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 2014

HIGHLIGHTS

- Revenue for the year ended 31 December 2014 amounted to RMB6,301.5 million, representing an increase of 2.4% compared to the year ended 31 December 2013.

- Profit for the year ended 31 December 2014 amounted to RMB203.5 million, representing a decrease of 43.2% compared to the year ended 31 December 2013.

- Earnings per share for the year ended 31 December 2014 amounted to RMB0.09, representing a decrease of 43.8% compared to the year ended 31 December 2013.

- A final dividend of HK3.0 cents per share is proposed for 2014, full year dividend amounted to HK6.0 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 2014 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 2014

		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**6,301,466**	6,152,700
Cost of sales		**(5,715,541)**	(5,425,918)
Gross profit		**585,925**	726,782
Other revenue	*3*	**110,598**	92,160
Other net (loss)/gain	*4*	**(2,762)**	16,878
Selling and distribution expenses		**(49,110)**	(47,438)
Administrative expenses		**(315,119)**	(308,939)
Profit from operations		**329,532**	479,443
Finance costs	*5(a)*	**(75,603)**	(44,939)
Profit before taxation	*5*	**253,929**	434,504
Income tax	*6*	**(50,384)**	(76,163)
Profit for the year attributable to equity shareholders of the Company		**203,545**	358,341
Earnings per share			
Basic and diluted *(RMB)*	*8*	**0.09**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Profit for the year attributable to equity shareholders of the Company	**203,545**	358,341
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside mainland China	**10,766**	12,505
Total comprehensive income for the year attributable to equity shareholders of the Company	**214,311**	370,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Fixed assets	*9*		
– Property, plant and equipment		**4,432,372**	4,110,624
– Construction in progress		**745,545**	614,305
– Interests in leasehold land held for own use under operating leases		**441,430**	372,708
		5,619,347	5,097,637
Deposits and prepayments	*11*	**117,977**	497,087
		5,737,324	5,594,724
Current assets			
Inventories	*10*	**415,702**	675,755
Trade and other receivables	*11*	**1,025,432**	839,335
Restricted bank deposits	*12*	**1,757,250**	1,270,816
Cash and cash equivalents	*13*	**882,236**	219,846
		4,080,620	3,005,752
Current liabilities			
Trade and other payables	*14*	**1,350,636**	1,308,901
Bank loans	*15*	**3,064,501**	1,972,514
Current taxation	*16(a)*	**46,655**	42,565
		4,461,792	3,323,980
Net current liabilities		**(381,172)**	(318,228)
Total assets less current liabilities		**5,356,152**	5,276,496

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2014

	Note	2014	2013
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*15*	**16,830**	18,362
Deferred tax liabilities	*16(b)*	**100,307**	82,760
		117,137	101,122
NET ASSETS		**5,239,015**	5,175,374
CAPITAL AND RESERVES			
Capital		**18,572**	18,694
Reserves		**5,220,443**	5,156,680
TOTAL EQUITY		**5,239,015**	5,175,374

NOTES

1 SIGNIFICANT ACCOUNTING POLICIES

These 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").

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules").

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 development is relevant to the Group's financial statements:

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

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

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the 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.

No segment information is presented for the Group's business segment as the Group is principally engaged in manufacture and sale of polyester filament yarn products. The Group's main operation is located in the PRC.

2 REVENUE

The principal activities of the Group are manufacturing and sales of polyester filament yarn products and polyester thin film 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:

	2014	2013
	RMB'000	*RMB'000*
Polyester filament yarn products	**6,071,382**	5,908,983
Polyester thin film products	**230,084**	243,717
	6,301,466	6,152,700

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 2014 and 2013.

3 OTHER REVENUE

	2014	2013
	RMB'000	*RMB'000*
Bank interest income	**57,349**	44,971
Government grants	**40,863**	38,572
Sales of raw materials	**12,322**	8,530
Others	**64**	87
	110,598	92,160

During the year, government grants of RMB40,863,000 (2013: RMB38,572,000) 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 (LOSS)/GAIN

	2014	2013
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**14**	–
Donation	**(255)**	(106)
Net exchange gain	**9,521**	9,932
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	**(11,388)**	4,758
Others	**(654)**	2,294
	(2,762)	16,878

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2014	2013
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**66,898**	37,463
Other interest expenses	**8,705**	7,476
	75,603	44,939

* *No borrowing costs have been capitalised in 2014 (2013: nil).*

(b) Staff costs:

	2014	2013
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**2,989**	3,185
Salaries, wages and other benefits	**177,167**	151,034
	180,156	154,219

(c) Other items:

	2014	2013
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**14,653**	4,559
Depreciation	**261,404**	219,213
Auditors' remuneration	**2,600**	2,693
Operating lease charges in respect of properties	**360**	360
Research and development costs*	**202,015**	197,830
Cost of inventories**	**5,715,541**	5,425,918

* *Research and development costs include RMB50,553,000 (2013: RMB47,761,000) 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 RMB345,677,000 (2013: RMB267,066,000) 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:

	2014	2013
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**32,837**	55,431
Deferred tax *(note 16(b))*		
Origination and reversal of temporary differences	**17,547**	20,732
	50,384	76,163

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

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**253,929**	434,504
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**68,799**	109,992
Tax effect of non-deductible expenses	**4,869**	8,476
Tax effect of non-taxable income	**(515)**	(951)
Tax effect of unused tax losses not recognised	**6,196**	2,172
(Over)/under-provision in prior year	**(10)**	99
Tax concessions *(note (iii))*	**(28,955)**	(43,625)
Actual tax expenses	**50,384**	76,163

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 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）("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

	2014	2013
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK3.0 cents per share (2013: HK7.0 cents per share)	**52,836**	123,760
Final dividend proposed after the end of the reporting period of HK3.0 cents per ordinary share (2013: HK3.1 cents per share)	**52,449**	54,618
	105,285	178,378

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

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

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 RMB203,545,000 (2013: RMB358,341,000) and the weighted average of 2,221,322,438 ordinary shares (2013: 2,225,298,521 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**2,223,000,000**	2,299,000,000
Effect of shares repurchased	**(1,677,562)**	(73,701,479)
Weighted average number of ordinary shares	**2,221,322,438**	2,225,298,521

There were no dilutive potential ordinary shares during the years ended 31 December 2014 and 2013, 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 2014	1,824,773	2,902,680	309,288	66,825	5,103,566	614,305	400,449	6,118,320
Exchange adjustments	122	–	2	3	127	–	–	127
Additions	–	8,044	16,159	6,070	30,273	684,071	83,375	797,719
Transfers	646	359,496	192,689	–	552,831	(552,831)	–	–
Disposals	–	–	(17)	(295)	(312)	–	–	(312)
At 31 December 2014	1,825,541	3,270,220	518,121	72,603	5,686,485	745,545	483,824	6,915,854
Accumulated depreciation and amortisation:								
At 1 January 2014	(197,353)	(647,295)	(111,608)	(36,686)	(992,942)	–	(27,741)	(1,020,683)
Exchange adjustments	(7)	–	(1)	(2)	(10)	–	–	(10)
Charge for the year	(60,328)	(167,746)	(22,800)	(10,530)	(261,404)	–	(14,653)	(276,057)
Written back on disposals	–	–	4	239	243	–	–	243
At 31 December 2014	(257,688)	(815,041)	(134,405)	(46,979)	(1,254,113)	–	(42,394)	(1,296,507)
Net book value:								
At 31 December 2014	1,567,853	2,455,179	383,716	25,624	4,432,372	745,545	441,430	5,619,347

(a) Interests in leasehold land held for own use under operating leases represent land use rights with lease terms of 50 years in the PRC.

(b) As at 31 December 2014, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB102,182,000 (2013: RMB152,678,000) from the relevant PRC government authorities.

(c) A building held for own use, with net book value of RMB45,770,000 (2013: RMB46,783,000), was mortgaged to secure a bank loan *(see note 15)*.

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

	2014	2013
	RMB'000	*RMB'000*
In Hong Kong		
– medium-term leases *(note 15)*	**45,770**	46,783
Outside Hong Kong		
– medium-term leases	**1,963,513**	1,953,345
	2,009,283	2,000,128
Representing:		
Buildings held for own use	**1,567,853**	1,627,420
Interests in leasehold land held for own use under operating leases	**441,430**	372,708
	2,009,283	2,000,128

10 INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**79,145**	139,282
Work in progress	**20,158**	24,764
Finished goods	**316,399**	511,709
	415,702	675,755

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB5,715,541,000 (2013: RMB5,425,918,000).

11 TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade debtors	**462,453**	216,919
Bills receivable	**240,863**	246,974
Deposits, prepayments and other receivables	**433,421**	858,676
Derivative financial assets		
– forward exchange contracts	**6,672**	13,853
	1,143,409	1,336,422
Less: Non-current portion of deposits and prepayments	**(117,977)**	(497,087)
	1,025,432	839,335

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

The trade receivables of RMB26,217,000 (2013: RMB10,505,000) were pledged to the banks to secure certain bank loans *(see note 15)*.

As at 31 December 2014, the Group had discounted bank acceptance bills totalling RMB225,076,000 (2013: RMB245,553,000) and endorsed bank acceptance bills totalling RMB266,071,000 (2013: RMB534,397,000), 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:

	2014	2013
	RMB'000	*RMB'000*
Current	**702,808**	463,639
Less than 1 month past due	**458**	247
More than 1 month but less than 3 months past due	**48**	2
More than 3 months but less than 1 year past due	**2**	5
	508	254
	703,316	463,893

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 2014 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 RMB1,757,250,000 (2013: RMB1,270,816,000) 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

	2014	2013
	RMB'000	*RMB'000*
Deposits with banks and other financial institutions	**84,401**	–
Cash at bank and in hand	**797,835**	219,846
Cash and cash equivalents in the statement of financial position	**882,236**	219,846

At 31 December 2014, cash at bank balances were placed with banks in the PRC amounted to RMB651,132,000 (2013: RMB130,876,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

14 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade creditors and bills payable	**940,410**	974,802
Other payables and accrued charges	**188,678**	156,789
Equipment payables	**32,992**	42,166
Construction payables	**1,367**	532
Receipts in advance	**179,692**	134,162
	1,343,139	1,308,451
Derivative financial liabilities		
– forward exchange contracts	**6,382**	–
– interest rate swaps	**1,115**	450
	7,497	450
	1,350,636	1,308,901

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:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**589,744**	853,671
More than 3 months but within 6 months	**347,168**	118,805
More than 6 months but within 1 year	**1,282**	2,326
More than 1 year	**2,216**	–
	940,410	974,802

15 BANK LOANS

At 31 December 2014, the bank loans were repayable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year or on demand	**3,064,501**	1,972,514
After 1 year but within 2 years	**1,578**	1,574
After 2 years but within 5 years	**4,733**	4,721
After 5 years	**10,519**	12,067
	16,830	18,362
	3,081,331	1,990,876

At 31 December 2014, the bank loans were secured as follows:

	2014	2013
	RMB'000	*RMB'000*
Bank loans		
– secured	**1,533,486**	799,228
– unsecured	**1,547,845**	1,191,648
	3,081,331	1,990,876

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

	2014	2013
	RMB'000	*RMB'000*
Properties *(note 9)*	**45,770**	46,783
Pledged trade receivables *(note 11)*	**26,217**	10,505
Restricted bank deposits *(note 12)*	**1,519,542**	770,745
	1,591,529	828,033

16 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2014	2013
	RMB'000	*RMB'000*
Provision for the year	**32,837**	55,431
Tax paid	**(28,747)**	(64,455)
	4,090	(9,024)
Balance of tax provision relating to prior years	**42,565**	51,589
	46,655	42,565

(b) Deferred tax liabilities recognised:

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

	Pre-operating expenses *RMB'000*	Depreciation and amortisation of fixed assets *RMB'000*	Others *RMB'000*	Total *RMB'000*
Deferred tax liabilities arising from:				
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
At 1 January 2014	–	88,477	(5,717)	82,760
Charged/(credited) to profit or loss *(note 6(a))*	–	22,913	(5,366)	17,547
At 31 December 2014	–	111,390	(11,083)	100,307

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB84,620,000 (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

From 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise.

All of the Group's subsidiaries incorporated in the PRC are foreign-invested enterprises directly and wholly owned by a Hong Kong incorporated subsidiary. Accordingly, the deferred tax liabilities will be provided for the undistributed profits of the Group's PRC subsidiaries based on the expected dividends to be distributed from these subsidiaries in the foreseeable future and the expected withholding tax rate of 5%.

As at 31 December 2014, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,225,677,000 (2013: RMB2,002,820,000). Deferred tax liabilities of RMB111,284,000 (2013: RMB100,141,000) have not been recognised in respect of the withholding tax with the rate of 5% 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 2014 not provided for in the consolidated financial statements were as follows:

	2014	2013
	RMB'000	*RMB'000*
Authorised but not contracted for	**29,931**	155,538
Contracted for	**280,607**	372,248
	310,538	527,786

(b) At 31 December 2014, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**1,530**	1,890
	3,330	3,690

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

In 2014, the overall global economy was 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 the labour markets have seen improvements, the suppressed demand has started to release. The economic growth rates of oil-rich regions in the United States have showed signs of a slowdown due to a significant drop in crude oil price, but the U.S. economy still remained its continuing expansion in late 2014. Despite the overall growth of emerging economies being relatively fast, the downward pressure is increasing, and the complexity and uncertainty in global economic development has also been further increasing, which have caused the competition in international markets to become more and more intense. In 2014, China's economic growth had entered into a "new normal state" with a growth rate changing from being high to medium to high, and with stable consumption and export growth. In 2014, China's gross domestic product ("GDP") grew by 7.4% and was in line with its year-on-year growth objective in 2014, showing a good trend of stable economic growth, structural optimization and quality improvement.

In 2014, the ultimate consumption contributed to 51.2% of China's GDP growth, which is 1.2 percentage points higher than that of 2013 which was 50.0%. According to the National Bureau of Statistics of the PRC, retail sales of apparel, footwear and textile products amounted to RMB1,256.3 billion in 2014, representing a year-on-year growth of 10.9%, among which, the sales in December 2014 was RMB146.7 billion, representing a year-on-year increase of 10.6%. 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 investments and consumption demands.

INDUSTRY REVIEW

Average selling prices of polyester filament yarns in 2014 were lower than those in 2013, which was 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 due to a significant decrease in crude oil price in 2014, especially since September 2014 when the price of West Texas Intermediate Crude Oil dropped to US$55 per barrel, representing a decrease of almost 50% as compared with the annual high in June 2014. It was not until late January 2015 when crude oil price began to rebound that the price of chemical fiber products gradually stabilised. As regards to cotton, the Group's products are substitutes of cotton to a certain extent. In 2014, cotton price dropped significantly due to a reduction in the size of cotton plantation area and the impact of domestic cotton policies adjustment. We will continue to monitor closely any updated changes of 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 had been recovering at a slow pace, China's textile products export continued to record a weak recovery in 2014, while domestic sales of apparel, footwear and home textile products remained stable overall. However, the growth potential may be limited as consumer confidence and people's income growth rate remained relatively low in general. As such, certain apparel, footwear and house textile brands have focused their business expansion in the second and third-tier cities of China. Looking forward into 2015, as China's economic growth will lead to stable employment and crude oil price is continuously recovering, there will exist a macro environment for steady operations of the chemical fiber industry, and a stable growth in the textile industry which in turn will increase the demand for chemical fiber, which hopefully will improve the profit capacity of the chemical fiber industry.

The downstream industry of polyester thin films represents mainly plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. In southern China, there are relatively few companies which produce polyester thin films. The polyester thin film market showed a rapid growing trend in recent years. Following the scale accumulation stage, manufacturers have begun to differentiate their products with high added values which indicate that there is an expected growth in demand for such products. In recent years, the emergence of the food packaging and pharmaceutical industries in China has pushed up the momentum of polyester thin film market there. The demand for polyester thin films in future is expected to increase continuously. The Group will complete the installation of the fourth and fifth production lines for polyester thin films in 2015, and with the commissioning and production work of the second to fifth production lines of polyester thin films, the competitive edge of the Group will be enhanced by innovation and developing more value-added and differentiated products. Our management is confident in the growth potential and profitability of the Group's polyester thin film business.

BUSINESS REVIEW

Stable growth in the Group's sales

The Group had continued to strive for product quality improvement and development of differentiated products during the year under review, therefore, despite a retarding economic growth in the PRC and the downturn of the chemical fiber industry during the year, market demand for the Group's products remained strong and sales volume and sales value of the Group had maintained a stable growth during the year. According to the 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 RMB1,256.3 billion in 2014, representing a year-on-year increase of 10.9%. As the market price of PTA and MEG, the principal materials of the Group's products, dropped during the year, the price of polyester filament yarns had recorded a decrease which had 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 2013.

As research and development plays an important role in the improvement of product quality, the Group has stressed great importance on and adhered to the technology innovation approach of "Production, Learning, Research and Application". Through our strong research and development team, the Group continued to: (i) co-operate with colleges and institutions, contribute more funds and resources in research and development to form a multi-disciplinary project research and development chain; (ii) obtain patent and proprietary technology results; (iii) vigorously support the implementation of the differentiated operating philosophy; and (iv) ensure the on-going launching of new products which served as guidance to the market. The outstanding research and development and innovation capacity is the foundation of the Group to achieve sustainable development. During the year under review, the Group's research and development expenses amounted to RMB202,015,000, representing 3.2% of its total revenue. Our research and development efforts mainly focus on improving product quality and production efficiency. Owing to our long-term investments in research and development and marketing efforts in promoting differentiated products, the Group's overall business volume maintained a solid growth in 2014. During the year under review, the Group's product differentiation rate reached 65.0%. Such a 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.

The Group has all along been paying high attention to marketing channel expansion and customer services and we constantly adjust our product structure and provide customised product development services in order to fully meet our customers' differentiated demands. By taking the advantage of having the biggest polyester fiber production base in southern China, while consolidating our market share in Fujian and Guangdong Provinces, we have also strived to develop international markets. The Group's export sales for the year ended 31 December 2014 were RMB964,072,000, representing an increase of RMB223,519,000, or 30.2% compared to that in the year ended 31 December 2013, indicating a significant improvement in its brand recognition in the overseas market. In addition to further strengthening our presence in the domestic market steadily and continuously, the Group will continue to expand its overseas market share, strengthen its expansion in emerging markets, provide quality service and promote its brand value, awareness and recognition to increase the sales proportion to end-customers.

As at 31 December 2014, the designed annual production capacity of the Group's polyester thin films was 36,500 tons per year. The installation of the second and third production lines was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this announcement. Upon completion of installation and commissioning of these production lines, the production capacity of polyester thin films will be further enlarged. The expected designed annual production capacity of polyester thin films will reach 255,000 tons per year in 2015, and its sales and proportion of the Group's total revenue will increase accordingly. The Group positioned its polyester thin film products at the domestic high-end functional polyester thin film market. Such products were applied on soft packaging, composite printing, electronic appliances, clothing and apparel, safety energy-saving and other sectors. Our production workshops have implemented purification workshop management, meeting the stringent environmental requirements for the production of various thin films, and have been vigorously developing new environmental-friendly polyester thin film products which can be applied in various sectors. Due to its wide application, polyester thin film enjoys a strong market demand, and the management believes that the Group's polyester thin film business will better balance the Group's product mix.

Production capacity expansion

As of 31 December 2014, the Group's designed capacity for fully drawn yarn ("FDY") and partially oriented yarn ("POY") was 785,000 tons per year, that for drawn textured yarn ("DTY") was 493,000 tons per year, and that for polyester thin films was 36,500 tons per year. The installation of the second and third production lines was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this annual results announcement. Upon completion of installation and commissioning of the second to fifth production lines, the production capacity of polyester thin films will be further expanded. The expected designed annual production capacity of polyester thin films will reach 255,000 tons per year in 2015.

Product research and development

As of 31 December 2014, the Company owned 65 national patents registered in China and had applied for 84 national patents. Among all of the Company's patented products, 44 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 RMB202,015,000, representing 3.2% of our revenue in 2014.

For the year ended 31 December 2014, revenue generated from the Group's differentiated products amounted to RMB4,098,325,000, accounted for 65.0% 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 2014 was RMB6,301,466,000, representing an increase of 2.4% as compared to RMB6,152,700,000 for 2013. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB6,071,382,000, accounting for 96.3% of the total revenue. Revenue attributable to the sales of polyester thin films, our new product, was RMB230,084,000, accounting for 3.7% 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 yarn products for the year was RMB6,071,382,000, representing an increase of RMB162,399,000 or 2.7% as compared to RMB5,908,983,000 in 2013. The average selling price of polyester filament yarns in the year was RMB9,787 per ton, representing a decrease of RMB1,940 or 16.5% as compared to RMB11,727 per ton in 2013. The continuous softened economic growth in China has exerted a negative impact on the Group's customers such as apparel and footwear enterprises despite the fact that 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 620,348 tons (representing 96.5% of total sales volume) during the year from 503,889 tons in 2013 (representing an increase of 116,459 tons or 23.1%). However, the selling price of the polyester filament yarns was continuously under pressure, leading to a drop of average selling price.

The drop in PTA and MEG prices, the key raw materials of the Group, led to a decrease in price of our polyester filament yarns, and thus further increased the market demand for our polyester filament yarns. Along with increasing brand recognition overseas, market demand for the Group's products went up continuously, and became the supporting driver of our increased sale volume.

Polyester thin films

Revenue attributable to the sales of polyester thin film products for the year was RMB230,084,000, representing a decrease of RMB13,633,000 or 5.6% as compared to RMB243,717,000 in 2013. The average selling price of polyester thin films in the year was RMB10,291 per ton, representing a decrease of RMB1,084 or 9.5% as compared to RMB11,375 per ton in 2013. The installation of the second and third production lines for polyester thin films was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this annual results announcement. As a result, despite there having been a strong market demand for the Group's products, sales volume during the year did not increase substantially due to a decrease in the average selling price, causing a decrease in the revenue of polyester thin film products. As a new growth driver for the Group's business, it is expected that revenue attributable to the sales of polyester thin film products will increase substantially after the plan for an expansion of the Group's production capacity of polyester thin films is fully implemented in 2015 (as the annual production capacity of polyester thin films will reach 255,000 tons per year).

Sales by geographic region

The Group continued to expand its market share in overseas markets. By improving our service quality and increasing our brand recognition, we have further expanded our market share in the emerging overseas markets like Russia, Poland and Brazil. Hence, in the year under review, the percentage of export sales revenue of the Group increased to 15.3% from 12.0% in 2013. About 84.7% of the Group's revenue was generated from domestic market sales, of which 64.3% were to customers in Fujian Province and 16.7% to Guangdong Province, our neighbouring province. The textile manufacturing industries in both provinces are booming, resulting in a strong demand for the Group's products. Whilst maintaining its market share and position in Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets to provide customised product development services to our customers.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2014		2013		**2014**		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**4,533,367**	**71.9%**	4,478,487	72.8%	**435,165**	**67.7%**	355,863	67.8%
FDY	**1,084,560**	**17.2%**	1,015,271	16.5%	**120,843**	**18.8%**	95,705	18.2%
POY	**88,221**	**1.4%**	32,656	0.5%	**10,671**	**1.7%**	3,374	0.6%
Others*	**365,234**	**5.8%**	382,569	6.2%	**53,669**	**8.3%**	48,947	9.3%
Sub-total	**6,071,382**	**96.3%**	5,908,983	96.0%	**620,348**	**96.5%**	503,889	95.9%
Polyester thin films	**230,084**	**3.7%**	243,717	4.0%	**22,358**	**3.5%**	21,426	4.1%
Total	**6,301,466**	**100.0%**	6,152,700	100.0%	**642,706**	**100.0%**	525,315	100.0%

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

Geographic Breakdown of Sales

	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**4,048,830**	**64.3%**	4,269,262	69.4%
Guangdong Province	**1,055,096**	**16.7%**	948,334	15.4%
Other provinces	**233,468**	**3.7%**	194,551	3.2%
Export sales*	**964,072**	**15.3%**	740,553	12.0%
Total	**6,301,466**	**100.0%**	6,152,700	100.0%

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

2. *Cost of Sales*

The cost of sales of the Group in 2014 was RMB5,715,541,000, representing an increase of 5.3% as compared to RMB5,425,918,000 in 2013. Such increase was primarily attributable to a combined impact of an increase in sales volume, a drop of raw materials prices and rising manufacturing costs.

The cost of sales for polyester filament yarns and polyester thin films was RMB5,509,277,000 and RMB206,264,000, accounting for 96.4% and 3.6% of the total cost of sales, respectively. 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 RMB10,339 per ton in 2013 to RMB8,881 per ton for the year under review, representing a decrease of RMB1,458 or 14.1%, among which, the average price of raw materials for polyester filament yarns dropped from RMB8,411 per ton in 2013 to RMB7,132 per ton for the year, representing a decrease of RMB1,279 per ton or 15.2%. The Group's key raw materials, namely PTA and MEG, accounted for 73.6% of the total cost of sales, the prices of which were in turn directly affected by the crude oil price, a key raw material of PTA and MEG, which had dropped continuously since September 2014 after experiencing a slight increase in mid-May 2014.

Polyester thin films

The average cost of sales for polyester thin films dropped from RMB10,084 per ton in 2013 to RMB9,225 per ton for the year under review, representing a decrease of RMB859 or 8.5%, among which, the average price of raw materials for polyester thin films dropped from RMB8,779 per ton in 2013 to RMB7,869 per ton for the year, representing a decrease of RMB910 per ton or 10.4%.

Analysis of cost of sales

	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,950,010**	**51.6%**	2,820,619	52.0%
MEG	**1,256,246**	**22.0%**	1,116,802	20.6%
POY and other raw materials	**218,255**	**3.8%**	300,945	5.5%
Sub-total	**4,424,511**	**77.4%**	4,238,366	78.1%
Manufacturing costs	**1,075,479**	**18.8%**	954,149	17.6%
Other costs	**9,287**	**0.2%**	17,345	0.3%
Sub-total	**5,509,277**	**96.4%**	5,209,860	96.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**175,948**	**3.1%**	188,105	3.5%
Manufacturing costs	**30,270**	**0.5%**	27,953	0.5%
Other costs	**46**	**0.0%**	–	–
Sub-total	**206,264**	**3.6%**	216,058	4.0%
Total	**5,715,541**	**100.0%**	5,425,918	100.0%

Analysis of product sales cost (Average per ton)

	2014		2013	
	RMB (Per ton)	***Percentage***	*RMB (Per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**4,755**	**53.5%**	5,598	54.2%
MEG	**2,025**	**22.8%**	2,216	21.4%
POY and other raw materials	**352**	**4.0%**	597	5.8%
Sub-total	**7,132**	**80.3%**	8,411	81.4%
Manufacturing costs	**1,734**	**19.5%**	1,894	18.3%
Other costs	**15**	**0.2%**	34	0.3%
Sub-total	**8,881**	**100.0%**	10,339	100.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**7,869**	**85.3%**	8,779	87.1%
Manufacturing costs	**1,354**	**14.7%**	1,305	12.9%
Other costs	**2**	**0.0%**	–	–
Sub-total	**9,225**	**100.0%**	10,084	100.0%
Total	**8,893**		10,329	

3. Gross Profit

The gross profit of the Group in 2014 was RMB585,925,000, which had decreased by RMB140,857,000, or 19.4% as compared to RMB726,782,000 in 2013. Although sales volume of the Group during the year increased by 117,391 tons, representing an increase of 22.3% as compared to 2013, the average selling price of the products decreased by RMB1,907 per ton, representing a decrease of 16.3% from the RMB11,712 per ton in 2013 to RMB9,805 per ton during the year, and the average cost of the products only decreased by RMB1,436 per ton, representing a decrease of 13.9% from RMB10,329 per ton in 2013 to RMB8,893 per ton during the year. Therefore, the average gross profit per ton of the products decreased from RMB1,384 in 2013 to RMB912 during the year. The gross profit margin decreased by 2.5 percentage points from 11.8% in 2013 to 9.3% during the year.

Polyester filament yarns

The average selling price of polyester filament yarns per ton decreased by RMB1,940 per ton, representing a decrease of 16.5% from RMB11,727 per ton in 2013 to RMB9,787 per ton during the year. The average gross profit of polyester filament yarns per ton decreased from RMB1,388 in 2013 to RMB906 during the year. The gross profit margin decreased by 2.5 percentage points from 11.8% in 2013 to 9.3% during the year.

Polyester thin films

The average selling price of polyester thin films per ton decreased by RMB1,084 per ton, representing a decrease of 9.5% from RMB11,375 per ton in 2013 to RMB10,291 per ton during the year. The average gross profit of polyester thin films per ton decreased from RMB1,291 in 2013 to RMB1,066 during the year. The gross profit margin decreased by 0.9 percentage point from 11.3% in 2013 to 10.4% during the year.

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) The price of PTA and MEG, the key raw materials, had decreased due to a significant drop in crude oil price, which led to a decrease in the product selling prices of the entire industry;

(ii) During the year under review, the chemical fiber industry was in its downturn period, 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 a greater decrease than that of the raw materials and led to the decrease in the gross profit margin;

(iii) During the year, the production volume of the Group had increased, and then led to an increase in the sales volume and revenue. As the effect of an increase in sales volume is less than that of a decrease in the average selling price, both gross profit and gross profit margin for the year ended 31 December 2014 decreased as compared to the same for the year ended 31 December 2013.

Analysis of gross profit by product

	2014		2013	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**468,568**	**80.0%**	609,452	83.8%
FDY	**75,715**	**12.9%**	78,954	10.9%
POY	**2,050**	**0.3%**	549	0.1%
Others*	**15,772**	**2.7%**	10,168	1.4%
Sub-total	**562,105**	**95.9%**	699,123	96.2%
Polyester thin films	**23,820**	**4.1%**	27,659	3.8%
Total	**585,925**	**100.0%**	726,782	100.0%

* *Others represent PET chips and wasted filament produced in the process of production.*

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

	2014	2013
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**9,787**	11,727
Average cost of sales	**8,881**	10,339
Average gross profit	**906**	1,388
Average gross profit margin	**9.3%**	11.8%
Polyester thin films		
Average selling price	**10,291**	11,375
Average cost of sales	**9,225**	10,084
Average gross profit	**1,066**	1,291
Average gross profit margin	**10.4%**	11.3%

4. Other revenue

Other revenue of the Group in 2014 amounted to RMB110,598,000, representing an increase of 20.0% as compared to RMB92,160,000 in 2013. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such an increase was attributable to an increase in bank interest income, government grants and gains on disposal of raw materials during the year. Government grants mainly included taxation rewards for key enterprises, key enterprise reward, encouraging and supporting reward for economic development, specific fund for provincial-level enterprise technology improvement and increase in capacity and efficiency of electricity usage reward, to name a few.

5. Other net (loss)/gain

Other net losses of the Group in 2014 amounted to RMB2,762,000 (2013: other net gains of RMB16,878,000). Other net losses mainly comprised net exchange gain and net loss on financial assets and liabilities at fair value through profit or loss. Such losses were mainly due to the combined effect of net loss on financial liabilities at fair value through profit or loss and the increase in exchange gain during the year.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2014 amounted to RMB49,110,000, representing an increase of 3.5% as compared to RMB47,438,000 in 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 an increase in sales volume during the year, which led to an increase in relevant selling and distribution expenses, such as transportation costs.

7. Administrative expenses

Administrative expenses of the Group in 2014 amounted to RMB315,119,000, which had increased by 2.0% as compared to RMB308,939,000 in 2013. Administrative expenses mainly included research and development costs, depreciation of office equipment, staff wages, general office expenses, professional and legal fees. The change was primarily attributable to the combined effect of an increase in research and development costs of the Group, the advisory service fee incurred as a result of the general offer of the shares of the Company during the year and a decrease in property tax provision during the year.

8. Finance costs

Finance costs of the Group in 2014 amounted to RMB75,603,000, which had increased by 68.2% as compared to RMB44,939,000 in 2013. It was mainly due to an increase in bank loans, resulting in an increase in the interest of bank advances and other borrowings.

9. Income tax

Income tax of the Group in 2014 amounted to RMB50,384,000, which had decreased by 33.8% as compared to RMB76,163,000 in 2013. It was mainly due to a 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, was able to enjoy corporate income tax at the concessionary rate of 15% in 2014. 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 2014 amounted to RMB203,545,000, which had decreased by RMB154,796,000 or 43.2% as compared to RMB358,341,000 in 2013. Net profit margin was 3.2%, which had decreased by 2.6 percentage points as compared to 5.8% in 2013. The decrease was mainly due to a decrease of RMB140,857,000 in gross profit during the year.

Financial Position

1. Liquidity and capital resources

As at 31 December 2014, cash and cash equivalent of the Group amounted to RMB882,236,000, which had increased by RMB662,390,000 or three times as compared to RMB219,846,000 as at 31 December 2013. Such increase was mainly due to the combined effect of the expansion of plants and the purchase of production equipment and an increase of cash inflow generated from the Group's financing activities during the year.

During the year, net cash inflow generated from operating activities amounted to RMB477,938,000; net cash outflow used in investing activities amounted to RMB717,829,000 and net cash inflow generated from financing activities amounted to RMB884,838,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year, inventory turnover day was 34.9 days (2013: 37.7 days), which had decreased by 2.8 days as compared with 2013. Accounts receivable turnover days was 33.8 days (2013: 33.8 days) and accounts payable turnover days was 60.8 days (2013: 62.5 days). Both had no significant change as compared with 2013.

As at 31 December 2014, the Group had capital commitments of RMB310,538,000, which was mainly used in the expansion of production capacity of polyester filament yarn and the development of functional environmental-friendly polyester thin film business.

2. Capital Structure

As at 31 December 2014, the total liabilities of the Group amounted to RMB4,578,929,000, and the capital and reserve amounted to RMB5,239,015,000. The gearing ratio (total liabilities divided by total equity) was 87.4%. The total assets amounted to RMB9,817,944,000. The asset liability ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,081,331,000, of which RMB3,064,501,000 were repayable within one year and RMB16,830,000 were repayable after one year. Among the bank borrowings, 49.8% were secured by properties, trade receivables and restricted bank deposits.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquiring Capital Assets

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review.

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

Charges on Assets

Save as disclosed in this announcement, there was no other charge on Group's assets as of 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group did not have any contingent liabilities (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 31 December 2014, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB1,288,868,000, the net liabilities exposure denominated in Hong Kong Dollars of RMB27,500,000 and the net liabilities exposure denominated in Euro of RMB6,022,000.

Employees and Remuneration

As at 31 December 2014, the Group had a total of 3,722 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

BUSINESS OUTLOOK

The management believes that the global economy will continue to maintain a slow and weak recovery, and it has entered into an intensified structural adjustment period. The United States will facilitate its economic growth as benefiting from the integrated impact of cheap oil price and low interest rate, and the Eurozone economies will continue to recover slowly. In contrast to developed countries, growth rate of emerging and developing economies will continue to slow down due to the potential impact of a decrease in commodity prices in commodity export nations and the challenges brought by the exit of quantitative easing policies in developed countries. However, the PRC economy has entered a "new normal state", meaning that despite its economic growth rate having declined year by year, with domestic demand and net export having showed signs of recovery, it will maintain its leading position among the emerging economies.

The Group will continue to enhance new market expansion to realize business growth, integrate with national planning and policies for the chemical fiber industry and polyester thin film industry. We will further increase our production efficiency and product quality, increase brand building investments, and continue to increase our brand added values. Meanwhile, the Group will monitor upstream resources, track and reserve technologies for upstream raw materials, such as renewable materials, bio-based materials, as well as raise the proportion of recyclable products. We will enhance our research and development capability, and continue to adopt more advanced technology equipment to produce differentiated chemical fiber products with special performance and functions which can attract a strong demand and functional environmental-friendly polyester thin film products. The Group will endeavor to reduce wastes and enhance product quality. We will actively expand our sales to emerging overseas markets in addition to further strengthening our presence in the domestic market steadily and continuously. With the recovery of the external economic environment and crude oil price, we are hoping that the profit capacity of polyester filament yarns and polyester thin film products will improve. In 2015, our production capacity of polyester thin films will further expand. As a new growth driver for the Group, the polyester thin film business will better balance the product portfolio of the Group, and enable us to diversify our risk resulted from high industry concentration. The management team of the Group has many years of industry experience and stronger technical ability, which can timely grasp the market development trend, understand market demand, and actively launch new products to meet the market demand. Armed with strong technical strengths and financial resources, the management will capture development opportunities to further expand our scale, and improve returns to our shareholders.

DIVIDEND

The Board has recommended the payment of a final dividend of HK3.0 cents per share of the Company for the year ended 31 December 2014. 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 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, 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 Tuesday, 26 May 2015.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Thursday, 4 June 2015, to shareholders whose names appear on the register of members of the Company on Friday, 29 May 2015.

AUDIT COMMITTEE

The audit committee of the Board had reviewed, together with the management and external auditors of the Group, KPMG, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2014. The audit committee of the Board has also met and discussed with the Group's external auditors, KPMG, regarding the Group's audit and financial reporting matters.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company believes that corporate governance is essential to its success and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board is committed to upholding a high standard of good corporate governance practices and procedures with a view to enhancing investors' confidence and the Company's accountability and transparency. Save as disclosed below, for the year ended 31 December 2014, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code").

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.

One of the non-executive Directors and one of the independent non-executive Directors did not attend the AGM held on 21 May 2014 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. During the period from 21 May 2014 to 25 May 2014, the Board comprised four executive Directors, two non-executive Directors and two independent non-executive Directors; therefore, the Company failed to comply with the requirement of Rule 3.10A. On 26 May 2014, an independent non-executive Director was appointed to the Board, which brought the Board composition to four executive Directors, two non-executive Directors and three 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 the Directors. All the Directors confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2014.

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 2014. In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2014, the Company repurchased its own shares on the Stock Exchange, details of which are 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*
July 2014	500,000	3.57	3.24	1,342
September 2014	1,006,000	3.50	3.12	2,652
October 2014	1,826,000	3.49	3.12	4,705
November 2014	2,790,000	4.00	3.29	7,778
December 2014	8,386,000	4.10	3.69	26,507
	14,508,000			42,984

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 14,508,000 shares were repurchased in 2014 and the repurchased shares were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB122,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$54,203,000 (equivalent to RMB42,862,000) was charged to share premium.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. 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 ("Hong Kong Rong An") to acquire all the issued shares of the Company (other than those already owned by Hong Kong Rong An 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 did not satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange 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 starting from 26 February 2014. The Company restored the prescribed minimum public float of not less than 25% of the Company's issued shares under the Listing Rules on 25 June 2014. 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 2014 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 2014 containing all the information required by 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 2015

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.