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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Revenue for the first half of 2014 amounted to RMB3,132 million, representing an increase of 0.5% over the same period last year
- Profit for the first half of 2014 amounted to RMB101 million, representing a decrease of 58.3% over the same period last year
- Earnings per share amounted to RMB0.05
- 2014 interim dividend of HK3.0 cents per share is declared

The board of directors (the "Board") of Billion Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, the unaudited consolidated statement of financial position of the Group as at 30 June 2014 together with audited comparative figures as at 31 December 2013, as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**3,131,982**	3,115,537
Cost of sales		**(2,827,435)**	(2,662,344)
Gross profit		**304,547**	453,193
Other revenue	*5*	**36,531**	35,405
Other net (loss)/gain	*6*	**(6,757)**	1,572
Selling and distribution expenses		**(21,493)**	(16,001)
Administrative expenses		**(158,884)**	(157,823)
Profit from operations		**153,944**	316,346
Finance costs	*7(a)*	**(30,335)**	(26,469)
Profit before taxation	*7*	**123,609**	289,877
Income tax	*8*	**(22,964)**	(48,368)
Profit for the period		**100,645**	241,509
Earnings per share			
Basic and diluted *(RMB)*	*10*	**0.05**	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Profit for the period		**100,645**	241,509
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**(7,596)**	3,363
Total comprehensive income for the period		**93,049**	244,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000* (audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*11*	**4,336,715**	4,110,624
– Construction in progress	*12*	**676,712**	614,305
– Interests in leasehold land held for own use under operating leases	*13*	**370,231**	372,708
		5,383,658	5,097,637
Deposits and prepayments	*15*	**205,974**	497,087
		5,589,632	5,594,724
Current assets			
Inventories	*14*	**615,595**	675,755
Trade and other receivables	*15*	**888,199**	839,335
Restricted bank deposits		**1,448,331**	1,270,816
Cash and cash equivalents	*16*	**634,520**	219,846
		3,586,645	3,005,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014 – unaudited (Continued)
(Expressed in Renminbi)

	Note	**At 30 June 2014** *RMB'000*	At 31 December 2013 *RMB'000* (audited)
Current liabilities			
Trade and other payables	*17*	**1,215,475**	1,308,901
Bank loans		**2,593,042**	1,972,514
Current taxation	*18(a)*	**45,582**	42,565
		3,854,099	3,323,980
Net current liabilities		**(267,454)**	(318,228)
Total assets less current liabilities		**5,322,178**	5,276,496
Non-current liabilities			
Bank loans		**17,727**	18,362
Deferred tax liabilities	*18(b)*	**90,878**	82,760
		108,605	101,122
NET ASSETS		**5,213,573**	5,175,374
CAPITAL AND RESERVES	*19*		
Share capital		**18,694**	18,694
Reserves		**5,194,879**	5,156,680
TOTAL EQUITY		**5,213,573**	5,175,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000* *19(a)*	**Share premium** *RMB'000* *19(b)(i)*	**Capital redemption reserve** *RMB'000* *19(b)(ii)*	**Statutory reserve** *RMB'000* *19(b)(iii)*	**Capital reserve** *RMB'000* *19(b)(iv)*	**Exchange reserve** *RMB'000* *19(b)(v)*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2013		19,333	1,780,892	–	239,402	1,805,631	(57,260)	1,639,923	5,427,921
Changes in equity for the six months ended 30 June 2013									
Dividends approved in respect of the previous year	*9(b)*	–	(177,658)	–	–	–	–	–	(177,658)
Total comprehensive income for the period		–	–	–	–	–	3,363	241,509	244,872
Purchase of own shares									
– par value paid		(639)	–	–	–	–	–	–	(639)
– premium paid		–	(321,336)	–	–	–	–	–	(321,336)
– transfer between reserves		–	(639)	639	–	–	–	–	–
Balance at 30 June 2013		18,694	1,281,259	639	239,402	1,805,631	(53,897)	1,881,432	5,173,160
Balance at 1 January 2014		18,694	1,157,499	639	276,516	1,805,631	(44,755)	1,961,150	5,175,374
Changes in equity for the six months ended 30 June 2014									
Dividends approved in respect of the previous year	*9(b)*	–	(54,850)	–	–	–	–	–	(54,850)
Total comprehensive income for the period		–	–	–	–	–	(7,596)	100,645	93,049
Balance at 30 June 2014		18,694	1,102,649	639	276,516	1,805,631	(52,351)	2,061,795	5,213,573

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**147,072**	343,906
Tax paid		**(11,829)**	(53,920)
Net cash generated from operating activities		**135,243**	289,986
Investing activities			
Payment for the purchase of property, plant and equipment		**(15,998)**	(16,998)
Expenditure on construction in progress		**(104,580)**	(315,309)
Other cash flows arising from investing activities		**(147,993)**	(290,783)
Net cash used in investing activities		**(268,571)**	(623,090)
Financing activities			
Dividends paid to equity shareholders of the Company		**(54,850)**	(177,658)
Proceeds from new bank loans		**1,076,819**	1,706,497
Repayment of bank loans		**(472,147)**	(815,033)
Other cash flows arising from financing activities		**(18,132)**	(349,177)
Net cash generated from financing activities		**531,690**	364,629
Net increase in cash and cash equivalents		**398,362**	31,525
Cash and cash equivalents at 1 January		**219,846**	644,049
Effect of foreign exchange rate changes		**16,312**	1,213
Cash and cash equivalents at 30 June	*16*	**634,520**	676,787

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 31 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the interim financial report are identified from the financial information provided regularly to the Group's most senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented for the Group's business segment as the Group is principally engaged in the manufacturing and sales of polyester filament yarns products and polyester thin films products in the People's Republic of China (the "PRC").

4 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 value-added tax, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Polyester filament yarns products	**3,025,682**	3,036,591
Polyester thin films products	**106,300**	78,946
	3,131,982	3,115,537

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's revenue during the six months ended 30 June 2014 and 2013.

5 OTHER REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Bank interest income	**20,237**	22,614
Government grants	**16,664**	7,093
(Loss)/gain on sales of raw materials	**(400)**	5,671
Other	**30**	27
	36,531	35,405

Government grants of RMB16,664,000 and RMB7,093,000 for the six months ended 30 June 2014 and 2013 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.

6 OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Donations	**(235)**	(26)
Net exchange gain/(loss)	**8,603**	(16,075)
Net gain on sale of property, plant and equipment	**12**	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	**(14,233)**	17,333
Others	**(904)**	340
	(6,757)	1,572

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank advances and other borrowings	**25,806**	17,644
Other interest expenses	**4,529**	8,825
	30,335	26,469
(b) Staff costs:		
Contributions to defined contribution retirement plans	**1,500**	1,449
Salaries, wages and other benefits	**89,708**	76,214
	91,208	77,663
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**2,477**	2,082
Depreciation	**126,378**	97,989
Operating lease charges in respect of properties	**180**	180
Research and development costs*	**108,985**	100,090
Cost of inventories**	**2,827,435**	2,662,344

* *Research and development costs include RMB26,085,000 and RMB21,228,000 for the six months ended 30 June 2014 and 2013 respectively 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 7(b) for each of these types of expenses.*

** *Cost of inventories include RMB171,200,000 and RMB127,777,000 for the six months ended 30 June 2014 and 2013 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

8 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period	**14,846**	40,911
Deferred tax		
Origination and reversal of temporary differences	**8,118**	7,457
	22,964	48,368

(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 each of the six months ended 30 June 2014 and 2013.

(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) 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.*

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period:

	2014	2013
	RMB'000	*RMB'000*
Interim dividend proposed after the interim period of HK3.0 cents per share (2013: HK7.0 cents per share)	**53,029**	122,200

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

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, HK3.1 cents per share (2012: HK10.0 cents per share)	**54,850**	177,658

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB100,645,000 (six months ended 30 June 2013: RMB241,509,000) and the weighted average of 2,223,000,000 ordinary shares (2013: 2,227,635,138 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2014 and 2013, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Net book value, at 1 January	**4,110,624**	3,117,951
Exchange adjustments	**411**	(1,475)
Additions	**5,528**	27,414
Transfer from construction in progress *(note 12)*	**346,599**	1,185,947
Disposals	**(69)**	–
Depreciation charge for the period/year	**(126,378)**	(219,213)
At 30 June/31 December	**4,336,715**	4,110,624

12 CONSTRUCTION IN PROGRESS

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
At 1 January	**614,305**	1,180,302
Additions	**409,006**	619,950
Transfer to property, plant and equipment *(note 11)*	**(346,599)**	(1,185,947)
At 30 June/31 December	**676,712**	614,305

13 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Interests in leasehold land held for own use under operating leases represent land use rights in the PRC. At 30 June 2014, the remaining period of the land use rights ranged from 42 to 49 years.

14 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	**251,842**	139,282
Work in progress	**26,301**	24,764
Finished goods	**337,452**	511,709
	615,595	675,755

15 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis, based on the date of billing, as of the end of the reporting period:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current	**544,707**	463,639
Less than 1 month past due	**7,451**	247
More than 1 month but less than 3 months past due	**110**	2
More than 3 months but less than 1 year past due	**233**	5
Trade debtors and bills receivable, net of allowance for doubtful debts	**552,501**	463,893
Deposits, prepayments and other receivables	**536,844**	858,676
	1,089,345	1,322,569
Less: Non-current portion of deposits and prepayments	**(205,974)**	(497,087)
Current portion of trade debtors, bills receivable, deposits, prepayments and other receivables	**883,371**	825,482
Derivative financial assets – Forward exchange contracts	**4,828**	13,853
	888,199	839,335

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

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.

The Group made prepayments for interests in leasehold land for certain properties held for own use in the PRC. The related ownership certificates are under application as at 30 June 2014.

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

16 CASH AND CASH EQUIVALENTS

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Cash at bank and in hand	**634,520**	219,846

17 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as of the end of the reporting period:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 3 months or on demand	**661,848**	853,671
More than 3 months but within 6 months	**110,275**	118,805
More than 6 months but within 1 year	**30,806**	2,326
More than 1 year	**2,215**	–
Trade creditors and bills payable	**805,144**	974,802
Other payables and accrual charges	**176,393**	156,789
Equipment payables	**29,357**	42,166
Construction payables	**10,496**	532
Receipts in advance	**186,891**	134,162
Financial liabilities measured at amortised cost	**1,208,281**	1,308,451
Derivative financial liabilities		
– Interest rate swaps	**439**	450
– Forward exchange contracts	**6,755**	–
	1,215,475	1,308,901

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

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Provision of PRC income tax	**45,582**	42,565

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

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Deferred tax liabilities/(assets) arising from:		
– Depreciation and amortisation of fixed assets	**100,017**	88,477
– Others	**(9,139)**	(5,717)
	90,878	82,760

(c) Deferred tax assets not recognised

At 30 June 2014, certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB59,961,000 (31 December 2013: RMB50,558,000) 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 30 June 2014, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,122,360,000 (31 December 2013: RMB2,002,820,000). Deferred tax liabilities of RMB106,118,000 (31 December 2013: RMB100,141,000) 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.

19 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	At 30 June 2014		At 31 December 2013	
	Number of shares	**Nominal value of ordinary shares**	*Number of shares*	*Nominal value of ordinary shares*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**HK$100,000,000**	10,000,000,000	HK$100,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**2,223,000,000**	**HK$22,230,000**	2,223,000,000	HK$22,230,000
RMB equivalent		**RMB18,694,152**		RMB18,694,152

(b) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves, including share premium after offsetting the accumulated losses, of the Company as at 30 June 2014 was HK$1,202,500,000 (as at 31 December 2013: HK$1,276,727,000).

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(iii) ***Statutory reserve***

Pursuant to applicable PRC regulations, Billion Fujian is required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary.

(iv) ***Capital reserve***

The capital reserve in the consolidated statement of financial position at 30 June 2014 mainly represents premium received from capital injection which are required to be included in their reserves by the PRC regulations.

(v) ***Exchange reserve***

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside mainland China.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2014	Fair value measurements as at 30 June 2014 using		
		Quoted prices in active market for identified assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	**4,828**	**–**	**4,828**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	**439**	**–**	**439**	**–**
– Forward exchange contracts	**6,755**	**–**	**6,755**	**–**

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 using		
		Quoted prices in active market for identified assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	13,853	–	13,853	–
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	450	–	450	–

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is measured using quoted prices in active markets for similar financial instruments.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

21 CAPITAL COMMITMENTS

Capital commitments in respect of fixed assets outstanding at the end of the reporting period not provided for in the interim financial report are as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Authorised but not contracted for	**141,849**	155,538
Contracted for	**294,467**	372,248
	436,316	527,786

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for directors and key management personnel of the Group is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits	**2,644**	3,418
Post-employment benefits	**22**	23
	2,666	3,441

Total remuneration is included in "staff costs" *(see note 7(b))*.

(b) Transactions with a related party

The Group had the following significant transactions with a related party:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Sales of goods		
CECEP Costin New Materials Group Limited* 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group")	**21,999**	–
Purchase of materials		
CECEP Costin Group	**37**	–

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

(c) Balances with a related party

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Receipt in advance from CECEP Costin Group	**5,839**	7,245
Other payable to CECEP Costin Group	**18**	12

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MARCO-ECONOMIC ENVIRONMENT

In June 2014, the World Bank adjusted the projected 2014 global economic growth rate from the 3.2% in January down to 2.8%, revealing that the overall global economy is in a slow recovery momentum. However, as the negative impact resulted from the reduced government spending in Europe and United States is gradual diminishing and labour markets saw improvements, the suppressed demand has started to release, and the European and United States economies are expected to lead the recovery in the second half of the year. Despite the overall growth of emerging economies is relatively faster, the downward pressure is increasing, the complexity and uncertainty in global economic development further increase, and the competition in international markets becomes more and more intense.

In the first half of 2014, China's GDP grew by 7.4% and was in line with the year-on-year growth objective in 2014. However, such increase was still lower than the 7.7% growth rate in the fourth quarter of last year. According to National Bureau of Statistics of the PRC, retail sales of apparel, footwear, hats and textile products amounted to RMB588.6 billion in the first half of 2014, representing a year-on-year increase of 10.0%. With the PRC economy continuing to progress in accordance with its master economic guideline of "making progress while maintaining stability", the domestic economy is expected to further stabilise and recover, thereby vigorously improving the environment for the development of the textile industry and boosting both domestic investment and consumption demand.

INDUSTRY REVIEW

In the first half of 2014, the overall domestic economy was running steadily and the structural adjustments made progress while maintaining stability. Although the PRC economy continued its slowing-down trend since the fourth quarter last year, data from domestic industrial production and market sales witnessed a stable growth. There was very small room for the market prices of both purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the principal raw materials of the Group's products, to continue to drop, and in fact, the price of PTA has been increasing since the middle of May 2014. As boosted by the slight continuous growth in the upstream suppliers' raw material prices, the overall market trading sentiment had improved significantly and price of polyester filament yarns also continued to increase. Furthermore, increase in purchasing volume was seen in the downstream enterprises, with both the production and sales of the polyester filament yarns market showing obvious improvements since May 2014, and industry profitability gradually stabilising.

The polyester thin films market showed a rapid growing trend. Following the scale accumulation stage, manufacturers begin to differentiate their products with high added values which indicates an expected growth. In recent years, the emergence of food packaging and pharmaceutical drugs industry in China pushed up the momentum of polyester thin films market. The demand for polyester thin films in future is expected to increase continuously.

Business review

The Group had continued to strive for product quality improvement and development of differentiated products during the period, therefore, despite a retarding economic growth in the PRC and the downturn for the chemical fiber industry during the period, market demand for the Group's products remained strong and sales volume and sales value of the Group maintained a stable growth during the period.

Research and development plays an important role in the improvement of product quality. During the period, the Group's research and development expenses amounted to RMB108,985,000, representing 3.5% of its total revenue. Its research and development efforts mainly focused 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 still maintained a solid growth.

While consolidating its domestic market share, the Company also strived to develop international markets. The Group's export sales during the period amounted to RMB458,606,000, representing an increase of 45.8% as compared to the first half of 2013, demonstrating the increasing recognition of the Group's brand in the overseas markets. In addition to further strengthening our presence in the domestic market steadily and continuously, the Group will continue to expand the overseas market share, strengthen its expansion in emerging markets, provide quality service and promote its brand recognition to increase the sales proportion to end-customers.

The Group continued to actively market its polyester thin films business during the period while its production expansion for such products progressed in an orderly manner, with its second and third production line having entered into the installation stage. Upon completion of installation, the polyester thin films production capacity will further improve and it is expected that the revenue of polyester thin films and its proportion in the overall revenue of the Group will continue to increase in the second half of the year.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period amounted to RMB3,131,982,000 (for the first half of 2013: RMB3,115,537,000), representing an increase of 0.5% as compared to the same period last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB3,025,682,000, accounting for 96.6% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB106,300,000, accounting for 3.4% 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 period was RMB3,025,682,000, representing a decrease of RMB10,909,000 as compared to the revenue of RMB3,036,591,000 in the first half of 2013 or a decrease of 0.4% as compared to the same period last year. The average selling price of polyester filament yarns during the period was RMB10,106 per ton, representing a decrease of RMB2,296 or 18.5% as compared to the average selling price of RMB12,402 per ton in the first half of 2013.

The continuous softened economic growth in China has exerted negative impact on the Group's customers such as apparel and footwear enterprises. Although the market demand for the Group's products remained strong and the sales volume of polyester filament yarns products of the Group for the year increased to 299,404 tons during the period from 244,844 tons in the first half of 2013 (representing an increase of 54,560 tons or 22.3%), the selling price of polyester filament yarns continued to drop from the previous year.

Polyester thin films

Revenue attributable to the sales of polyester thin film products for the period was RMB106,300,000, representing an increase of RMB27,354,000 as compared to the revenue of RMB78,946,000 in the first half of 2013 or an increase of 34.6% as compared to the same period last year. The sales volume was 10,051 tons, representing an increase of 50.8% as compared to the 6,666 tons in the same period last year. The average selling price of polyester thin films during the period was RMB10,576 per ton, representing a decrease of RMB1,267 or 10.7% as compared to the average selling price of RMB11,843 per ton in the first half of 2013.

Polyester thin films have wide application, and its business has become a new growth point of the Group's business. To cope with the development of polyester thin films business, the Group will endeavour to the construction of polyester thin films production line, research and develop new products and enhance the added value of its products, as well as continue to explore both domestic and overseas markets.

Sales by geographic region

The Group continued to expand its 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 14.6% during the period from the 10.1% in the first half of 2013. Approximately 85.4% of the Group's revenue was generated from domestic market sales, of which 65.6% were from sales to Fujian Province and 16.3% to Guangdong Province. Whilst maintaining its market share and position in Fujian and Guangdong provinces, the Group continued to explore other provincial and municipal markets, where it provided customised product services to its customers.

Breakdown of Revenue and Sales Volume (By Product)

	Revenue For the six months ended 30 June				Sales volume For the six months ended 30 June			
	2014		2013		**2014**		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**2,275,705**	**72.7%**	2,415,602	77.6%	**210,124**	**67.9%**	183,459	72.9%
FDY	**480,599**	**15.3%**	489,799	15.7%	**52,353**	**16.9%**	44,512	17.7%
POY and others*	**269,378**	**8.6%**	131,190	4.2%	**36,927**	**11.9%**	16,873	6.7%
Sub-total	**3,025,682**	**96.6%**	3,036,591	97.5%	**299,404**	**96.7%**	244,844	97.3%
Polyester thin films	**106,300**	**3.4%**	78,946	2.5%	**10,051**	**3.3%**	6,666	2.7%
Total	**3,131,982**	**100.0%**	3,115,537	100.0%	**309,455**	**100.0%**	251,510	100.0%

* *Others represent polyethylene terephthalate (PET) chips and wasted filament generated during the production process*

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**2,054,443**	**65.6%**	2,328,371	74.7%
Guangdong Province	**510,759**	**16.3%**	408,113	13.1%
Other provinces	**108,174**	**3.5%**	64,511	2.1%
Export sales	**458,606**	**14.6%**	314,542	10.1%
Total	**3,131,982**	**100.0%**	3,115,537	100.0%

Note: Export sales regions mainly comprised various countries and regions such as Turkey, Italy, Belgium, Brazil, United States, Spain, and Poland.

2. Cost of Sales

The cost of sales of the Group for the period was RMB2,827,435,000, representing an increase of 6.2% as compared to the cost of sales of RMB2,662,344,000 in the first half of 2013. Such increase was 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 RMB2,732,828,000, accounting for 96.7% of the total cost of sales. The cost of sales for polyester thin films was RMB94,607,000, accounting for 3.3% of total cost of sales. The percentages of costs of sales of these two types of products were generally consistent with the percentages of their respective sales volumes.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB10,602 per ton in the first half of 2013 to RMB9,128 per ton during the period, representing a decrease of RMB1,474 or 13.9%, which was mainly due to the decrease in the selling prices of PTA and MEG, the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB8,619 per ton in the first half of 2013 to RMB7,297 per ton during the period, representing a decrease of RMB1,322 or 15.3%.

Polyester thin films

The average cost of sales for polyester thin films dropped from RMB9,958 per ton in the first half of 2013 to RMB9,413 per ton during the period, representing a decrease of RMB545 or 5.5%, which was mainly due to the decrease in selling price of raw materials for polyester thin films.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**1,459,498**	**51.6%**	1,367,359	51.3%
MEG	**611,596**	**21.7%**	539,633	20.3%
POY and other raw materials	**113,765**	**4.0%**	203,384	7.7%
Sub-total	**2,184,859**	**77.3%**	2,110,376	79.3%
Manufacturing costs	**543,518**	**19.2%**	479,192	18.0%
Other costs	**4,451**	**0.2%**	6,393	0.2%
Sub-total	**2,732,828**	**96.7%**	2,595,961	97.5%
Polyester thin films	**94,607**	**3.3%**	66,383	2.5%
Total	**2,827,435**	**100.0%**	2,662,344	100.0%

3. *Gross Profit*

The gross profit of the Group for the period was RMB304,547,000, decreased by RMB148,646,000, or 32.8% as compared to RMB453,193,000 in the first half of 2013. Although sales volume of the Group during the period increased by 57,945 tons, representing an increase of 23.0% as compared to the first half of 2013, and the average cost of the products also decreased by an average of RMB1,448 per ton, representing a decrease of 13.7% from RMB10,585 in the first half of 2013 to RMB9,137 during the period, the average selling price of the products decreased by an average of RMB2,266 per ton, representing a decrease of 18.3% from the RMB12,387 in the first half of 2013 to RMB10,121 during the period. Therefore, the average gross profit per ton of the products decreased from RMB1,802 in the first half of 2013 to RMB984 during the period. The gross profit margin decreased by 4.8 percentage points from 14.5% in the first half of 2013 to 9.7% during the period.

Polyester filament yarn

The average selling price of polyester filament yarn products per ton decreased by an average of RMB2,296 per ton, representing a decrease of 18.5% from RMB12,402 in the first half of 2013 to RMB10,106 during the period. The average gross profit of polyester filament yarn products per ton decreased from RMB1,800 in the first half of 2013 to RMB978 during the period. The gross profit margin decreased by 4.8 percentage points from 14.5% in the first half of 2013 to 9.7% during the period.

Polyester thin films

The average selling price of polyester thin films products per ton decreased by an average of RMB1,267 per ton, representing a decrease of 10.7% from RMB11,843 in the first half of 2013 to RMB10,576 during the period. The average gross profit of polyester thin films products per ton decreased from RMB1,885 in the first half of 2013 to RMB1,163 during the period. The gross profit margin decreased by 4.9 percentage points from 15.9% in the first half of 2013 to 11.0% during the period.

Gross profit and gross profit margin during the period decreased as compared to those in the first half of 2013, which were mainly due to the slowdown in economic growth in China, the downturn in the fiber industry, and the effect of price drop on the performance of the Group being greater than the effect of increase in sales volume during the period.

Analysis of Gross Profit (By Product)

	For the six months ended 30 June			
	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**260,996**	**85.7%**	390,793	86.2%
FDY	**24,041**	**7.9%**	44,716	9.9%
POY and others*	**7,817**	**2.6%**	5,121	1.1%
Sub-total	**292,854**	**96.2%**	440,630	97.2%
Polyester thin films	**11,693**	**3.8%**	12,563	2.8%
Total	**304,547**	**100.0%**	453,193	100.0%

* *Others represent PET chips and wasted filament generated during the production process.*

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

	2014	2013
	RMB	*RMB*
Polyester filament yarns		
Average selling price per ton	**10,106**	12,402
Average cost of sales per ton	**9,128**	10,602
Average gross profit per ton	**978**	1,800
Average gross profit margin	**9.7%**	14.5%
Polyester thin films		
Average selling price per ton	**10,576**	11,843
Average cost of sales per ton	**9,413**	9,958
Average gross profit per ton	**1,163**	1,885
Average gross profit margin	**11.0%**	15.9%

4. Other revenue

Other revenue of the Group for the period amounted to RMB36,531,000, representing an increase of 3.2% as compared to RMB35,405,000 in the first half of 2013. Other revenue mainly included bank interest income and gain from government grants. Such increase was mainly attributable to the increase in the amounts of government grants as compared to those of the same period last year. Government grants mainly included special fund for provincial-level enterprise technology improvement and electricity usage reward for increase in production capacity and efficiency.

5. *Other net (loss)/gain*

Other net loss of the Group during the period amounted to RMB6,757,000 (for the first half of 2013: other net gain of RMB1,572,000). The loss was mainly due to a combined impact of increase in exchange gain and increase in net loss on financial liabilities at fair value through profit or loss.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group for the period amounted to RMB21,493,000, representing an increase of 34.3% as compared to RMB16,001,000 in the first half of 2013. 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 period, in particulars, the increase in export sales, the related selling and distribution expenses (such as transportation costs and bank service charge) for which are generally high than domestic sales.

7. *Administrative expenses*

Administrative expenses of the Group for the period amounted to RMB158,884,000, increased by 0.7% as compared to RMB157,823,000 in the first half of 2013. Administrative expenses mainly included research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees. Such change was mainly due to a combined impact of increase in research and development costs of the Group, consulting service fee related to the general offer for the shares of the Company occurred during the period and the reduction in property tax provision during the period.

8. *Finance costs*

Finance costs of the Group for the period amounted to RMB30,335,000, increased by 14.6% as compared to RMB26,469,000 in the first half of 2013. It was mainly due to the increase in interests on bank advances and other borrowings resulted from an increase in bank loans.

9. Income tax

Income tax of the Group for the period amounted to RMB22,964,000, decreased by 52.5% as compared to RMB48,368,000 in the first half of 2013, which was mainly due to the decrease in profit before taxation.

10. Profit for the period

Profit of the Group for the period amounted to RMB100,645,000, decreased by RMB140,864,000 or 58.3% as compared to RMB241,509,000 in the first half of 2013. It was mainly due to the decrease in gross profit of RMB148,646,000 during the period.

Financial Position

1. Liquidity and capital resources

As at 30 June 2014, cash and cash equivalent of the Group amounted to RMB634,520,000, increased by RMB414,674,000 or 188.6% as compared to RMB219,846,000 as at 31 December 2013.

During the period, net cash inflow from operating activities amounted to RMB135,243,000 (exceeding the profit attributable to shareholders), demonstrating the sound working capital management of the Group. Net cash outflow used in investing activities amounted to RMB268,571,000, which mainly include the capital expenditure of RMB120,578,000 and the increase in restricted bank deposits of RMB176,312,000. Net cash inflow used in financing activities amounted to RMB531,690,000, which mainly include the net increase in bank loans of RMB604,672,000 and the payment of 2013 final dividends amounting to RMB54,850,000 during the period.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the period, inventory turnover day was 41.3 days (for first half of 2013: 33.0 days), representing an increase of 8.3 days as compared to the same period last year, which was mainly due to the decrease in cost of sales of the Company. The trade receivable turnover days were 29.4 days (for the first half of 2013: 46.4 days), representing a decrease of 17.0 days as compared to the same period last year. The decrease was primarily due to the increase in discounted trade receivables during the period. The trade payable turnover days were 53.8 days (for the first half of 2013: 55.6 days), and there was no significant change for those as compared to the first half of 2013.

As at 30 June 2014, the Group had capital commitments of RMB436,316,000, which was mainly used for the expansion of production capacity and the development of functional environmentally-friendly polyester thin films business.

2. Capital Structure

As at 30 June 2014, the total liabilities of the Group amounted to RMB3,962,704,000, and capital and reserve amounted to RMB5,213,573,000. The gearing ratio (total liabilities divided by total equity) was 76.0%. Total assets amounted to RMB9,176,277,000. The asset liability ratio (total assets divided by total liabilities) was 2.3 times. Bank loans of the Group amounted to RMB2,610,769,000, of which RMB2,593,042,000 were repayable within one year and RMB17,727,000 were repayable after one year. Among the bank borrowings, 40.3% were secured by properties, trade receivables and restricted bank deposits.

Significant Investments

During the period, the Group entered into a non-legally binding letter of intent with 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd.*) and 重慶中節能隆安實業開發有限公司 (Chongqing CECEP Longan Industrial Development Co., Ltd.*) and agreed on the intention for the Company to acquire the gas business related assets wholly owned by these two companies . As at the date of this announcement, no legally binding agreement has been entered into by the Company with respect to such potential acquisition.

Save for the aforesaid, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

The Company's future plan in the coming year for material investments and additions of capital assets are primarily related to the expansion of production capacity and development of functional environmentally-friendly polyester thin films business. The Company intends to finance such plan through internally generated fund and bank loans.

Charges on Assets

Save as disclosed above, there was no other charge on Group's assets as of 30 June 2014.

Contingent Liabilities

As at 30 June 2014, the Group did not have any contingent liability (2013: 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 30 June 2014, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB955,652,000.

Employees and Remuneration

As at 30 June 2014, the Group had a total of 3,721 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.

Interim Dividend

The Board resolved to declare an interim dividend of HK3.0 cents per share in cash for the six months ended 30 June 2014. The dividend will be paid on 3 October 2014 to those shareholders whose names appear on the Company's register of members on 18 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 16 September 2014 to Thursday, 18 September 2014, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, 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, 15 September 2014.

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members: Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming. All of them are independent non-executive directors. The chairman of the audit committee is Mr. Chan Shek Chi.

The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited financial results of the Group for the six months ended 30 June 2014.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed shares of the Company.

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

Hong Kong, 29 August 2014

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