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BILLION INDUSTRIAL HOLDINGS LIMITED
百宏實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2299)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- Revenue for the first half of 2015 amounted to RMB2,781 million, representing a decrease of 11.2% over the same period last year
- Profit for the first half of 2015 amounted to RMB113 million, representing an increase of 12.6% over the same period last year
- Earnings per share amounted to RMB0.05
- 2015 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 2015, together with the comparative figures for the corresponding period in 2014, the unaudited consolidated statement of financial position of the Group as at 30 June 2015 together with audited comparative figures as at 31 December 2014, as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,780,998	3,131,982
Cost of sales		<u>(2,467,448)</u>	<u>(2,827,435)</u>
Gross profit		313,550	304,547
Other revenue	5	54,118	36,531
Other net loss	6	(8,719)	(6,757)
Selling and distribution expenses		(22,681)	(21,493)
Administrative expenses		<u>(126,069)</u>	<u>(158,884)</u>
Profit from operations		210,199	153,944
Finance costs	7(a)	<u>(45,301)</u>	<u>(30,335)</u>
Profit before taxation	7	164,898	123,609
Income tax	8	<u>(51,567)</u>	<u>(22,964)</u>
Profit for the period attributable to equity shareholders of the Company		<u>113,331</u>	<u>100,645</u>
Earnings per share	10		
Basic and diluted (<i>RMB</i>)		<u>0.05</u>	<u>0.05</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
Note	RMB'000	RMB'000
Profit for the period attributable to equity shareholders of the Company	113,331	100,645
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside mainland China	<u>1,548</u>	<u>(7,596)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>114,879</u>	<u>93,049</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited

(Expressed in Renminbi)

		At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment	11	4,316,354	4,432,372
– Construction in progress	12	787,390	745,545
– Interests in leasehold land held for own use under operating leases	13	436,592	441,430
		5,540,336	5,619,347
Deposits and prepayments	15	120,853	117,977
		5,661,189	5,737,324
Current assets			
Inventories	14	483,321	415,702
Trade and other receivables	15	1,047,423	1,025,432
Restricted bank deposits		2,246,425	1,757,250
Cash and cash equivalents	16	457,367	882,236
		4,234,536	4,080,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited (Continued)

(Expressed in Renminbi)

		At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (audited)
	<i>Note</i>		
Current liabilities			
Trade and other payables	17	1,178,117	1,350,636
Bank loans		3,289,282	3,064,501
Current taxation	18(a)	52,203	46,655
		<u>4,519,602</u>	<u>4,461,792</u>
Net current liabilities		<u>(285,066)</u>	<u>(381,172)</u>
Total assets less current liabilities		<u>5,376,123</u>	<u>5,356,152</u>
Non-current liabilities			
Bank loans		16,035	16,830
Deferred tax liabilities	18(b)	110,783	100,307
		<u>126,818</u>	<u>117,137</u>
NET ASSETS		<u>5,249,305</u>	<u>5,239,015</u>
CAPITAL AND RESERVES	19		
Share capital		18,417	18,572
Reserves		<u>5,230,888</u>	<u>5,220,443</u>
TOTAL EQUITY		<u>5,249,305</u>	<u>5,239,015</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Capital redemption reserve	Statutory reserve	Capital reserve	Exchange reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	19(a)	19(b)(i)	19(b)(ii)	19(b)(iii)	19(b)(iv)	19(b)(v)		
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								
Profit for the period	–	–	–	–	–	–	100,645	100,645
Other comprehensive income	–	–	–	–	–	(7,596)	–	(7,596)
Total comprehensive income for the period	–	–	–	–	–	(7,596)	100,645	93,049
Dividends approved in respect of the previous year	9(b) –	(54,850)	–	–	–	–	–	(54,850)
Balance at 30 June 2014	<u>18,694</u>	<u>1,102,649</u>	<u>639</u>	<u>276,516</u>	<u>1,805,631</u>	<u>(52,351)</u>	<u>2,061,795</u>	<u>5,213,573</u>
Balance at 1 January 2015	18,572	1,006,829	761	301,278	1,805,631	(33,989)	2,139,933	5,239,015
Changes in equity for the six months ended 30 June 2015								
Profit for the period	–	–	–	–	–	–	113,331	113,331
Other comprehensive income	–	–	–	–	–	1,548	–	1,548
Total comprehensive income for the period	–	–	–	–	–	1,548	113,331	114,879
Dividends approved in respect of the previous year	9(b) –	(51,926)	–	–	–	–	–	(51,926)
Purchase of own shares	19(a)(ii)							
– par value paid	(155)	–	–	–	–	–	–	(155)
– premium paid	–	(52,508)	–	–	–	–	–	(52,508)
– transfer between reserves	–	(155)	155	–	–	–	–	–
Balance at 30 June 2015	<u>18,417</u>	<u>902,240</u>	<u>916</u>	<u>301,278</u>	<u>1,805,631</u>	<u>(32,441)</u>	<u>2,253,264</u>	<u>5,249,305</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
Note	RMB'000	RMB'000
Operating activities		
Cash generated from operations	250,113	147,072
Tax paid	(35,543)	(11,829)
Net cash generated from operating activities	214,570	135,243
Investing activities		
Payment for the purchase of property, plant and equipment	(4,724)	(15,998)
Expenditure on construction in progress	(156,025)	(104,580)
Payment for interests in leasehold land held for own use under operating leases	(86,170)	–
Increase in restricted bank deposits	(486,963)	(176,312)
Other cash flows arising from investing activities	30,299	28,319
Net cash used in investing activities	(703,583)	(268,571)
Financing activities		
Payments of repurchase of shares	(52,663)	–
Dividends paid to equity shareholders of the Company	(51,926)	(54,850)
Proceeds from new bank loans	1,683,977	1,076,819
Repayment of bank loans	(1,459,642)	(472,147)
Other cash flows arising from financing activities	(42,045)	(18,132)
Net cash generated from financing activities	77,701	531,690
Net (decrease)/increase in cash and cash equivalents	(411,312)	398,362
Cash and cash equivalents at 1 January	882,236	219,846
Effect of foreign exchange rate changes	(13,557)	16,312
Cash and cash equivalents at 30 June	457,367	634,520

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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 28 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 Billion Industrial Holdings Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) since the 2014 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 the audit committee of the Company. It has also 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 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 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 2015.

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 interim financial report. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued of the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Polyester filament yarns products	2,700,410	3,025,682
Polyester thin films products	80,588	106,300
	<u>2,780,998</u>	<u>3,131,982</u>

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2015 (2014: Nil). The amount of sales to this customer amounted to approximately RMB362,343,000.

5 OTHER REVENUE

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	33,718	20,237
Government grants	11,190	16,664
Gain/(loss) on sales of raw materials	9,156	(400)
Others	54	30
	<u>54,118</u>	<u>36,531</u>

Government grants of RMB11,190,000 and RMB16,664,000 for the six months ended 30 June 2015 and 2014 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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Donations	(74)	(235)
Net exchange (loss)/gain	(19,076)	8,603
Net (loss)/gain on sale of property, plant and equipment	(27)	12
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	9,523	(14,233)
Others	935	(904)
	<u>(8,719)</u>	<u>(6,757)</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs:		
Interest on bank advances and other borrowings	38,741	25,806
Other interest expenses	6,560	4,529
	<u>45,301</u>	<u>30,335</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	1,654	1,500
Salaries, wages and other benefits	82,180	89,708
	<u>83,834</u>	<u>91,208</u>

Six months ended 30 June		
	2015	2014
	RMB'000	RMB'000
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	4,838	2,477
Depreciation	139,162	126,378
Operating lease charges in respect of properties	180	180
Research and development costs*	74,231	108,985
Cost of inventories**	2,467,448	2,827,435

* Research and development costs include RMB25,691,000 and RMB26,085,000 for the six months ended 30 June 2015 and 2014 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 RMB171,020,000 and RMB171,200,000 for the six months ended 30 June 2015 and 2014 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		
	2015	2014
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	41,091	14,846
Deferred tax		
Origination and reversal of temporary differences	10,476	8,118
	51,567	22,964

- (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 2015 and 2014.
- (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”) was granted Advanced and New Technology Enterprise status in 2012 for a valid period of three 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. Billion Fujian has lodged application for the renewal of Advanced and New Enterprise status and expected to receive the approval shortly.
- (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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interim dividend declared after the interim period of HK3.0 cents per share (2014: HK3.0 cents per share)	<u><u>54,149</u></u>	<u><u>52,836</u></u>

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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the period, HK3.0 cents per share (2013: HK3.1 cents per share)	51,926	54,850

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 RMB113,331,000 (six months ended 30 June 2014: RMB100,645,000) and the weighted average of 2,202,639,000 ordinary shares (2014: 2,223,000,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	At 30 June	At 31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net book value, at 1 January	4,432,372	4,110,624
Exchange adjustments	(13)	117
Additions	1,804	30,273
Transfer from construction in progress (<i>note 12</i>)	21,536	552,831
Disposals	(183)	(69)
Depreciation charge for the period/year	(139,162)	(261,404)
At 30 June/31 December	4,316,354	4,432,372

12 CONSTRUCTION IN PROGRESS

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
At 1 January	745,545	614,305
Additions	63,381	684,071
Transfer to property, plant and equipment (<i>note 11</i>)	<u>(21,536)</u>	<u>(552,831)</u>
At 30 June/31 December	<u>787,390</u>	<u>745,545</u>

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 with lease terms of 50 years in the PRC.

14 INVENTORIES

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Raw materials	155,050	79,145
Work in progress	20,669	20,158
Finished goods	<u>307,602</u>	<u>316,399</u>
	<u>483,321</u>	<u>415,702</u>

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 2015 RMB'000	At 31 December 2014 RMB'000
Current	651,023	702,808
Less than 1 month past due	5,170	458
More than 1 month but less than 3 months past due	52	48
More than 3 months but less than 1 year past due	<u>51</u>	<u>2</u>
Trade debtors and bills receivable	656,296	703,316
Deposits, prepayments and other receivables	489,098	433,421
Derivative financial assets		
– Forward exchange contracts	<u>22,882</u>	<u>6,672</u>
	1,168,276	1,143,409
Less: Non-current portion of deposits and prepayments	<u>(120,853)</u>	<u>(117,977)</u>
	<u>1,047,423</u>	<u>1,025,432</u>

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 2015.

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 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank and in hand	<u>457,367</u>	<u>882,236</u>

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 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	638,640	589,744
More than 3 months but within 6 months	136,245	347,168
More than 6 months but within 1 year	63	1,282
More than 1 year	<u>2,530</u>	<u>2,216</u>
Trade creditors and bills payable	777,478	940,410
Other payables and accrual charges	198,637	188,678
Equipment payables	37,836	32,992
Construction payables	1,441	1,367
Receipts in advance	<u>150,203</u>	<u>179,692</u>
Financial liabilities measured at amortised cost	1,165,595	1,343,139
Derivative financial liabilities		
– Interest rate swaps	1,146	1,115
– Forward exchange contracts	<u>11,376</u>	<u>6,382</u>
	<u>1,178,117</u>	<u>1,350,636</u>

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 2015 RMB'000	At 31 December 2014 RMB'000
Provision of PRC income tax	<u>52,203</u>	<u>46,655</u>

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Deferred tax liabilities/(assets) arising from:		
– Depreciation and amortisation of property, plant and equipment	124,460	111,390
– Others	<u>(13,677)</u>	<u>(11,083)</u>
	<u>110,783</u>	<u>100,307</u>

(c) Deferred tax assets not recognised

At 30 June 2015, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB100,019,000 (31 December 2014: RMB84,620,000) 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 30 June 2015, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,355,128,000 (31 December 2014: RMB2,225,677,000). Deferred tax liabilities of RMB117,756,000 (31 December 2014: RMB111,284,000) 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

		Par value HK\$	Number of shares	Nominal value of ordinary shares HK\$	
Authorised					
At 31 December 2014 and 30 June 2015		0.01	<u>10,000,000,000</u>	<u>100,000,000</u>	
	Note	Par value HK\$	Number of shares	Nominal value of ordinary shares	
				HK\$	RMB
Issued and fully paid:					
At 30 June 2014		0.01	2,223,000,000	22,230,000	18,694,152
Repurchase of shares		0.01	<u>(14,508,000)</u>	<u>(145,080)</u>	<u>(122,004)</u>
At 31 December 2014 and 1 January 2015		0.01	2,208,492,000	22,084,920	18,572,148
Repurchase of shares	19(a)(ii)	0.01	<u>(18,456,000)</u>	<u>(184,560)</u>	<u>(155,204)</u>
At 30 June 2015		0.01	<u>2,190,036,000</u>	<u>21,900,360</u>	<u>18,416,944</u>

(ii) Purchase of own shares

During the interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid RMB '000
January 2015	1,298,000	4.00	3.23	3,685
April 2015	4,898,000	3.60	3.30	13,173
May 2015	9,736,000	3.69	3.35	26,700
June 2015	<u>2,524,000</u>	5.18	3.90	<u>9,105</u>
	<u>18,456,000</u>			<u>52,663</u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 18,456,000 shares were repurchased in the six months ended 30 June 2015 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 RMB155,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$66,533,000 (equivalent to RMB52,508,000) was charged to share premium.

(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 but after offsetting the accumulated losses, of the Company as at 30 June 2015 was HK\$940,854,000 (as at 31 December 2014: HK\$1,076,820,000).

(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 of the Group mainly represented the difference between the paid-up capital of Billion Fujian and the nominal value of shares issued by the Company in exchange during the Group's reorganisation in 2011.

(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 measurements as at 30 June 2015 using				
	Fair value at 30 June 2015 <i>RMB'000</i>	Quoted prices in active market for identified assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>

Recurring fair value measurement

Financial assets:

Derivative financial instruments:

– Forward exchange contracts	22,882	–	22,882	–
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Financial liabilities:

Derivative financial instruments:

– Interest rate swaps	1,146	–	1,146	–
– Forward exchange contracts	11,376	–	11,376	–

Fair value measurements as at 31 December 2014 using				
	Fair value at 31 December 2014 <i>RMB'000</i>	Quoted prices in active market for identified assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>

Recurring fair value measurement

Financial assets:

Derivative financial instruments:

– Forward exchange contracts	6,672	–	6,672	–
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Financial liabilities:

Derivative financial instruments:

– Interest rate swaps	1,115	–	1,115	–
– Forward exchange contracts	6,382	–	6,382	–

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: 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 outstanding at the end of the reporting period not provided for in the interim financial report are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised but not contracted for	224,666	29,931
Contracted for	255,578	280,607
	480,244	310,538

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for directors and key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Short-term employee benefits	2,588	2,644
Post-employment benefits	37	22
	2,625	2,666

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

(b) Transactions with a related party

The Group entered into the following significant transactions with a related party:

	Six months ended 30 June	
	2015	2014
	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")	13,024	21,999
Purchase of materials		
CECEP Costin Group	52	37

The related party transactions in respect of sales of goods to CECEP Costin Group and purchase of materials from CECEP Costin Group above constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

* *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	At 31 December
	2015	2014
	RMB'000	RMB'000
Trade receivable from CECEP Costin Group	–	2,348
Receipt in advance from CECEP Costin Group	99	–

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MARCO-ECONOMIC ENVIRONMENT

In June 2015, the World Bank adjusted the projected 2015 global economic growth rate from 3.0% in January down to 2.8%, revealing that the major emerging economies are facing challenges. In the first half of 2015, although Europe and Japan maintained a steady recovery, growth in developed economies was partially offset by the weak growth in emerging economies. International oil price rebounded with a slow increase in the second quarter after dropping to the historical low in six years of US\$44 per barrel in mid March 2015. However, due to insufficient overall demand for crude oil globally, it is difficult for oil price to pick up continuously in the second half of the year.

In 2015, China's GDP growth maintained at 7.0% for the first half of the year. Although it was in line with the growth objective, such growth rate reflected that China's economy is still facing certain pressure. From an internal perspective of China's economic development, the "three-phase aggregated" challenges from the gear-changing phase for economic growth, the periodical painful phase for structural adjustment and the digesting phase for preliminary stimulating policies continue to exist. According to data from the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, hats and textile products amounted to RMB637.5 billion in the first half of 2015, representing a year-on-year increase of 10.7%. With China continuing to progress in accordance with its master economic guideline of "making progress while maintaining stability", the domestic economy is expected to maintain a momentum of "making progress slowly" in the second half of the year.

INDUSTRY REVIEW

The textile industry in China is closely related to the marco-economic development of the country. With the slowdown in economic growth in China, the textile industry in China had entered into a new norm of making progress with a slowing growth rate. China's export of textile products continued to be relatively weak in the first half of 2015, while domestic sales of apparel, footwear and home textile products remained relatively stable in general. However, the growth potential may be limited as consumer confidence and people's income growth rate remained relatively low in general.

The average selling price of polyester filament yarns during the period under review has decreased compared to that of the corresponding period in 2014, which was mainly attributable to the fluctuation in raw material prices. In the first half of 2015, the market prices of both purified terephthalic acid (“PTA”) and mono ethylene glycol (“MEG”), the principal raw materials of the Group’s products, decreased along with the substantial drop in crude oil price, therefore, the price of chemical fiber products decreased accordingly.

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. There are no new players entering the polyester thin films industry in China during the period under review, and following the scale accumulation stage, manufacturers in the polyester thin films industry have begun to differentiate their products with high added values. Currently, the surrounding environment is volatile and the low cost hindered the trading volume of polyester thin films. However, as there are relatively few companies which produce polyester thin films in southern China, our management is still confident in the growth potential and profitability of our polyester thin film business, especially in southern China.

Business review

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

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 a combination of “Production, Learning, Research and Application”. The outstanding research and development and innovation capacity is the foundation of the Group to achieve sustainable development. The Group has a research and development team which comprises over 440 senior technicians to develop new products based on a market oriented approach. The Group also has a sizable quality control team equipped with the world’s advanced testing facilities to ensure stringent quality control. During the period under review, the Group’s research and development expenses amounted to RMB74,231,000, representing 2.7% of its 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.

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. While consolidating our market share in Fujian and Guangdong Provinces, the Group has also strived to develop international markets. The Group's export sales for the period accounted for 14.7% of its total sales, maintaining a stable percentage of export sales. 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 proportion of sales to end-customers.

All polyester thin film production lines of the Group have high levels of automation with purification workshop management implemented for the entire workshop, meeting the stringent environmental requirements for the production of various thin films. Our production capacity of polyester thin films has been expanding orderly, the second and third production lines are currently at the commissioning stage, while the fourth and fifth production lines are still under construction. 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 the sales of polyester thin films and its proportion in the Group's total revenue will increase accordingly by that time.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB2,780,998,000 (for the first half of 2014: RMB3,131,982,000), representing a decrease of 11.2% as compared to the same period last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB2,700,410,000, accounting for 97.1% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB80,588,000, accounting for 2.9% 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 under review was RMB2,700,410,000, representing a decrease of RMB325,272,000 as compared to the revenue of RMB3,025,682,000 in the first half of 2014 or a decrease of 10.8% as compared to the same period last year. The average selling price of polyester filament yarns during the period was RMB7,803 per ton, representing a decrease of RMB2,303 or 22.8% as compared to the average selling price of RMB10,106 per ton in the first half of 2014.

The continuous softened economic growth in China has exerted negative impact on the Group's customers such as apparel and footwear enterprises. Despite the strong market demand of the Group's products and increased sales volume of polyester filament yarns products from 299,404 tons in the first half of 2014 to 346,081 tons during the period under review (representing an increase of 46,677 tons or 15.6%), 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 under review was RMB80,588,000, representing a decrease of RMB25,712,000 as compared to the revenue of RMB106,300,000 in the first half of 2014 or a decrease of 24.2% as compared to the same period last year. The average selling price of polyester thin films during the period was RMB9,184 per ton, representing a decrease of RMB1,392 or 13.2% as compared to the average selling price of RMB10,576 per ton in the first half of 2014. The machines for the second and third production lines for polyester thin films are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this announcement. It is expected that the annual production capacity of polyester thin films will reach 255,000 tons per year after the expansion plan of the Group's production capacity of polyester thin films is fully completed, and by that time, revenue from sales of polyester thin films will increase substantially.

Breakdown of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	For the six months ended 30 June				For the six months ended 30 June			
	2015		2014		2015		2014	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>	<i>Tons</i>	<i>Percentage</i>	<i>Tons</i>	<i>Percentage</i>
Polyester filament yarns								
DTY	2,091,700	75.2%	2,275,705	72.7%	254,872	71.8%	210,124	67.9%
FDY	387,261	13.9%	480,599	15.3%	51,894	14.6%	52,353	16.9%
POY and others*	221,449	8.0%	269,378	8.6%	39,315	11.1%	36,927	11.9%
Sub-total	2,700,410	97.1%	3,025,682	96.6%	346,081	97.5%	299,404	96.7%
Polyester thin films	80,588	2.9%	106,300	3.4%	8,775	2.5%	10,051	3.3%
Total	2,780,998	100.0%	3,131,982	100.0%	354,856	100.0%	309,455	100.0%

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

Sales by geographic region

During the period under review, the Group actively expanded and consolidated its market share in overseas market by improving its service quality and increasing its brand recognition, in which the percentage of export sales revenue of the Group was 14.7% during the period under review, which was similar to 14.6% in the first half year of 2014. Approximately 85.3% of the Group's revenue was generated from domestic market sales, of which 65.8% were from sales to Fujian Province and 16.6% to Guangdong Province. While maintaining its domestic market share and position in both Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets, where it provided customized product development services to its customers.

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Domestic sales				
Fujian Province	1,829,227	65.8%	2,054,443	65.6%
Guangdong Province	463,866	16.6%	510,759	16.3%
Other provinces	79,800	2.9%	108,174	3.5%
Export sales	408,105	14.7%	458,606	14.6%
Total	<u>2,780,998</u>	<u>100.0%</u>	<u>3,131,982</u>	<u>100.0%</u>

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

Cost of sales of the Group for the period under review was RMB2,467,448,000, representing a decrease of 12.7% as compared to the cost of sales of RMB2,827,435,000 in the first half of 2014. Such decrease was attributable to a combined impact of the increase in sales volume, the drop in both the raw materials prices and manufacturing costs. The cost of sales for polyester filament yarns was RMB2,395,337,000, accounting for 97.1% of the total cost of sales. The cost of sales for polyester thin films was RMB72,111,000, accounting for 2.9% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales volumes.

Polyester filament yarns

Average cost of sales for polyester filament yarns dropped from RMB9,128 per ton in the first half of 2014 to RMB6,921 per ton during the period under review, representing a decrease of RMB2,207 or 24.2%, 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 RMB7,297 per ton in the first half of 2014 to RMB5,417 per ton during the period, representing decrease of RMB1,880 or 25.8%.

Polyester thin films

Average cost of sales for polyester thin films dropped from RMB9,413 per ton in the first half of 2014 to RMB8,218 per ton during the period under review, representing a decrease of RMB1,195 or 12.7%, 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			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
Cost of raw materials				
PTA	1,129,830	45.8%	1,459,498	51.6%
MEG	624,548	25.3%	611,596	21.7%
POY and other raw materials	120,419	4.9%	113,765	4.0%
Sub-total	1,874,797	76.0%	2,184,859	77.3%
Manufacturing costs	516,640	20.9%	543,518	19.2%
Other costs	3,900	0.2%	4,451	0.2%
Sub-total	2,395,337	97.1%	2,732,828	96.7%
Polyester thin films				
Cost of raw materials – chips and other raw materials	57,783	2.3%	80,544	2.8%
Manufacturing costs	14,255	0.6%	14,063	0.5%
Other costs	73	–	–	–
Sub-total	72,111	2.9%	94,607	3.3%
Total	2,467,448	100.0%	2,827,435	100.0%

3. Gross Profit

Gross profit of the Group for the period under review was RMB313,550,000, which was increased by RMB9,003,000, representing an increase of 3.0% as compared to RMB304,547,000 in the first half of 2014. Sales volume of the Group during the period under review increased by 45,401 tons, representing an increase of 14.7% as compared to the first half of 2014. Average selling price of products per ton decreased by an average of RMB2,284 per ton, representing a decrease of 22.6% from the RMB10,121 in the first half of 2014 to RMB7,837 during the period under review, while average cost of products per ton during the period also decreased by an average of RMB2,184 per ton, representing a decrease of 23.9% from RMB9,137 in the first half of 2014 to RMB6,953 during the period. Therefore, the average gross profit of products per ton decreased from RMB984 in the first half of 2014 to RMB884 during the period under review. As the decrease in the average cost of the products per ton was much higher than the decrease in the average selling price of the products per ton, gross profit margin of the Group increased by 1.6 percentage points from 9.7% in the first half of 2014 to 11.3% during the period under review.

Polyester filament yarn

Average selling price of polyester filament yarn products per ton decreased by an average of RMB2,303 per ton, representing a decrease of 22.8% from RMB10,106 in the first half of 2014 to RMB7,803 during the period under review. The average gross profit of polyester filament yarn products per ton decreased from RMB978 in the first half of 2014 to RMB882 during the period. The gross profit margin increased by 1.6 percentage points from 9.7% in the first half of 2014 to 11.3% during the period.

Polyester thin films

Average selling price of polyester thin films products per ton decreased by an average of RMB1,392 per ton, representing a decrease of 13.2% from RMB10,576 in the first half of 2014 to RMB9,184 during the period under review. The average gross profit of polyester thin films products per ton decreased from RMB1,163 in the first half of 2014 to RMB966 during the period. The gross profit margin decreased by 0.5 percentage points from 11.0% in the first half of 2014 to 10.5% during the period.

Both the overall gross profit and gross profit margin of the Group during the period under review increased as compared to those in the first half of 2014, which were mainly due to the limited room for further drop after the downturn in the fiber industry last year, and the Group's devotion in its business expansion which led to the increase in sales volume that outperformed the effect of price decrease to the Group during the period.

Analysis of gross profit by product

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
DTY	240,150	76.6%	260,996	85.7%
FDY	51,707	16.5%	24,041	7.9%
POY and others*	13,216	4.2%	7,817	2.6%
Sub-total	305,073	97.3%	292,854	96.2%
Polyester thin films	8,477	2.7%	11,693	3.8%
Total	<u>313,550</u>	<u>100.0%</u>	<u>304,547</u>	<u>100.0%</u>

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

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

	Six months ended 30 June	
	2015	2014
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	7,803	10,106
Average cost of sales per ton	6,921	9,128
Average gross profit per ton	882	978
Average gross profit margin	11.3%	9.7%
Polyester thin films		
Average selling price per ton	9,184	10,576
Average cost of sales per ton	8,218	9,413
Average gross profit per ton	966	1,163
Average gross profit margin	10.5%	11.0%

4. Other revenue

Other revenue of the Group for the period under review amounted to RMB54,118,000, representing an increase of 48.1% as compared to RMB36,531,000 in the first half of 2014. Other revenue mainly included bank interest income, income from transfer of materials and gain from government grants. Such increase was mainly attributable to the increase in the amounts of bank interest income and income from transfer of materials as compared to those of the same period last year.

5. Other net loss

Other net loss of the Group during the period under review amounted to RMB8,719,000, representing an increase of 29.0% as compared to RMB6,757,000 in the first half of 2014. Such increase was mainly attributable to a combined impact of increase in exchange loss and increase in net gain on financial liabilities at fair value through profit or loss during the period.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB22,681,000, representing an increase of 5.5% as compared to RMB21,493,000 in the first half of 2014. Selling and distribution expenses mainly included transportation costs, wages of our sales staff, operating expenses and promotion expenses. Such increase was mainly due to the increase in relevant transportation costs due to the increase in sales volume during the period.

7. Administrative expenses

Administrative expenses of the Group for the period under review amounted to RMB126,069,000, decreased by 20.7% as compared to RMB158,884,000 in the first half of 2014. 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 the decrease in the costs of research and development materials and consulting service fee of the Group during the period.

8. Finance costs

Finance costs of the Group for the period under review amounted to RMB45,301,000, increased by 49.3% as compared to RMB30,335,000 in the first half of 2014. 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 under review amounted to RMB51,567,000, increased by 124.6% as compared to RMB22,964,000 in the first half of 2014. It was mainly due to income tax expenses expected to be non-refundable of approximately RMB20,008,000 paid by Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) during the period.

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

10. Profit for the period

Profit of the Group for the period under review amounted to RMB113,331,000, increased by RMB12,686,000 or 12.6% as compared to RMB100,645,000 in the first half of 2014. It was mainly due to the combined impact of increase in gross profit, decrease in administrative expenses and increase in income tax during the period.

Financial Position

1. Liquidity and Capital Resources

As at 30 June 2015, cash and cash equivalent of the Group amounted to RMB457,367,000, decreased by RMB424,869,000 or 48.2% as compared to RMB882,236,000 as at 31 December 2014.

During the period under review, net cash inflow from operating activities amounted to RMB214,570,000 (exceeding the profit attributable to shareholders), demonstrating the sound working capital management of the Group. Net cash outflow used in investing activities amounted to RMB703,583,000, which mainly include the capital expenditure of RMB246,919,000 and the increase in restricted bank deposits of RMB486,963,000. Net cash inflow used in financing activities amounted to RMB77,701,000, which mainly include combined effect of the net increase in bank loans of RMB224,335,000, repurchase of shares of RMB52,663,000 and the payment of 2014 final dividends amounting to RMB51,926,000 during the period.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the period under review, inventory turnover days were 33.0 days (for first half of 2014: 41.3 days), representing a decrease of 8.3 days as compared to the same period last year, which was mainly due to the faster realization in inventories due to the Group's optimization in inventory management. The trade receivable turnover days were 44.2 days (for the first half of 2014: 29.4 days), representing an increase of 14.8 days as compared to the same period last year, which was mainly due to the decrease in discounted trade receivables during the period. The trade payable turnover days were 59.1 days (for the first half of 2014: 53.8 days), representing an increase of 5.3 days as compared to the same period last year, which was mainly due to the Group's increasing discretion authority in goods payments.

As at 30 June 2015, the Group had capital commitments of RMB480,244,000, which was mainly used for expansion of production capacity and development of functional environmentally-friendly polyester thin films business.

2. Capital Structure

As at 30 June 2015, the total liabilities of the Group amounted to RMB4,646,420,000, and capital and reserves amounted to RMB5,249,305,000. The gearing ratio (total liabilities divided by total equity) was 88.5%. Total assets amounted to RMB9,895,725,000. The asset liability ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,305,317,000, of which RMB3,289,282,000 were repayable within one year and RMB16,035,000 were repayable after one year. Among the bank borrowings, 57.1% were secured by properties, trade receivables and restricted bank deposits.

Significant Investments

Save for those disclosed in this interim results announcement, 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 funds and bank loans.

Charges on Assets

Save as disclosed in this interim results announcement, there was no other charge on Group's assets as of 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any contingent liability (2014: 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 2015, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB439,526,000 and net liabilities exposure denominated in Euro of RMB14,996,000.

Employees and Remuneration

As at 30 June 2015, the Group employed a total of 3,238 employees. Remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Business Outlook

The PRC economy has entered a “new normal state”, meaning that despite its economic growth rate having declined year by year, it will continue to progress in accordance with its master economic guideline of “making progress while maintaining stability”. The Group will continue to realize business growth through enhancing new market expansion, integrating with national planning and policies for the chemical fiber industry and polyester thin film industry. With increasing brand popularity and establishment of closer strategic partnerships with customers, our products are sold directly to North America, Europe, Southeast Asia, South America and other regions. There are more than 2,100 customers across the world. We have established long-term business relationships with several domestic well-known garments and shoes manufacturers. The Group is devoted to the integration of differential and functional polyester filament with high quality to satisfy the demands of domestic and foreign brand enterprises. We drive technical upgrades of textile products in surrounding areas, enrich and expand industrial chains of textile-related industries. We believe that differentiated products will continue to provide the Group with stable profits. In addition, upon completion of installation and commissioning of the second to fifth production lines, the production capacity of polyester thin films will be further enhanced, and our polyester thin film business will better balance the product portfolio of the Group, while its sales and proportion of the Group’s total revenue will increase accordingly.

Interim Dividend

The Board has resolved to declare an interim dividend of HK3.0 cents per share in cash for the six months ended 30 June 2015. The dividend will be paid on 25 September 2015 to those shareholders whose names appear on the Company’s register of members on 17 September 2015.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, 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, 14 September 2015.

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 30 June 2015, 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 2015.

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 2015.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 30 June 2015, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>RMB'000</i>
January 2015	1,298,000	4.00	3.23	3,685
April 2015	4,898,000	3.60	3.30	13,173
May 2015	9,736,000	3.69	3.35	26,700
June 2015	2,524,000	5.18	3.90	9,105
	<u>18,456,000</u>			<u>52,663</u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 18,456,000 shares were repurchased during the six months ended 30 June 2015 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 RMB155,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$66,533,000 (equivalent to approximately RMB52,508,000) was charged to share premium.

The purchase of the Company's shares during the period under review was effected by the Directors pursuant to the mandate from shareholders received at the 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 period under review.

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

Hong Kong, 28 August 2015

As at the date of this announcement, the Board comprises Mr. Sze Tin Yau, Mr. Wu Jinbiao, Mr. Wang Li 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.