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 2015

HIGHLIGHTS

- Revenue for the year ended 31 December 2015 amounted to RMB5,461.4 million, representing a decrease of 13.3% compared to the year ended 31 December 2014.
- Profit for the year ended 31 December 2015 amounted to RMB201.9 million, representing a decrease of 0.8% compared to the year ended 31 December 2014.
- Earnings per share for the year ended 31 December 2015 amounted to RMB0.09 (2014: RMB0.09).
- A final dividend of HK3.0 cents per share is proposed for 2015, 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 2015 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 2015

	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*2*	**5,461,403**	6,301,466
Cost of sales		**(4,870,772)**	(5,715,541)
Gross profit		**590,631**	585,925
Other revenue	*3*	**107,140**	110,598
Other net loss	*4*	**(21,804)**	(2,762)
Selling and distribution expenses		**(47,784)**	(49,110)
Administrative expenses		**(266,708)**	(315,119)
Profit from operations		**361,475**	329,532
Finance costs	*5(a)*	**(88,352)**	(75,603)
Profit before taxation	*5*	**273,123**	253,929
Income tax	*6*	**(71,235)**	(50,384)
Profit for the year attributable to equity shareholders of the Company		**201,888**	203,545
Earnings per share			
Basic and diluted (RMB)	*8*	**0.09**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Profit for the year attributable to equity shareholders of the Company	**201,888**	203,545
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	**(78,025)**	10,766
Total comprehensive income for the year attributable to equity shareholders of the Company	**123,863**	214,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment		**4,211,722**	4,432,372
– Construction in progress		**832,831**	745,545
– Interests in leasehold land held for own use under operating leases		**431,754**	441,430
		5,476,307	5,619,347
Deposits and prepayments	*10*	**242,255**	117,977
		5,718,562	5,737,324
Current assets			
Inventories	*9*	**529,823**	415,702
Trade and other receivables	*10*	**826,000**	1,025,432
Restricted bank deposits	*11*	**1,308,705**	1,757,250
Cash and cash equivalents	*12*	**518,690**	882,236
		3,183,218	4,080,620
Current liabilities			
Trade and other payables	*13*	**911,324**	1,350,636
Bank loans	*14*	**2,639,886**	3,064,501
Current taxation	*15(a)*	**52,212**	46,655
		3,603,422	4,461,792
Net current liabilities		**(420,204)**	(381,172)
Total assets less current liabilities		**5,298,358**	5,356,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Bank loans	*14*	**16,197**	16,830
Deferred tax liabilities	*15(b)*	**118,175**	100,307
		134,372	117,137
NET ASSETS		**5,163,986**	5,239,015
CAPITAL AND RESERVES			
Capital		**18,317**	18,572
Reserves		**5,145,669**	5,220,443
TOTAL EQUITY		**5,163,986**	5,239,015

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated 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 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:

- Annual Improvements to HKFRSs 2010-2012 Cycle

- Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

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 yarns products and polyester thin films products.

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

	2015	2014
	RMB'000	*RMB'000*
Polyester filament yarns products	**5,298,177**	6,071,382
Polyester thin films products	**163,226**	230,084
	5,461,403	6,301,466

The Group's customer base is diversified and includes one customer (2014: nil) with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2015. The amount of sales to this customer amounted to approximately RMB677,307,000 (2014: RMB502,213,000).

3 OTHER REVENUE

	2015	2014
	RMB'000	*RMB'000*
Bank interest income	**53,608**	57,349
Government grants	**33,315**	40,863
Sales of raw materials	**20,128**	12,322
Others	**89**	64
	107,140	110,598

During the year, government grants of RMB33,315,000 (2014: RMB40,863,000) 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

	2015	2014
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**(975)**	(14)
Donation	**74**	255
Net exchange loss/(gain)	**9,833**	(9,521)
Net loss on financial assets and liabilities at fair value through profit or loss	**14,332**	11,388
Others	**(1,460)**	654
	21,804	2,762

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2015	2014
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**70,960**	66,898
Other interest expenses	**17,392**	8,705
	88,352	75,603

* *No borrowing costs have been capitalised in 2015 (2014: nil).*

(b) Staff costs:

	2015	2014
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**3,533**	2,989
Salaries, wages and other benefits	**159,138**	177,167
	162,671	180,156

(c) Other items:

	2015	2014
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**9,676**	14,653
Depreciation	**278,412**	261,404
Auditors' remuneration	**2,340**	2,600
Operating lease charges in respect of properties	**360**	360
Research and development costs*	**165,166**	202,015
Cost of inventories**	**4,870,772**	5,715,541

* *Research and development costs include RMB52,947,000 (2014: RMB50,553,000) 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 RMB334,671,000 (2014: RMB345,677,000) 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:

	2015	2014
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**54,088**	32,847
Over-provision in respect of prior years	**(721)**	(10)
	53,367	32,837
Deferred tax *(note 15(b))*		
Origination and reversal of temporary differences	**17,868**	17,547
	71,235	50,384

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

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**273,123**	253,929
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**73,468**	68,799
Tax effect of non-deductible expenses	**5,352**	4,869
Tax effect of non-taxable income	**(112)**	(515)
Tax effect of unused tax losses not recognised	**4,009**	6,196
Over-provision in prior years	**(721)**	(10)
Tax concessions *(note (iii))*	**(30,769)**	(28,955)
Others *(note (v))*	**20,008**	–
Actual tax expenses	**71,235**	50,384

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 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 the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2015 to 2017 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%.

(v) Others represent additional one-off tax charged to the Group by the local tax authorities. The payment was non-refundable and non-deductible tax expenses of RMB 20,008,000 paid by Billion Fujian during the year.

* *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

	2015	2014
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK3.0 cents per share (2014: HK3.0 cents per share)	**53,951**	52,836
Final dividend proposed after the end of the reporting period of HK3.0 cents per ordinary share (2014: HK3.0 cents per share)	**54,443**	52,449
	108,394	105,285

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

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

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 RMB201,888,000 (2014: RMB203,545,000) and the weighted average of 2,193,258,203 ordinary shares (2014: 2,221,322,438 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**2,208,492,000**	2,223,000,000
Effect of shares repurchased	**(15,233,797)**	(1,677,562)
Weighted average number of ordinary shares	**2,193,258,203**	2,221,322,438

There were no dilutive potential ordinary shares during the years ended 31 December 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**159,608**	79,145
Work in progress	**21,321**	20,158
Finished goods	**348,894**	316,399
	529,823	415,702

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB4,870,772,000 (2014: RMB5,715,541,000).

10 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade debtors	**408,979**	462,453
Bills receivable	**179,954**	240,863
Deposits, prepayments and other receivables	**475,453**	433,421
Derivative financial assets – forward exchange contracts	**3,869**	6,672
	1,068,255	1,143,409
Less: Non-current portion of deposits and prepayments	**(242,255)**	(117,977)
	826,000	1,025,432

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

No trade receivable (2014: RMB26,217,000) was pledged to the banks to secure certain bank loans (see note 14).

As at 31 December 2015, the Group had discounted bank acceptance bills totalling RMB1,061,256,000 (2014: RMB225,076,000) and endorsed bank acceptance bills totalling RMB134,784,000 (2014: RMB266,071,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

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:

	2015	2014
	RMB'000	*RMB'000*
Current	**586,912**	702,808
Less than 1 month past due	**1,185**	458
More than 1 month but less than 3 months past due	**104**	48
More than 3 months but less than 1 year past due	**732**	2
	2,021	508
	588,933	703,316

Trade debtors are due within 90 to 180 days from the date of billing.

(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 2015 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.

11 RESTRICTED BANK DEPOSITS

The restricted bank deposits of RMB1,308,705,000 (2014: RMB1,757,250,000) were pledged to the banks to secure certain bank bills payable and bank loans (see notes 13 and 14).

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise

	2015	2014
	RMB'000	*RMB'000*
Deposits with banks and other financial institutions	**150,038**	84,401
Cash at bank and on hand	**368,652**	797,835
Cash and cash equivalents in the statement of financial position	**518,690**	882,236

At 31 December 2015, cash at bank balances were placed with banks in the PRC amounted to RMB492,652,000 (2014: RMB651,132,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade creditors and bills payable	**500,231**	940,410
Other payables and accrued charges	**196,691**	188,678
Equipment payables	**39,100**	32,992
Construction payables	**1,651**	1,367
Receipts in advance	**158,942**	179,692
	896,615	1,343,139
Derivative financial liabilities		
– forward exchange contracts	**14,472**	6,382
– interest rate swaps	**237**	1,115
	14,709	7,497
	911,324	1,350,636

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**421,959**	589,744
More than 3 months but within 6 months	**75,931**	347,168
More than 6 months but within 1 year	**1,984**	1,282
More than 1 year	**357**	2,216
	500,231	940,410

14 Bank loans

At 31 December 2015, the bank loans were repayable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year or on demand	**2,639,886**	3,064,501
After 1 year but within 2 years	**1,676**	1,578
After 2 years but within 5 years	**5,026**	4,733
After 5 years	**9,495**	10,519
	16,197	16,830
	2,656,083	3,081,331

At 31 December 2015, the bank loans were secured as follows:

	2015	2014
	RMB'000	*RMB'000*
Bank loans		
– secured	**1,131,721**	1,533,486
– unsecured	**1,524,362**	1,547,845
	2,656,083	3,081,331

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

	2015	2014
	RMB'000	*RMB'000*
Properties	**47,410**	45,770
Pledged trade receivables *(note 10)*	**–**	26,217
Restricted bank deposits *(note 11)*	**1,124,771**	1,519,542
	1,172,181	1,591,529

15 Income tax in the consolidated statement of financial position

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

	2015	2014
	RMB'000	*RMB'000*
Provision for the year	**54,088**	32,847
Over-provision in respect of prior years	**(721)**	(10)
Tax paid	**(47,810)**	(28,747)
	5,557	4,090
Balance of tax provision relating to prior years	**46,655**	42,565
	52,212	46,655

(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:

	Depreciation and amortisation of property, plant and equipment	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax liabilities arising from:			
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
At 1 January 2015	111,390	(11,083)	100,307
Charged/(credited) to profit or loss *(note 6(a))*	23,844	(5,976)	17,868
At 31 December 2015	135,234	(17,059)	118,175

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB117,323,000 (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 31 December 2015, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,440,309,000 (2014: RMB2,225,677,000). Deferred tax liabilities of RMB122,015,000 (2014: RMB111,284,000) 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.

16 COMMITMENTS

(a) Capital commitments in respect of property, plant and equipment outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Authorised but not contracted for	**191,927**	29,931
Contracted for	**257,423**	280,607
	449,350	310,538

(b) At 31 December 2015, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**1,170**	1,530
	2,970	3,330

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

The global economic growth continued to slow down in 2015 and the road to recovery was still harsh. With global financial market fluctuation intensifying, commodity prices continued its downturn, trade protection and currency competitive risk escalated, the growth rate of developed economies in USA and European countries continued to pick up. However, the momentum had slowed down and the growth rate of emerging market economies declined. Facing complicated international situations and intensifying challenges from increasing economic downward pressure, the PRC economic growth rate continued to slow down in 2015 and maintained a stable development momentum overall, indicating a trend of progress while maintaining stability. In 2015, China's GDP grew by 6.9%. Although it was in line with the growth objective, such growth rate reflected that China's economy was still facing certain pressure. Looking from an internal perspective of China's economic development, the "three-phase aggregated" challenges from the gear-changing phase for economic growth, the phase of periodic pain for structural adjustment and the digesting phase for preliminary stimulating policies, continue to exist. The rebound of international oil price failed to sustain throughout 2015, and exhibited a slowdown after a robust development during the earlier part of the year.

In 2015, the ultimate consumption in China contributed 66.4% of China's GDP growth, which is 15.4 percentage points higher than that of 2014. According to the National Bureau of Statistics of the PRC, the retail sales of apparel, footwear and textile products amounted to RMB1,348.4 billion in 2015, representing a year-on-year growth of 9.8%, among which, the sales in December 2015 was RMB151.7 billion, representing a year-on-year increase of 6.9%, demonstrating that the industry was developed towards "maintaining stability while achieving a decent growth".

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. The average selling price of polyester filament yarns during 2015 has decreased as compared to 2014, which was mainly attributable to the fluctuation in raw material prices. In 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. By the end of 2015, the price of West Texas Intermediate Crude Oil dropped to US$35 per barrel, which was close to its lowest level during the year under review. As regards to cotton, the Group's products are substitutes of cotton to a certain extent. As the subsequent impact of the previous reserve policy regarding cotton had not been eliminated, the basic situation of oversupply of cotton did not change, and inventory of cotton in the industry continued to increase. Coupled with the impact of United States Dollars appreciation, the cotton price still declined in 2015. However, 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.

Owing to the continuous dampening of the global economy, every country shows declining demand for commodities, especially in the end textile and apparel sector. In recent years, as a result of increasing labour costs in the PRC, it is difficult for manufacturers to further reduce the cost of textile and apparel products. China's textile products export remained weak in 2015. In the long run, the global economic trend, exchange rate fluctuations and the signing of trading agreements in the surrounding regions are factors affecting the changes of PRC textile and apparel exports. However, the domestic sales growth rate of apparel, footwear and home furnishings had slowed down while maintaining stability.

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 was no significant new player entering the polyester thin films industry in China during the year under review. The Group will target at forging a flagship enterprise in the polyester new material industry, further expand the scale, sharpen its competitive edge and leverage on its manufacturing advantages to enter into the high-end thin film products sector from a high starting point. Currently, the surrounding environment is volatile with low costs hindering 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

Stable growth in the Group's sales volume

The Group continued to strive for product quality improvement and development of differentiated products during the year under review. As a result, market demand for the Group's products remained strong and sales volume of the Group had maintained a stable growth during the year.

The Group emphasizes on and persists to pursue the technology innovation approach of a combination of "Production, Learning, Research and Application". Through our strong research and development team, the Group continued to: (i) co-operate with colleges and institutions, continuously contribute substantial 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 a guidance to the market. Our outstanding research and development and innovation capacity is the foundation of the Group for achieving 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. Aiming at "technology innovation and improving competitive strength", the Group formulates the deepened reform proposal through technology improvement, technology innovation, product mix optimization and recruiting new talents, and strives to improve its brand values and competitive strengths.

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 addition, most of our key equipment is imported from Germany and Japan which are of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation. During the year under review, the Group's product differentiation rate reached 63.7%. 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.

Moreover, the Group strived to establish a digital and intelligent automatic chemical fiber production workshop in 2015, and is the front runner of realizing the full process intelligent automatic production in the industry. The Group has strengthened its effort in recruitment of talents to enhance the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.

The Group has all along been giving great attention to marketing channel expansion and customer services. Our flexible sales strategies enable us to understand market situations in time, keep close to user needs, and communicate with ultimate customers directly and frequently to gather information. By integrating with strong technology research and development capability, we constantly adjust our product structure and provide customised product development services in order to fully meet our customers' differentiated demands, whereby occupying the product differentiated market in a better matter. 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 and continued to improve our response to the market whilst expanding the emerging markets. According to the user habits and demand feedback of downstream users in the emerging markets, we made functional improvement and technology upgrade to our existing product lines with suitable marketing strategy, strengthened quality control on export products, and maintained cost advantages. The Group's export sales for the year under review accounted for 14.8% of its total sales, maintaining a stable percentage of export sales.

All polyester thin film production lines of the Group are equipped with 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. With its location in Southern China, polyester thin films have sound regional advantages. With convenient raw material sources in the region, the well-developed light industries such as the apparel, footwear and hats and food in the downstream sectors have vast demand for plastic packages. The market capacity within the region is tremendous. By leveraging on the favourable geographical advantages, the expected designed annual production capacity will reach 255,000 tons per year after the expansion plan of polyester thin films is fully completed. By that time, the Group's business will achieve better development.

Production capacity expansion

As of 31 December 2015, the Group's designed production capacity for fully drawn yarn ("FDY") and partially oriented yarn ("POY") was 785,000 tons per year. For drawn textured yarn ("DTY"), it was 493,000 tons per year, and polyester thin films was 36,500 tons per year. The installation of the second and third production lines of polyester thin films were completed and at the commissioning stage, while the fourth and fifth production lines are under construction. Upon completion of the installation and commissioning of the second to fifth production lines, the designed production capacity of polyester thin films will reach 255,000 tons per year.

Product research and development

As of 31 December 2015, the Company owned 82 national patents registered in China and had applied for 90 national patents. Among all of the Company's patented products, 46 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 RMB165,166,000 in 2015, representing 3.0% of our total revenue.

For the year ended 31 December 2015, revenue generated from the Group's differentiated products amounted to RMB3,476,623,000, accounted for 63.7% 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.

LAWS AND REGULATIONS AND ENVIRONMENTAL PROTECTION

Starting from 1 January 2015, the newly amended "Environmental Protection Law of the People's Republic of China" was enacted. The newly amended law clarified that every company in China holds an essential role in promoting the sustainable development of resources and environment. Together with the "Law of the People's Republic of China on Conserving Energy" and other relevant laws, our business is in strict compliance with the environmental regulations and rules while ensuring the highest quality standards in our products. The Group integrated the ISO9001 Quality Management System, ISO14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System to achieve coordinated management and improved the management efficiency of the Group effectively. The Group formulated more stringent enterprise standards than national standards for Polyester Filament Yarns and conducted comprehensive inspection on the products used. In addition, the Group implemented product quality performance appraisal system comprehensively to all production departments. In 2015, Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") passed the Switzerland OEKO Environmental Protection Product First Class Recognition six years in a row, its chemical fiber products passed the random product quality inspection of Fujian Provincial Bureau of Quality and Technical Supervision for successive five years, and its thin film products passed the random inspection of products used for food of Fujian Provincial Bureau of Quality and Technical Supervision three years in succession.

For energy conservation and emission reduction, the Group constantly reduced the consumption of electricity, coal, gas and water through enhancing the organization, planning, implementation and inspection of energy saving and consumption reduction works, and by combining the actual situations and industrial characteristics of the Group, the Group actively developed recycling economy and focused on waste Polyester Filament Yarns recycling and industrialization utilization of recovered Polyester Thin Films. The Group passed the metrology system review of Quanzhou Metrology Institute. It improved the environmental protection management system and enhanced the environmental protection management standards in accordance with the requirements of cleaner production and the ISO14001 System, and became the main drafter of the industrial cleaner production standards.

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

HUMAN-ORIENTED, FACTORY IS HOME AND CO-DEVELOPMENT

We believe staff is a key element of our success. Hence, we constantly adhere to the belief of "Human-oriented, Factory is Home and Co-development" to ensure fair and equitable protection to all staff, and we strictly comply with relevant labour laws, regulations and industry practices, striving to establish a harmonious enterprise.

Superior Hardware Facilities

The Group established after-school tutoring platform for the children of our staff through humanized measures such as giving heavy weights to "Married Couple Workers", running kindergartens, to organize "Summer and Winter Camps", "Weekend Workshops" and "Psychological Consultation Room for Teenagers", in which they have significantly improved staff's sense of belongings. In addition, we have staff activity centers and entertainment venues such as large training center, library, table tennis rooms, basketball courts, tennis courts, gymnasium, Yoga rooms and movie theatres. We organize our own corporate basketball team, hold various recreational and sports activities and organize staff outdoor travel to stimulate staff enthusiasm to the Group.

Perfect Incentive Facilities

The Group organizes staff to conduct training from time to time, holds various operation and skills competitions, encourages positive competition among staff and improves working efficiency, thereby increasing their jobs satisfaction and morale.

Occupational Development Plan

The Group actively cultivates it self as a learning-oriented enterprise to equip staff with professional knowledge, and enhances enthusiasm of staff on job learning, strengthens and improves staff's academic background credentials. Meanwhile, we cooperated with Tianjin University to create "Baijuji-Tianjin University Network Education College" to nourish and train talented professionals.

Emphasizing on Development Mechanism

The Group pays attention to the occupational career planning of our staff and establishes stepped-talents mechanism. The Group gives priorities to internal promotion for position promotion openings, offer equal opportunities to all staff and emphasize on staff's individual moral self-cultivation.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2015 was RMB5,461,403,000, representing a decrease of 13.3% as compared to RMB6,301,466,000 in 2014. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,298,177,000, accounting for 97.0% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB163,226,000, accounting for 3.0% of the total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

Revenue attributable to the sales of polyester filament yarn products for the year under review was RMB5,298,177,000, representing a decrease of RMB773,205,000 or 12.7% as compared to RMB6,071,382,000 in 2014. The average selling price of polyester filament yarns in the year under review was RMB7,783 per ton, representing a decrease of RMB2,004 or 20.5% as compared to RMB9,787 per ton in 2014. The continuous softened economic growth in China and the decrease in sales of polyester filament yarn products have affected the overall revenue of the Group despite the market demand for the Group's products remained strong and the sales volume of polyester filament yarns of the Group for the year increased to 680,716 tons during the year under review from 620,348 tons in 2014 (representing an increase of 60,368 tons or 9.7%). However, the selling price of the polyester filament yarns was continuously under pressure, leading to a drop in average selling price.

During the year under review, the Group further made optimized adjustment to product mix with higher product differentiation rate. 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 polyester filament yarn 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 under review was RMB163,226,000, representing a decrease of RMB66,858,000 or 29.1% as compared to RMB230,084,000 in 2014. The average selling price of polyester thin films in the year under review was RMB8,668 per ton, representing a decrease of RMB1,623 or 15.8% as compared to RMB10,291 per ton in 2014. The machines for the second and third production lines for polyester thin film business of the Group are currently still at the commissioning stage, while the fourth and fifth production lines are still under construction during the year under review.

To complement the sustainable development of polyester thin film business, the Group had devoted more time and resources in production technology improvement, equipment re-engineering and formulae innovation. Currently, the Group is able to produce polyester thin film products under different specifications and different uses, satisfying the needs from in a number of sectors in the PRC for functional polyester thin films. The Group re-engineered its polyester thin film production lines, and conducted research and development on various categories of thin film products under different raw material formulae and various technological conditions. Hence, during the year under review, sales volume of polyester thin films did not increase substantially as a result of the decrease in average selling price, causing a decrease in the revenue of polyester thin film products. It is expected that the annual production capacity of polyester thin films will reach 255,000 tons per year after the plan for an expansion of the Group's production capacity of polyester thin films is fully implemented, and by that time, the revenue attributable to the sales of polyester thin film products will increase substantially.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2015		2014		**2015**		2014	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**4,047,256**	**74.1%**	4,533,367	71.9%	**492,615**	**70.4%**	435,165	67.7%
FDY	**785,279**	**14.4%**	1,084,560	17.2%	**107,745**	**15.4%**	120,843	18.8%
POY	**144,232**	**2.6%**	88,221	1.4%	**21,531**	**3.1%**	10,671	1.7%
Others *	**321,410**	**5.9%**	365,234	5.8%	**58,825**	**8.4%**	53,669	8.3%
Sub-total	**5,298,177**	**97.0%**	6,071,382	96.3%	**680,716**	**97.3%**	620,348	96.5%
Polyester thin films	**163,226**	**3.0%**	230,084	3.7%	**18,831**	**2.7%**	22,358	3.5%
Total	**5,461,403**	**100.0%**	6,301,466	100.0%	**699,547**	**100.0%**	642,706	100.0%

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

Geographic Breakdown of Sales

The Group continued to expand its market share in overseas markets. By improving our service quality and increasing our brand recognition, we have actively expanded our market share in the overseas markets. During the year under review, the percentage of export sales revenue of the Group was 14.8%, representing a slight decrease as compared to 2014. About 85.2% of the Group's revenue was generated from domestic market sales, of which 65.8% were to customers in Fujian Province and 16.1% 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. As affected the downturn of the whole textile industry, the Group actively sought for change. Whilst maintaining its market share and position in Fujian and Guangdong Provinces, the Group continued to explore the Shandong, Jiangsu, Zhejiang and other provincial and municipal markets to provide customised product development services to our customers and develop strategic partners.

Geographic Breakdown of Revenue

	2015		2014	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**3,591,023**	**65.8%**	4,048,830	64.3%
Guangdong Province	**881,923**	**16.1%**	1,055,096	16.7%
Other provinces	**181,859**	**3.3%**	233,468	3.7%
Export sales*	**806,598**	**14.8%**	964,072	15.3%
Total	**5,461,403**	**100.0%**	6,301,466	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 2015 was RMB4,870,772,000, representing a decrease of 14.8% as compared to RMB5,715,541,000 in 2014. Such a decrease was primarily attributable to a combined impact of an increase in sales volume, the drop in both the raw materials prices and manufacturing costs.

The cost of sales for polyester filament yarns was RMB4,720,301,000, accounting for 96.9% of the total cost of sales. The cost of sales for polyester thin films was RMB150,471,000, accounting for 3.1% 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 revenue.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB8,881 per ton in 2014 to RMB6,934 per ton during the year under review, representing a decrease of RMB1,947 or 21.9%, which was mainly due to the decrease in the selling prices of PTA and MEG, the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB7,132 per ton in 2014 to RMB5,303 per ton during the year under review, representing a decrease of RMB1,829 or 25.6%. The Group's key raw materials, namely PTA and MEG, accounted for 69.8% of the total cost of sales, the prices of which were directly affected by the crude oil price – a key raw material of PTA and MEG, which had dropped continuously in 2015.

Polyester thin films

The average cost of sales for polyester thin films dropped from RMB9,225 per ton in 2014 to RMB7,991 per ton during the year under review, representing a decrease of RMB1,234 or 13.4%. Of which, the average price of raw materials for polyester thin films dropped from RMB7,869 per ton in 2014 to RMB6,367 per ton during the year under review, representing a decrease of RMB1,502 per ton or 19.1%.

Analysis of cost of sales

	2015		2014	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,219,046**	**45.5%**	2,950,010	51.6%
MEG	**1,181,627**	**24.3%**	1,256,246	22.0%
POY and other raw materials	**209,130**	**4.3%**	218,255	3.8%
Sub-total	**3,609,803**	**74.1%**	4,424,511	77.4%
Manufacturing costs	**1,103,831**	**22.7%**	1,075,479	18.8%
Other costs	**6,667**	**0.1%**	9,287	0.2%
Sub-total	**4,720,301**	**96.9%**	5,509,277	96.4%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**119,892**	**2.5%**	175,948	3.1%
Manufacturing costs	**30,391**	**0.6%**	30,270	0.5%
Other costs	**188**	**0.0%**	46	0.0%
Sub-total	**150,471**	**3.1%**	206,264	3.6%
Total	**4,870,772**	**100.0%**	5,715,541	100.0%

Analysis of product sales cost (Average per ton)

	2015		2014	
	RMB (Per ton)	***Percentage***	*RMB (Per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**3,260**	**47.0%**	4,755	53.5%
MEG	**1,736**	**25.1%**	2,025	22.8%
POY and other raw materials	**307**	**4.4%**	352	4.0%
Sub-total	**5,303**	**76.5%**	7,132	80.3%
Manufacturing costs	**1,621**	**23.4%**	1,734	19.5%
Other costs	**10**	**0.1%**	15	0.2%
Sub-total	**6,934**	**100.0%**	8,881	100.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**6,367**	**79.7%**	7,869	85.3%
Manufacturing costs	**1,614**	**20.2%**	1,354	14.7%
Other costs	**10**	**0.1%**	2	0.0%
Sub-total	**7,991**	**100.0%**	9,225	100.0%
Total	**6,963**		8,893	

3. Gross Profit

The gross profit of the Group in 2015 was RMB590,631,000, which had increased by RMB4,706,000, representing an increase of 0.8% as compared to RMB585,925,000 in 2014. Sales volume of the Group during the year under review increased by 56,841 tons, representing an increase of 8.8% as compared to 2014. Average selling price of products decreased by RMB1,998 per ton, representing a decrease of 20.4% from the RMB9,805 in 2014 to RMB7,807 during the year under review, while average cost of products only decreased by RMB1,930 per ton, representing a decrease of 21.7% from RMB8,893 in 2014 to RMB6,963 during the year under review. Therefore, the average gross profit of products per ton decreased from RMB912 in 2014 to RMB844 during the year 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 was increased by 1.5 percentage points from 9.3% in 2014 to 10.8% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarn decreased by an average of RMB2,004 per ton, representing a decrease of 20.5% from RMB9,787 in 2014 to RMB7,783 during the year under review. The average gross profit of polyester filament yarn per ton decreased from RMB906 in 2014 to RMB849 during the year under review. The gross profit margin increased by 1.6 percentage points from 9.3% in 2014 to 10.9% during the year under review.

Polyester thin films

Average selling price of polyester thin films decreased by RMB1,623 per ton, representing a decrease of 15.8% from RMB10,291 in 2014 to RMB8,668 during the year under review. The average gross profit of polyester thin films per ton decreased from RMB1,066 in 2014 to RMB677 during the year under review. The gross profit margin decreased by 2.6 percentage points from 10.4% in 2014 to 7.8% during the year under review.

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

(i) The prices 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, but the overall decrease is less than that of the raw materials and led to the increase in gross profit margin;

(iii) During the year under review, the production volume of the Group had increased, and then led to an increase in the sales volume. As the effect of an increase in sales volume is less than that of a decrease in the average selling price, the average gross profit per ton for the year ended 31 December 2015 decreased as compared to the same for the year ended 31 December 2014.

Analysis of gross profit by product

	2015		2014	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**445,334**	**75.4%**	468,568	80.0%
FDY	**94,523**	**16.0%**	75,715	12.9%
POY	**5,359**	**0.9%**	2,050	0.3%
others*	**32,660**	**5.5%**	15,772	2.7%
Sub-total	**577,876**	**97.8%**	562,105	95.9%
Polyester thin films	**12,755**	**2.2%**	23,820	4.1%
Total	**590,631**	**100.0%**	585,925	100.0%

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

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

	2015	2014
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**7,783**	9,787
Average cost of sales	**6,934**	8,881
Average gross profit	**849**	906
Average gross profit margin	**10.9%**	9.3%
Polyester thin films		
Average selling price	**8,668**	10,291
Average cost of sales	**7,991**	9,225
Average gross profit	**677**	1,066
Average gross profit margin	**7.8%**	10.4%

4. Other revenue

Other revenue of the Group in 2015 amounted to RMB107,140,000, representing an decrease of 3.1% as compared to RMB110,598,000 in 2014. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such a decrease was attributable to the decrease in bank interest income and government grants during the year under review. During the year under review, government grants mainly included taxation rewards for key enterprises, supporting fund for foreign trade, encouraging and supporting fund for economic development, reward supporting fund for technological innovation and key enterprise reward.

5. Other net loss

Other net losses of the Group in 2015 amounted to RMB21,804,000 (2014: RMB2,762,000). Other net losses mainly comprised net exchange loss of RMB9,833,000 (2014: exchange gain of RMB9,521,000) and net loss on financial assets and liabilities at fair value through profit or loss of RMB14,332,000 (2014: RMB11,388,000) during the year under review.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2015 amounted to RMB47,784,000, representing a decrease of 2.7% as compared to RMB49,110,000 in 2014. Selling and distribution expenses mainly included transportation cost, wages of our sales staff, operation expenses and promotion expenses. Such decrease was mainly due to an increase in sales proportion in Fujian Province during the year under review, which led to a decrease in relevant selling and transportation costs.

7. Administrative expenses

Administrative expenses of the Group in 2015 amounted to RMB266,708,000, which had decreased by 15.4% as compared to RMB315,119,000 in 2014. 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 the decrease in research and development costs of the Group and the advisory service fee during the year under review.

8. Finance costs

Finance costs of the Group in 2015 amounted to RMB88,352,000, which had increased by 16.9% as compared to RMB75,603,000 in 2014. It was mainly due to the increase in the interest of bank advances and other borrowings.

9. Income tax

Income tax of the Group in 2015 amounted to RMB71,235,000, which had increased by 41.4% as compared to RMB50,384,000 in 2014. It was mainly due to the income tax expense of RMB20,008,000 paid by Billion Fujian during the year under review which is expected to be non-refundable. Billion Fujian, 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 2015. 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 2015 amounted to RMB201,888,000, which had decreased by RMB1,657,000 or 0.8% as compared to RMB203,545,000 in 2014. Net profit margin was 3.7%, which had increased by 0.5 percentage points as compared to 3.2% in 2014. The increase was mainly due to the combined effect of the increase in gross profit, decrease in administrative expenses and increase in income tax during the year under review.

Financial Position

1. ***Liquidity and capital resources***

As at 31 December 2015, cash and cash equivalent of the Group amounted to RMB518,690,000, which had decreased by RMB363,546,000 or 41.2% as compared to RMB882,236,000 as at 31 December 2014. Such a decrease was mainly due to the expansion of plants and the purchase of production equipment and an increase of cash outflow from the financing activities during the year under review.

During the year under review, net cash inflow generated from operating activities amounted to RMB384,833,000 and net cash inflow generated from investing activities amounted to RMB67,039,000 and net cash outflow from financing activities amounted to RMB877,088,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year under review, inventory turnover day was 35.4 days (2014: 34.9 days), which had no significant change as compared with 2014. Accounts receivable turnover days was 43.2 days (2014: 33.8 days), representing an increase of 9.4 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 49.5 days (2014: 60.8 days), representing a decrease of 11.3 days as compared to the same period last year.

As at 31 December 2015, the Group had capital commitments of RMB449,350,000 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 2015, the total liabilities of the Group amounted to RMB3,737,794,000, and capital and reserves amounted to RMB5,163,986,000. The gearing ratio (total liabilities divided by total equity) was 72.4%. Total assets amounted to RMB8,901,780,000. The asset liability ratio (total assets divided by total liabilities) was 2.4 times. Bank loans of the Group amounted to RMB2,656,083,000, of which RMB2,639,886,000 were repayable within one year and RMB16,197,000 were repayable after one year. Among the bank borrowings, 42.6% 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 2015.

Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities (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 31 December 2015, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB430,763,000 and the net liabilities exposure denominated in Euro of RMB190,667,000.

Employees and Remuneration

As at 31 December 2015, the Group had a total of 3,249 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 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, the Group has established international sales & marketing network in Europe, Southeast Asia, North America, South America and other regions. Our products have been sold to more than 30 countries such as Portugal, Brazil, Indonesia, Belgium, Spain, Vietnam, Italy, Turkey, Korea and Thailand. The Group has established long-term business relationships with several domestic well-known garments and shoes manufacturers. We have more than 2,100 customers around the world. The low customer concentration was beneficial to enhance corporate's risk resistance ability and bargaining power. The Group will continue to improve its channel and network layout of the relevant regions and accelerate the development of overseas sales & marketing system. Every effort will be made to radiate and expand by focusing on the key target emerging markets such as Central Asia, South Asia, Southeast Asia and Eastern Europe. At the same time, it will increase corporate branding marketing and establishment to enhance the international competitiveness of the Group's products.

We believe that differentiated products will continue to provide the Group with stable profits. The Group puts into full play its research and development ability advantages of differentiated products on differentiated polyester filament yarn business, and 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 the technical upgrades of textile products in surrounding regions, enrich and expand industrial chains of textile-related industries, and explore opportunities for expanding its competitive products such as super textile-cotton to the nationwide markets as well as overseas markets.

In addition, in expanding production capacity scale at a steady pace on polyester thin film business, putting into full play the manufacturing advantages on advanced production facilities, through the opening up of the market by firstly relying on packaging tangle film, we enter the high-end thin film sector from a high starting point, and rapidly enter into Guangdong market by leveraging on the advantages of low melt direct production costs. The Group is currently the sole manufacturing polyester thin film enterprise in Fujian Province. Upon the completion of the polyester thin film expansion plan, the production capacity of polyester thin film will be the top in Southern China, and by that time, the sales of polyester thin films and its proportion to the Group's total revenue will increase accordingly.

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 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 2015. 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 23 May 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 May 2016 to Friday, 13 May 2016 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"). In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 10 May 2016.

Further, the register of members of the Company will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016, 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 Wednesday, 18 May 2016.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Friday, 27 May 2016, to shareholders whose names appear on the register of members of the Company on Monday, 23 May 2016.

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 2015. 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. For the year ended 31 December 2015, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. All the Directors confirmed, following specific enquiries by the Company, that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2015.

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 2015. 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 2015, the Company repurchased its own shares on the Stock Exchange of Hong Kong Limited (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*
January 2015	1,298,000	4.00	3.23	3,685,000
April 2015	4,898,000	3.60	3.30	13,173,000
May 2015	9,736,000	3.69	3.35	26,700,000
June 2015	2,524,000	5.18	3.90	9,105,000
July 2015	3,860,000	4.68	3.36	12,054,000
August 2015	174,000	4.08	4.03	577,000
September 2015	2,144,000	4.22	3.90	7,179,000
October 2015	448,000	4.35	4.15	1,544,000
November 2015	1,762,000	4.43	4.12	6,178,000
December 2015	3,488,000	4.50	4.20	12,820,000
	30,332,000			93,015,000

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 30,322,000 shares were repurchased in 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 RMB255,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$115,860,000 (equivalent to RMB92,760,000) was charged to share premium.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2015 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 2015 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, 18 March 2016

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.