)	(36,686)	(992,942)	–	(27,741)	(1,020,683)
Net book value:								
At 31 December 2013	1,627,420	2,255,385	197,680	30,139	4,110,624	614,305	372,708	5,097,637
At 31 December 2012	1,135,199	1,758,699	192,133	31,920	3,117,951	1,180,302	276,882	4,575,135

(a) Interests in leasehold land held for own use under operating leases represent land use right in the PRC. As at 31 December 2013, the remaining period of the land use rights ranged from 43 to 50 years.

(b) As at 31 December 2013, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB152,678,000 (2012: RMB73,601,000) from the relevant PRC government authorities.

The analysis of net book value of properties is as follows:

	2013	2012
	RMB'000	*RMB'000*
In Hong Kong		
– medium-term leases *(note 15)*	**46,783**	49,364
Outside Hong Kong		
– medium-term leases	**1,953,345**	1,362,717
	2,000,128	1,412,081
Representing:		
Buildings held for own use	**1,627,420**	1,135,199
Interests in leasehold land held for own use under operating leases	**372,708**	276,882
	2,000,128	1,412,081

10 INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**139,282**	126,809
Work in progress	**24,764**	43,268
Finished goods	**511,709**	274,865
	675,755	444,942

11 TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade debtors	**216,919**	472,074
Bills receivable	**246,974**	203,301
Deposits, prepayments and other receivables	**858,676**	691,225
	1,322,569	1,366,600
Less: Non-current portion of deposits and prepayments	**(497,087)**	(441,542)
	825,482	925,058
Derivative financial assets		
– forward exchange contracts	**13,853**	10,055
	839,335	935,113

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

As at 31 December 2013, the Group had discounted bank acceptance bills totalling RMB245,553,000 (2012: RMB253,680,000) and endorsed bank acceptance bills totalling RMB534,397,000 (2012: RMB297,594,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

Amount due from a subsidiary was unsecured, interest free and had no fixed repayment terms.

Non-current portion of deposits and prepayments represents deposits for purchase of property, plant and equipment, construction and construction materials.

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

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the date of billing, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Current	**463,639**	675,368
Less than 1 month past due	**247**	2
More than 1 month but less than 3 months past due	**2**	1
More than 3 months but less than 1 year past due	**5**	2
More than 1 year	**–**	2
	254	7
	463,893	675,375

Trade debtors are due within 90 to 180 days from the date of billing, except for those due from related parties which were repayable on demand.

(b) Trade debtors and bills receivable that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The trade and bills receivables as at 31 December 2013 were not impaired. Receivables that were past due but not impaired relate to the trade balance with related parties which were repayable on demand and a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12 RESTRICTED BANK DEPOSITS

The restricted bank deposits of RMB1,270,816,000 (2012: RMB788,491,000) were pledged to the banks to secure certain bank bills payable and bank loans *(see notes 14 and 15)*.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise

	2013	2012
	RMB'000	*RMB'000*
Deposits with banks and other financial institutions	**–**	129,931
Cash at bank and in hand	**219,846**	514,118
Cash and cash equivalents in the statement of financial position	**219,846**	644,049

At 31 December 2013, cash at bank balances were placed with banks in the PRC amounted to RMB130,876,000 (2012: RMB470,902,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

14 TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade creditors and bills payable	**974,802**	835,149
Other payables and accrued charges	**156,789**	107,220
Equipment payables	**42,166**	45,793
Construction payables	**532**	9,788
Receipts in advance	**134,162**	148,786
	1,308,451	1,146,736
Derivative financial liabilities		
– forward exchange contracts	**–**	940
– interest rate swaps	**450**	94
	450	1,034
	1,308,901	1,147,770

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

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**853,671**	742,840
More than 3 months but within 6 months	**118,805**	85,557
More than 6 months but within 1 year	**2,326**	280
More than 1 year	**–**	6,472
	974,802	835,149

15 BANK LOANS

At 31 December 2013, the bank loans were repayable as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,972,514**	1,119,422
After 1 year but within 2 years	**1,574**	1,622
After 2 years but within 5 years	**4,721**	4,865
After 5 years	**12,067**	14,055
	18,362	20,542
	1,990,876	1,139,964

At 31 December 2013, the bank loans were secured as follows:

	2013	2012
	RMB'000	*RMB'000*
Bank loans		
– secured	**799,228**	780,093
– unsecured	**1,191,648**	359,871
	1,990,876	1,139,964

Certain bank loans were secured by assets of the Group as set out below:

	2013	2012
	RMB'000	*RMB'000*
Properties *(note 9)*	**46,783**	49,364
Pledged trade receivables	**10,505**	18,962
Restricted bank deposits	**770,745**	740,571
	828,033	808,897

16 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2013	2012
	RMB'000	*RMB'000*
Provision for the year	**55,431**	121,266
Tax paid	**(64,455)**	(130,218)
	(9,024)	(8,952)
Balance of tax provision relating to prior years	**51,589**	60,541
	42,565	51,589

(b) Deferred tax (assets)/liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Pre-operating expenses	**Depreciation and amortisation of fixed assets**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 January 2012	(49)	88,223	(7,587)	80,587
Charged/(credited) to profit or loss *(note 6(a))*	(1,042)	(20,552)	3,035	(18,559)
At 31 December 2012	(1,091)	67,671	(4,552)	62,028
At 1 January 2013	(1,091)	67,671	(4,552)	62,028
Charged/(credited) to profit or loss *(note 6(a))*	1,091	20,806	(1,165)	20,732
At 31 December 2013	–	88,477	(5,717)	82,760

Reconciliation to the consolidated statement of financial position

	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**–**	(1,091)
Deferred tax liabilities recognised in the consolidated statement of financial position	**82,760**	63,119
	82,760	62,028

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB50,558,000 (2012: RMB44,775,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

As at 31 December 2013, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,002,820,000 (2012: RMB1,665,519,000). Deferred tax liabilities of RMB100,141,000 (2012: RMB83,276,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

17 COMMITMENTS

(a) Capital commitments in respect of fixed assets outstanding at 31 December 2013 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Authorised but not contracted for	**155,538**	293,167
Contracted for	**372,248**	818,190
	527,786	1,111,357

(b) At 31 December 2013, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**1,890**	2,250
	3,690	4,050

The Group is the lessee in respect of oil storage area held under an operating lease. The lease runs for an initial period of twenty years. It does not include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MARCO-ECONOMIC ENVIRONMENT

China's economic growth continued its slowdown trend in 2013. Despite the slowdown in the first half of 2013, it started to stabilise and recover in the second half of the year. China's gross domestic product ("GDP") grew by 7.7% in 2013, slightly lower than its average growth rate in the last decade. The lower than 8.0% GDP growth for the last two consecutive years indicated that China has shifted from the previous rapid growth to a modest growth and is progressing in accordance with its master economic guideline of "making progress while maintaining stability" by maintaining reasonable economic growth in conjunction with acceleration of its economic structure adjustment to improve the quality and efficiency of China's economy and ensure its long-term steady development.

In 2013, the final consumption contributed to 50.0% of China's GDP growth, which is 1.8 percentage points lower than the 51.8% in 2012. According to National Bureau of Statistics of the PRC, retail sales of apparel, footwear and hats, and textile products amounted to RMB1,141.4 billion in 2013, representing a year-on-year increase of 11.6%, among which, the sales for December 2013 was RMB132.3 billion, representing a year-on-year increase of 11.1%. As the adjustment on economic structure advances, urbanisation will become a strong driving force for domestic demand, which will benefit the consumer goods market.

Outside China, the global economy showed a trend of slow recovery while the aftermath of international financial crisis remained. A number of major institutions lowered their global economic growth estimates several times in 2013. Among the major economies, the U.S. economy continued to recover, and the Euro zone recorded a slight growth following its difficult time in 2012. The rising trend of emerging countries did not change despite an overall slowdown of their growth.

INDUSTRY REVIEW

Average selling prices of polyester filament yarns in 2013 were lower than those in 2012, mainly due to the fluctuation of raw materials prices. The market prices of both purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the principal raw materials of the Group's products, dropped in 2013, particularly in the first half of 2013 when their market prices were mostly in a downwards trend. The prices did not stabilise until the third quarter of the year, a traditional peak season. The Group's products are substitutes for cotton to a certain degree. Cotton price fluctuated widely during 2013. As the cotton plantation area in the PRC is expected to decrease in 2014, mainly due to the decrease in the revenue from cotton plantation in relative terms and the expected gradual phaseout of Chinese government's policies on cotton purchase and storage, cotton price will show a downward tend in 2014. We will continue to monitor closely the new changes of the raw material prices that may affect the Group's operation and the trend of PTA production capacity.

As the challenges faced by China's export industry remained and the global economy has been recovering in a slow pace, China's textile products export continued to record a weak recovery in 2013, while domestic sales of apparel, footwear and home textile products remained stable overall. Domestic sales are expected to grow, however, its growth potential may be limited as the consumer confidence and people's income growth rate remained relatively low in general. As such, certain apparel, footwear and house textile brands focus their business expansion in the second and third-tier cities. Looking forward to 2014, as China's economic growth will lead to stable employment, in turn, the income of urban and rural residents will increase, which hopefully will facilitate the growth of domestic sales of textile and apparel products.

The downstream industry of biaxially-oriented polyethylene terephthalate ("BOPET") represents mainly plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. Owing to strong market demand, its end-demand and profitability remains at a relatively high level despite substantial increases in domestic production capacity in recent years. This was particularly true in southern China, where there are relatively few companies producing BOPET and market supply and demand remained stable. Currently, China's BOPET market shows a rapid growth trend and its product mix is upgrading in a accelerating pace. After the scale accumulation stage, manufacturers begin to differentiate their products with high added values. Therefore, the Group will enhance the competitive edge of its BOPET products by innovation and developing more value-added and differentiated products. Our management is confident in the growth potential and profitability of its BOPET business.

BUSINESS REVIEW

Stable growth in the Group's sales

Looking back into the year 2013, despite the slowdown of China's economic growth and the downwards cycle of the chemical fiber industry, market demand for the Group's products remained strong, and the Group was able to maintain a stable growth in both sales volume and sales value for the year. According to National Bureau of Statistics of the PRC, retail sales of apparel, footwear and hats and textile products, being the downstream products of the Group, amounted to RMB1,141.4 billion in 2013, representing a year-on-year increase of 11.6%. As the market price of PTA and MEG, being the principal materials of the Group's products, dropped during the year, resulting in the decrease in the price of polyester filament yarns, which further pushed up the market demand for polyester filament yarns. However, due to fierce market competition, the Group's overall profit margin was lower than that for the year ended 31 December 2012.

The Group continued to seek to improve its product quality and develop differentiated products with features such as moisture and sweat absorption, UV resistance, anti-abrasion, super soft and flame retardant in order to strengthen its competitiveness. Product quality is dependent upon research and development. During the year, the Group's research and development expenses amounted to RMB197,830,000, representing 3.2% of its total revenue. Its research and development efforts mainly focus on improving product quality and production efficiency. Owing to our long-term investment in research and development and marketing efforts in promoting differentiated products, the Group's overall business volume maintained a solid growth in 2013. The Group's product differentiation rate reached 63.4% during the year. Such high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales volume and sales value.

Taking advantage of having the biggest polyester fiber production base in southern China, the Group has been solidifying its market share in Fujian Province and Guangdong Province as well as exploring markets in Shandong, Jiangsu and Zhejiang Provinces where the Group has provided customised product services. In addition, the Group has been actively expanding its sales in emerging overseas markets. The Group's export sales for the year ended 31 December 2013 were RMB740,553,000, representing an increase of RMB65,218,000, or 9.7% compared to the year ended 31 December 2012, indicating a significant improvement in its brand recognition and market share in the oversea market.

The Group has been actively promoting BOPET during the year. The BOPET sales were RMB243,717,000, representing 4.0% of its total revenue for the year ended 31 December 2013. Due to the wide application of BOPET, it enjoys a strong market demand, and the management believes that its BOPET business will better balance the Group's product mix and will be a new source of growth for the Group, and it anticipates that revenue from BOPET will continue to grow in 2014.

Production capacity expansion progressed orderly

As of 31 December 2013, the Group's designed capacity for fully draw yarn ("FDY") and partially oriented yarn ("POY") was 785,000 tons per year and our designed capacity for drawn textured yarn ("DTY") was 493,000 tons per year. The construction of BOPET plant progressed as scheduled. As of 31 December 2013, our designed capacity for BOPET was 36,500 tons per year. With positive feedbacks from customers on the Group's BOPET products, BOPET business became one of the driving forces for the Group's revenue growth. The Group's plans to increase its total production capacity for BOPET to 255,000 tons per year by 2014.

Product research and development

As of 31 December 2013, we owned 48 national patents registered in China and have applied for 71 national patents. Among all our patented products, 38 of them have already been applied to our products sold to customers. Our research and development activities relied on our experienced research and development team. Our research and development expenditure was RMB197,830,000, representing 3.2% of our revenue in 2013.

For the year ended 31 December 2013, revenue generated from the Group's differentiated products amounted to RMB3,899,587,000, accounting for 63.4% of its total revenue for the year. The Group believes that its products, protected by national patents, will be well recognised in both domestic and international markets and will provide the Group with a strong competitive edge.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2013 was RMB6,152,700,000, representing an increase of 1.0% as compared to RMB6,091,703,000 for 2012. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,908,983,000, accounting for 96.0% of the total revenue. Revenue attributable to the sales of polyester thin films, the new products, was RMB243,717,000, accounting for 4.0% of the total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

Revenue attributable to the sales of polyester filament yarns products for the year was RMB5,908,983,000, representing a decrease of 176,490,000 or 2.9% as compared to RMB6,085,473,000 in 2012. The average selling price of polyester filament yarns in the year was RMB11,727 per ton, representing a decrease of RMB1,149 or 8.9% as compared to RMB12,876 per ton in 2012. The decrease in sales and average selling price per ton was mainly due to the decrease in raw materials prices. Furthermore, the continuous softened economic growth in China has exerted negative impact on the Group's customers such as apparel and footwear enterprises. As a result, despite the market demand for the Group's products remained strong and the sales volume of polyester filament yarns of the Group for the year increased to 503,889 tons (representing 95.9% of total sales volume) during the year from 472,629 tons in 2012 (representing an increase of 31,260 tons or 6.6%), owing to the cost pressure faced by its customers, the price of the Group's polyester filament yarns products prices was also suppressed.

As the domestic consumption market continues to grow, in particular driven by the urbanisation, the market demand for the Group's products remained strong. In view of this, over 80.0% of the capital raised by the Group from its initial public offering in May 2011 has been utilised to increase the production capacity of its polyester filament yarns. The increased production capacity enabled the Group to support its increase in sales during the year.

Polyester thin films

During the year 2013, revenue generated from polyester thin film products was RMB243,717,000, representing an increase of RMB237,487,000 as compared to the revenue of RMB6,230,000 in 2012. The sales volume was 21,426 tons, representing 4.1% of the total sales volume. The average selling price of polyester thin films in 2013 was RMB11,375 per ton.

The Group commenced trial production of polyester thin film products in the second half of 2012, followed by gradual commercial production in the same year. Polyester thin film products have wide application, including being used in food and other products packaging. Therefore, it has a large market demand and has become a new growth point of the Group's business.

Sales by geographic region

The Group continued to expand its market share in overseas market, improve its service quality and increase its brand recognition, hence, the percentage of export sales revenue of the Group increased to 12.0% during the year from 11.1% in 2012. Approximately 88.0% of the Group's revenue was generated from domestic market sales, of which 69.4% were to customers in Fujian Province and 15.4% to Guangdong Province, our neighbouring province. The textile manufacturing industries in both provinces are booming, resulting in strong demand for the Group's products. Furthermore, the Group also expanded into Shandong, Jiangsu and Zhejiang markets during the year, where it provided customised product services to its customers.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2013		2012		**2013**		2012	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**4,478,487**	**72.8%**	4,659,313	76.5%	**355,863**	**67.8%**	341,712	72.2%
FDY	**1,015,271**	**16.5%**	1,098,172	18.0%	**95,705**	**18.2%**	92,542	19.6%
POY	**32,656**	**0.5%**	31,896	0.5%	**3,374**	**0.6%**	3,140	0.7%
Others*	**382,569**	**6.2%**	296,092	4.9%	**48,947**	**9.3%**	35,235	7.4%
Sub-total	**5,908,983**	**96.0%**	6,085,473	99.9%	**503,889**	**95.9%**	472,629	99.9%
Polyester thin films	**243,717**	**4.0%**	6,230	0.1%	**21,426**	**4.1%**	511	0.1%
Total	**6,152,700**	**100.0%**	6,091,703	100.0%	**525,315**	**100.0%**	473,140	100.0%

* *Others represent polyethylene terephthalate ("PET") chips and wasted filament produced in the process of production.*

Geographic Breakdown of Sales

	2013		2012	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**4,269,262**	**69.4%**	4,595,149	75.4%
Guangdong Province	**948,334**	**15.4%**	740,474	12.2%
Other provinces	**194,551**	**3.2%**	80,745	1.3%
Export sales*	**740,553**	**12.0%**	675,335	11.1%
Total	**6,152,700**	**100.0%**	6,091,703	100.0%

* *Export sales were mainly made to countries such as Turkey, Italy, Belgium, Brazil, United States, Spain, and Germany.*

2. *Cost of Sales*

The cost of sales of the Group in 2013 was RMB5,425,918,000, representing an increase of 8.9% as compared to RMB4,984,052,000 in 2012. Such increase was primarily attributable to a combined impact of the increase in sales volume, the drop in raw materials prices and the rising manufacturing costs.

The cost of sales for polyester filament yarns was RMB5,209,860,000, accounting for 96.0% of total cost of sales. The cost of sales for polyester thin films, the Group's new products, was RMB216,058,000, accounting for 4.0% of total cost of sales. The percentages of costs of sales of these two types of products were generally consistent with their respective sales volumes.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB10,535 per ton in 2012 to RMB10,339 per ton for the year, representing a decrease of RMB196 or 1.9%. Among which, the average price of raw materials for polyester filament yarns dropped from RMB8,844 per ton in 2012 to RMB8,411 per ton for the year, representing a decrease of RMB433 per ton or 4.9%. The Group's key raw materials, namely PTA and MEG, accounted for 72.6% of the total cost of sales, the price of which in turn directly affected by the prices of crude oil, a key raw material of PTA and MEG.

Polyester thin films

Trial production of polyester thin films commenced in the second half of 2012, followed by gradual commercial production in the same year. The average selling costs for polyester thin films for the year was RMB10,084 per ton.

Analysis of cost of sales

	2013		2012	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,820,619**	**52.0%**	2,729,083	54.8%
MEG	**1,116,802**	**20.6%**	1,026,340	20.6%
POY and other raw materials	**300,945**	**5.5%**	424,640	8.5%
Sub-total	**4,238,366**	**78.1%**	4,180,063	83.9%
Manufacturing costs	**954,149**	**17.6%**	783,928	15.7%
Other costs	**17,345**	**0.3%**	15,075	0.3%
Sub-total	**5,209,860**	**96.0%**	4,979,066	99.9%
Polyester thin films	**216,058**	**4.0%**	4,986	0.1%
Total	**5,425,918**	**100.00%**	4,984,052	100.0%

Analysis of average cost of sales per ton by product

	2013		2012	
	RMB (per ton)	***Percentage***	*RMB (per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**5,598**	**54.2%**	5,774	54.8%
MEG	**2,216**	**21.4%**	2,172	20.6%
POY and other raw materials	**597**	**5.8%**	898	8.5%
Sub-total	**8,411**	**81.4%**	8,844	83.9%
Manufacturing costs	**1,894**	**18.3%**	1,659	15.8%
Other costs	**34**	**0.3%**	32	0.3%
Sub-total	**10,339**	**100.0%**	10,535	100.0%
Polyester thin films	**10,084**		**9,757**	
Total	**10,329**		**10,534**	

3. *Gross profit*

The gross profit of the Group for the year 2013 was RMB726,782,000, decreased by RMB380,869,000, or 34.4% as compared to RMB1,107,651,000 in 2012. Although sales volume during the year increased by 52,175 tons, representing an increase of 11.0% as compared with 2012, the average selling price of the products decreased by RMB1,163 per ton, representing a decrease of 9.0% from the RMB12,875 in 2012 to RMB11,712 during the year. The average cost of the products only decreased by RMB205 per ton, representing a decrease of 1.9% from RMB10,534 in 2012 to RMB10,329 during the year. Therefore, the average gross profit per ton decreased from RMB2,341 in 2012 to RMB1,384 during the year. The gross profit margin decreased by 6.4 percentage points from 18.2% in 2012 to 11.8% in 2013.

The average selling price of polyester filament yarn decreased by RMB1,149 per ton, representing a decrease of 8.9% from RMB12,876 in 2012 to RMB11,727 in 2013. The average gross profit of polyester filament yarn per ton decreased from RMB2,341 in 2012 to RMB1,388 during the year. The gross profit margin decreased by 6.4 percentage points from 18.2% in 2012 to 11.8% in 2013.

During the year, the decrease in the gross profit and gross profit margin of the Group was primarily attributable to the impact of the following three factors:

(i) Decrease in the price of major raw materials, PTA and MEG, led to the decrease in the product selling prices of the entire industry;

(ii) During the year, the chemical fiber industry was in a downwards cycle, market competition of downstream products was intense and operation of textile manufacturers remained tough, thus the pressure on the costs of downstream products also exerted negative impact on the selling prices of polyester filament yarns, which recorded higher decrease than that of the raw materials and led to the decrease in the gross profit margin;

(iii) During the year, the completion of part of new plants and part of production facilities have been installed at the production site, which expanded the production capacity in stages and increased the production volume and led to an increase in the sales volume and revenue. As the sales volume effect is less than the price effect, both gross profit and gross profit margin for the year ended 31 December 2013 decreased compared to the year ended 31 December 2012.

Analysis of gross profit by product

	2013		2012	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**609,452**	**83.8%**	913,969	82.5%
FDY	**78,954**	**10.9%**	173,681	15.7%
POY	**549**	**0.1%**	1,039	0.1%
Others*	**10,168**	**1.4%**	17,718	1.6%
Sub-total	**699,123**	**96.2%**	1,106,407	99.9%
Polyester thin films	**27,659**	**3.8%**	1,244	0.1%
Total	**726,782**	**100.0%**	1,107,651	100.0%

* *Others represent polyethylene terephthalate (PET) chips and wasted filament produced in the process of production.*

Breakdown of average product selling price, cost and gross profit (per ton)

	2013	2012
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**11,727**	12,876
Average cost of sales	**10,339**	10,535
Average gross profit	**1,388**	2,341
Average gross profit margin	**11.8%**	18.2%
Polyester thin films		
Average selling price	**11,375**	12,192
Average cost of sales	**10,084**	9,757
Average gross profit	**1,291**	2,435
Average gross profit margin	**11.3%**	20.0%

4. Other revenue

Other revenue of the Group in 2013 amounted to RMB92,160,000, representing a decrease of 11.8% as compared to RMB104,455,000 in 2012. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such decrease was attributable to the decrease in the amount of government grants during the year as compared to that of last year. Government grants mainly included taxation rewards for key enterprises, advanced production capacity electricity usage reward, encouraging and supporting reward for economic development, science and technology reward, reward fund for scientific and technological innovation, supporting fund for public service platform in foreign trade and special fund for municipal-level technology improvement, to name a few.

5. Other net gain

Other net gain of the Group in 2013 amounted to RMB16,878,000, representing an increase of 115.3% as compared to RMB7,839,000 in 2012. Other net gain mainly comprised net exchange gain and net gain on financial assets and liabilities at fair value through profit or loss. Such increase was mainly due to the increase in exchange gain, partially offset by the decrease in net gain on financial assets and liabilities at fair value through profit or loss during the year.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2013 amounted to RMB47,438,000, representing an increase of 22.7% as compared to RMB38,659,000 in 2012. Selling and distribution expenses mainly included transportation cost, insurance premium, wages of our sales staff and promotion expenses. Such increase was mainly due to the increase in sales volume during the year.

7. Administrative expenses

Administrative expenses of the Group in 2013 amounted to RMB308,939,000, increased by 12.8% as compared to RMB273,917,000 in 2012. Administrative expenses mainly included research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees and property tax provision. The increase was primarily attributable to a property tax provision of RMB25,503,000, addition of offices and employees due to the commencement of the Group's polyester thin films business and an increase in depreciation on office equipment during the year.

8. Finance costs

Finance costs of the Group in 2013 amounted to RMB44,939,000, decreased by 17.1% as compared to RMB54,183,000 in 2012. It was mainly due to the decrease on discounted bills expenses.

9. Income tax

Income tax of the Group in 2013 amounted to RMB76,163,000, decreased by 25.8% as compared to RMB102,707,000 in 2012, which was mainly due to the decrease in profit before taxation. Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）, a principal subsidiary of the Group which has been awarded as a high technology enterprise, can enjoy corporate income tax at the concessionary rate of 15% in 2013. Fujian Billion High-tech Material Industrial Co., Ltd.*（福建百宏高新材料實業有限公司）, another principal subsidiary of the Group, is subject to a corporate income tax rate of 25%.

* *The English translation of the name is for reference only. The official name of the entity is in Chinese.*

10. Profit for the year

Profit of the Group for the year 2013 amounted to RMB358,341,000, decreased by RMB392,138,000 or 52.3% as compared to RMB750,479,000 in 2012. Net profit margin was 5.8%, decreased by 6.5 percentage points as compared to 12.3% in 2012. The decrease was mainly due to the decrease of RMB380,869,000 in gross profit during the year.

Financial Position

1. Liquidity and capital resources

As at 31 December 2013, cash and cash equivalent of the Group amounted to RMB219,846,000, decreased by RMB424,203,000 or 65.9% as compared to RMB644,049,000 as at 31 December 2012. Such decrease was mainly due to the capital expenditure of the Group which amounted to RMB790,409,000 for the expansion of plants and the purchase of production equipment to increase the production capacity of polyester filament yarn and functional environmentally-friendly BOPET during the year.

During the year, net cash inflow from operating activities amounted to RMB611,222,000, net cash outflow used in investing activities amounted to RMB1,249,262,000 and net cash inflow generated from financing activities amounted to RMB184,494,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year, inventory turnover day was 37.7 days (2012: 38.1 days), accounts receivable turnover days was 33.8 days (2012: 33.5 days) and accounts payables turnover days was 62.5 days (2012: 63.1 days). There was no significant change for those turnover days as compared with 2012.

As at 31 December 2013, the Group had capital commitments of RMB527,786,000, which was mainly used in the expansion of production capacity of polyester filament yarn and the development of functional environmentally-friendly BOPET business.

2. Capital Structure

As at 31 December 2013, the total liabilities of the Group amounted to RMB3,425,102,000, and the capital and reserve amounted to RMB5,175,374,000. The gearing ratio (total liabilities divided by total equity) was 66.2%. The total assets amounted to RMB8,600,476,000. The asset liability ratio (total assets divided by total liabilities) was 2.5 times. Bank loans of the Group amounted to RMB1,990,876,000, of which RMB1,972,514,000 were repayable within one year and RMB18,362,000 were repayable after one year. Among the bank borrowings, 40.1% were secured by properties, trade receivables and restricted bank deposits.

Charges on Assets

Save as disclosed in this announcement, there was no other charge on Group's assets as of 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group did not have contingent liabilities (2012: nil).

Foreign Currency Risk

As most of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 31 December 2013, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB1,304,416,000 and the net liabilities exposure denominated in Euro of RMB3,469,000.

Employees and Remuneration

As at 31 December 2013, the Group had a total of 3,737 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 arrangement 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 management believes that the global economic growth will gradually recover in 2014. Measures adopted by the Euro zone member states in the past few years have helped to lower the risks for the Euro zone significantly. Although the United States's progress in ensuring its medium-term financial sustainability is slow, the uncertainties as to U.S. financial policies have been substantially eliminated in the short term. Developing countries, however, are facing new uncertainties and risks, including the potential impact of the decrease in commodity prices on commodity export nations and the challenges brought by the exit of quantitative easing policies in developed countries. Such factors will bring a series of uncertainties to the business operations of the Group.

As the global economy recovers, the Group is no longer just pursuing economies of scale. The Group has already ranked among the top in the industry in terms of its production capacity, demonstrated by its large investment in production facilities, and it will shift its development focus from scale to quality. It will focus on the control over upstream resources, monitoring and developing technology for upstream materials such as recycled materials, degradable materials and biomass materials, and improving the percentage of its recycled and degradable products. It will continue to strengthen its investment in research and development to continuously develop high valued-added and differentiated products to optimise its product mix and develop new products which have greater market demand. We will actively expand our sales to the emerging overseas markets in addition to further strengthening our presence in the domestic market steadily and continuously. We are confident that the BOPET business, a new growth driver for the Group, will better balance the product portfolio of the Group, and enable us to diversify our risk due to high industry concentration. With the Group's outstanding management team, strong technical strengths and financial resources, the management will capture the development opportunities to further expand its scale and improve returns to its shareholders.

DIVIDEND

The Board has recommended the payment of a final dividend of HK3.1 cents per share of the Company for the year ended 31 December 2013. The proposed final dividend, if approved by the shareholders at the annual general meeting, will be paid to the shareholders whose names appear on the register of members of the Company on 29 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 26 May 2014.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Wednesday, 5 June 2014, to shareholders whose names appear on the register of members of the Company on Thursday, 29 May 2014.

AUDIT COMMITTEE

The audit committee of the Board had reviewed, together with the management and external auditors of the Company, KPMG, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2013. The financial statements had been agreed with external auditors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Save as disclosed below, for the year ended 31 December 2013, the Company has complied with all the applicable code provision of the Corporate Governance Code.

Code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Five of the non-executive Directors did not attend the AGM held on 29 April 2013 due to other work commitments. The Company will improve its general meeting planning process so that all Directors can get sufficient time to arrange their work in advance and obtain all necessary support for attending general meetings of the Company in the future.

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board of the Company. During the period from 1 January 2013 to 30 March 2013, the Board comprised four executive Directors, four non-executive Directors and three independent non-executive Directors, therefore, the Company failed to comply with the requirement of Rule 3.10A. On 31 March 2013, two non-executive Directors and two independent non-executive Directors were appointed to the Board, which brought the Board composition to four executive Directors, six non-executive Directors and five independent non-executive Directors, and the Company re-complied with Rule 3.10A of the Listing Rules.

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 directors of the Company. All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2013.

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 2013. In case when 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 2013, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *RMB'000*
January 2013	76,000,000	5.70	5.10	321,975

Of the 76,000,000 repurchased shares, 75,428,500 and 571,500 were cancelled in January 2013 and February 2013 respectively and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium and transaction costs paid on the repurchase of the shares of approximately HK$397,001,000 (equivalent to RMB321,336,228) were charged to the Company's share premium account.

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. On 13 January 2014, an unconditional mandatory cash offer was made by CBB International Capital Limited for and on behalf of Hong Kong (Rong An) Investment Limited to acquire all the issued shares of the Company (other than those already owned by Hong Kong (Rong An) Investment Limited and parties acting in concert with it) (the "Share Offer"). The Share Offer was available for acceptance from 29 January 2014 to 26 February 2014. Upon the close of the Share Offer, there were 417,447,192 shares of the Company, representing approximately 18.78% of the total issued share capital of the Company held by the public. Accordingly, following the close of the Share Offer, the Company does not satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of four months from 26 February 2014. As at the date of this announcement, which is within the wavier period, the Company has not restored the prescribed minimum public float of not less than 25% of the Company's issued shares under the Listing Rules. Save as disclosed above, 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 2013 and the subsequent period ended the date of 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 2013 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

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

Hong Kong, 31 March 2014

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