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 2016

HIGHLIGHTS

- Revenue for the first half of 2016 amounted to RMB2,724 million, representing a decrease of 2.1% over the same period last year
- Profit for the first half of 2016 amounted to RMB130 million, representing an increase of 14.8% over the same period last year
- Earnings per share amounted to RMB0.06
- 2016 interim dividend of HK3.5 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 2016, together with the comparative figures for the corresponding period in 2015, the unaudited consolidated statement of financial position of the Group as at 30 June 2016 together with audited comparative figures as at 31 December 2015, as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,723,695**	2,780,998
Cost of sales		**(2,417,205)**	(2,467,448)
Gross profit		**306,490**	313,550
Other revenue	*5*	**32,480**	54,118
Other net gain/(loss)	*6*	**19,120**	(8,719)
Selling and distribution expenses		**(29,147)**	(22,681)
Administrative expenses		**(129,976)**	(126,069)
Profit from operations		**198,967**	210,199
Finance costs	*7(a)*	**(35,678)**	(45,301)
Profit before taxation	*7*	**163,289**	164,898
Income tax	*8*	**(33,164)**	(51,567)
Profit for the period attributable to equity shareholders of the Company		**130,125**	113,331
Earnings per share	*10*		
Basic and diluted *(RMB)*		**0.06**	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Profit for the period attributable to equity shareholders of the Company		**130,125**	113,331
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**(27,865)**	1,548
Available-for-sale securities:			
Net movement in fair value reserve		**694**	–
Total comprehensive income for the period attributable to equity shareholders of the Company		**102,954**	114,879

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment	11	**4,605,464**	4,211,722
– Construction in progress	12	**384,992**	832,831
– Interests in leasehold land held for own use under operating leases	13	**426,916**	431,754
		5,417,372	5,476,307
Deposits and prepayments	15	**272,579**	242,255
		5,689,951	5,718,562
Current assets			
Inventories	14	**393,458**	529,823
Trade and other receivables	15	**880,196**	826,000
Other financial assets	16	**167,816**	–
Restricted bank deposits		**358,642**	1,308,705
Fixed deposit held at bank with maturity over three months		**10,000**	–
Cash and cash equivalents	17	**441,272**	518,690
		2,251,384	3,183,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 – unaudited (Continued)

(Expressed in Renminbi)

	Note	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000* (audited)
Current liabilities			
Trade and other payables	*18*	**869,187**	911,324
Bank loans		**1,707,192**	2,639,886
Current taxation	*19(a)*	**55,822**	52,212
		2,632,201	3,603,422
Net current liabilities		**(380,817)**	(420,204)
Total assets less current liabilities		**5,309,134**	5,298,358
Non-current liabilities			
Bank loans		**15,669**	16,197
Deferred tax liabilities	*19(b)*	**129,328**	118,175
		144,997	134,372
NET ASSETS		**5,164,137**	5,163,986
CAPITAL AND RESERVES	*20*		
Share capital		**18,211**	18,317
Reserves		**5,145,926**	5,145,669
TOTAL EQUITY		**5,164,137**	5,163,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
		Share capital	**Share premium**	**Capital redemption reserve**	**Statutory reserve**	**Capital reserve**	**Exchange reserve**	**Fair value reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*20(a)*	*20(b)(i)*	*20(b)(ii)*	*20(b)(iii)*	*20(b)(iv)*	*20(b)(v)*	*20(b)(vi)*		
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										
– par value paid		(155)	–	–	–	–	–	–	–	(155)
– premium paid		–	(52,508)	–	–	–	–	–	–	(52,508)
– transfer between reserves		–	(155)	155	–	–	–	–	–	–
Balance at 30 June 2015		18,417	902,240	916	301,278	1,805,631	(32,441)	–	2,253,264	5,249,305
Balance at 1 January 2016		**18,317**	**807,937**	**1,016**	**325,126**	**1,805,631**	**(112,014)**	**–**	**2,317,973**	**5,163,986**
Changes in equity for the six months ended 30 June 2016										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130,125**	**130,125**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(27,865)**	**694**	**–**	**(27,171)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(27,865)**	**694**	**130,125**	**102,954**
Dividends approved in respect of the previous year	*9(b)*	**–**	**(54,854)**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,854)**
Purchase of own shares	*20(a)(ii)*									
– par value paid		**(106)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(106)**
– premium paid		**–**	**(47,843)**	**–**	**–**	**–**	**–**	**–**	**–**	**(47,843)**
– transfer between reserves		**–**	**(106)**	**106**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2016		**18,211**	**705,134**	**1,122**	**325,126**	**1,805,631**	**(139,879)**	**694**	**2,448,098**	**5,164,137**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**357,555**	250,113
Tax paid		**(18,523)**	(35,543)
Net cash generated from operating activities		**339,032**	214,570
Investing activities			
Payment for the purchase of property, plant and equipment		**(81)**	(4,724)
Expenditure on construction in progress		**(99,631)**	(156,025)
Payment for interests in leasehold land held for own use under operating leases		**–**	(86,170)
Increase in other financial assets		**(167,000)**	–
Decrease/(increase) in restricted bank deposits		**949,126**	(486,963)
Placement of fixed deposit held at bank with maturity over three months		**(10,000)**	–
Other cash flows arising from investing activities		**35,551**	30,299
Net cash generated from/(used in) investing activities		**707,965**	(703,583)
Financing activities			
Payments of repurchase of shares		**(47,949)**	(52,663)
Dividends paid to equity shareholders of the Company		**(54,854)**	(51,926)
Proceeds from new bank loans		**2,840,166**	1,683,977
Repayment of bank loans		**(3,817,203)**	(1,459,642)
Other cash flows arising from financing activities		**(53,785)**	(42,045)
Net cash (used in)/generated from financing activities		**(1,133,625)**	77,701
Net decrease in cash and cash equivalents		**(86,628)**	(411,312)
Cash and cash equivalents at 1 January		**518,690**	882,236
Effect of foreign exchange rate changes		**9,210**	(13,557)
Cash and cash equivalents at 30 June	*17*	**441,272**	457,367

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 15 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 2015 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 2015 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 18 March 2016.

As at 30 June 2016, the Group has net current liabilities amounted to RMB380,817,000 (31 December 2015: RMB420,204,000). 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 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

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	
	2016	2015
	RMB'000	*RMB'000*
Polyester filament yarns products	**2,575,281**	2,700,410
Polyester thin films products	**148,414**	80,588
	2,723,695	2,780,998

The Group's customer base is diversified and includes one customer (six months ended 30 June 2015: one customer) with whom transactions have exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2016. The amount of sales to this customer amounted to approximately RMB293,736,000 (six months ended 30 June 2015: RMB362,343,000).

5 OTHER REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**23,024**	33,718
Government grants	**1,513**	11,190
Gain on sales of raw materials	**7,937**	9,156
Others	**6**	54
	32,480	54,118

Government grants of RMB1,513,000 and RMB11,190,000 for the six months ended 30 June 2016 and 2015 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 GAIN/(LOSS)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Donations	**(62)**	(74)
Net exchange loss	**(3,918)**	(19,076)
Net loss on sale of property, plant and equipment	**–**	(27)
Net gain on financial assets and liabilities at fair value through profit or loss	**22,763**	9,523
Others	**337**	935
	19,120	(8,719)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank advances and other borrowings	**27,258**	38,741
Other interest expenses	**8,420**	6,560
	35,678	45,301
(b) Staff costs:		
Contributions to defined contribution retirement plans	**2,243**	1,654
Salaries, wages and other benefits	**103,003**	82,180
	105,246	83,834

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*

(c) Other items:

	2016	2015
Amortisation of interests in leasehold land held for own use under operating leases	**4,838**	4,838
Depreciation	**139,906**	139,162
Operating lease charges in respect of properties	**252**	180
Research and development costs*	**82,832**	74,231
Cost of inventories**	**2,417,205**	2,467,448

* *Research and development costs include RMB30,148,000 and RMB25,691,000 for the six months ended 30 June 2016 and 2015 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 RMB195,530,000 and RMB171,020,000 for the six months ended 30 June 2016 and 2015 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	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period	**21,147**	41,812
Under/(Over)-provision in respect of prior years	**986**	(721)
	22,133	41,091
Deferred tax		
Origination and reversal of temporary differences	**11,031**	10,476
	33,164	51,567

(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 2016 and 2015.

(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 for a valid period of three 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）is subject to PRC income tax rate at 25%.

(v) For the period of six months ended 30 June 2015, the Group had been charged an additional one-off tax by the local tax authorities. The payment was non-refundable and non-deductible tax expenses of RMB20,008,000, which was paid by Billion Fujian.

* *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:

	2016	2015
	RMB'000	*RMB'000*
Interim dividend declared after the interim period of HK3.5 cents per share (2015: HK3.0 cents per share)	**64,906**	53,951

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	
	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, HK3.0 cents per share (2014: HK3.0 cents per share)	**54,854**	51,926

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 RMB130,125,000 (six months ended 30 June 2015: RMB113,331,000) and the weighted average of 2,173,126,000 ordinary shares (six months ended 30 June 2015: 2,202,639,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2016 and 2015, 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
	2016	2015
	RMB'000	*RMB'000*
Net book value, at 1 January	**4,211,722**	4,432,372
Exchange adjustments	**946**	2,803
Additions	**122**	2,441
Transfer from construction in progress *(note 12)*	**532,580**	52,912
Disposals	**–**	(394)
Depreciation charge for the period/year	**(139,906)**	(278,412)
At 30 June/31 December	**4,605,464**	4,211,722

12 CONSTRUCTION IN PROGRESS

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
At 1 January	**832,831**	745,545
Additions	**84,741**	140,198
Transfer to property, plant and equipment *(note 11)*	**(532,580)**	(52,912)
At 30 June/31 December	**384,992**	832,831

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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Raw materials	**136,657**	159,608
Work in progress	**20,051**	21,321
Finished goods	**236,750**	348,894
	393,458	529,823

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 2016	At 31 December 2015
	RMB'000	*RMB'000*
Current	**610,904**	586,912
Less than 1 month past due	**2,975**	1,185
More than 1 month but less than 3 months past due	**2,066**	104
More than 3 months but less than 1 year past due	**368**	732
Trade debtors and bills receivable	**616,313**	588,933
Deposits, prepayments and other receivables	**519,212**	475,453
Derivative financial assets		
– Forward exchange contracts	**17,250**	3,869
	1,152,775	1,068,255
Less: Non-current portion of deposits and prepayments	**(272,579)**	(242,255)
	880,196	826,000

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.

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 2016.

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 OTHER FINANCIAL ASSETS

Other financial assets represented unlisted available-for-sale securities.

As at 30 June 2016, the Group had invested in wealth management products issued by a reputable bank in the PRC with an aggregate principal amount of RMB167,000,000. There are no fixed or determinable returns of these bank wealth management products and the principals are not protected. The financial assets are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Deposits with banks within three months to maturity when placed	**200,000**	150,038
Cash at bank and in hand	**241,272**	368,652
	441,272	518,690

18 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**318,445**	421,959
More than 3 months but within 6 months	**89,876**	75,931
More than 6 months but within 1 year	**602**	1,984
More than 1 year	**2,382**	357
Trade creditors and bills payable	**411,305**	500,231
Other payables and accrual charges	**214,398**	196,691
Equipment payables	**54,998**	39,100
Construction payables	**1,502**	1,651
Receipts in advance	**181,656**	158,942
Financial liabilities measured at amortised cost	**863,859**	896,615
Derivative financial liabilities		
– Forward exchange contracts	**5,146**	14,472
– Interest rate swaps	**182**	237
	869,187	911,324

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

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Provision of PRC income tax	**55,822**	52,212

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Deferred tax liabilities/(assets) arising from:		
Charged/(credited) to profit or loss:		
– Depreciation and amortisation of property, plant and equipment	**144,590**	135,234
– Others	**(15,384)**	(17,059)
	129,206	118,175
Charged/(credited) to reserves:		
– Available-for-sale securities: Net movement in the fair value reserve during the period	**122**	–
	129,328	118,175

(c) Deferred tax assets not recognised

At 30 June 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB120,411,000 (31 December 2015: RMB117,323,000) 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 2016, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,574,582,000 (31 December 2015: RMB2,440,309,000). Deferred tax liabilities of RMB128,729,000 (31 December 2015: RMB122,015,000) 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.

20 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		*HK$*
Authorised			
At 31 December 2015 and 30 June 2016	0.01	10,000,000,000	100,000,000

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$		*HK$*	*RMB*
Issued and fully paid:					
At 1 January 2015		0.01	2,208,492,000	22,084,920	18,572,148
Repurchase of shares		0.01	(18,456,000)	(184,560)	(155,204)
At 30 June 2015		0.01	2,190,036,000	21,900,360	18,416,944
Repurchase of shares		0.01	(11,876,000)	(118,760)	(99,871)
At 31 December 2015 and 1 January 2016		**0.01**	**2,178,160,000**	**21,781,600**	**18,317,073**
Repurchase of shares	*20(a)(ii)*	**0.01**	**(12,598,000)**	**(125,980)**	**(105,942)**
At 30 June 2016		**0.01**	**2,165,562,000**	**21,655,620**	**18,211,131**

(ii) Purchase of own shares

During the interim period, the Company repurchased its own 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 2016	332,000	4.59	4.29	1,224
March 2016	2,022,000	4.38	4.18	7,204
April 2016	6,736,000	4.85	4.24	25,160
May 2016	1,852,000	4.95	4.78	7,528
June 2016	1,656,000	4.90	4.72	6,833
	12,598,000			47,949

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 12,598,000 shares were repurchased in the six months ended 30 June 2016 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 RMB106,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$57,101,000 (equivalent to RMB47,843,000) 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 2016 was HK$696,764,000; equivalent to RMB642,329,000; as at 31 December 2015 was HK$822,396,000 (equivalent to RMB747,958,000).

(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.

(vi) ***Fair value reserve***

The fair value reserve comprises the net change in the fair value of available-for-sale securities held at the end of the reporting period.

21 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 2016 categorised into		
	Fair value at 30 June 2016	**(Level 1)**	**(Level 2)**	**(Level 3)**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity instruments:				
– Unlisted	**167,816**	**–**	**167,816**	**–**
Derivative financial instruments:				
– Forward exchange contracts	**17,250**	**–**	**17,250**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	**5,146**	**–**	**5,146**	**–**
– Interest rate swaps	**182**	**–**	**182**	**–**

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		(Level 1)	(Level 2)	(Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	3,869	–	3,869	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	14,472	–	14,472	–
– Interest rate swaps	237	–	237	–

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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 financial assets in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rates as at the end of the reporting period. The discount rate used is derived from the relevant onshore Renminbi Swap curve as at the end of the reporting period plus an adequate constant credit spread.

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.

22 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Authorised but not contracted for	**172,539**	191,927
Contracted for	**293,991**	257,423
	466,530	449,350

23 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	
	2016	2015
	RMB'000	*RMB'000*
Short-term employee benefits	**2,664**	2,588
Post-employment benefits	**39**	37
	2,703	2,625

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	
	2016	2015
	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")	**10,628**	13,024
Purchase of materials		
CECEP Costin Group	**47**	52

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
	2016	2015
	RMB'000	*RMB'000*
Trade and other receivables from CECEP Costin Group	**3,194**	–
Receipt in advance from CECEP Costin Group	**1,963**	3,049

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

With the sluggish European economy in the first half of 2016 and continuous uncertainties in the external environment caused by Brexit, the European economy's road to recovery was jerky and harsh. The slowdown in recovery of the US economy, the declining urgency to raise US interest rate, and the stabilizing U.S dollar index mitigated the outflow of international capital from emerging markets in Asia. In the Asia-Pacific region, domestic demand in Asian emerging economies were still stable due to the impact of low unemployment rates and commodity prices, while external demand was weak and foreign trade was still lack-lustre. Global crude oil futures prices generally closed high in the first half of 2016 while the focus regarding the trend of oil prices will continue to be on the changes in the global inventory and supply of crude oil in the second half of 2016.

In the first half of 2016, China's GDP growth rate maintained at 6.7% which was in line with the objective of growth set up at the beginning of the year. It responded successfully to the economic downward pressure, showing the achievements made by economic policy "stable growth" last year and laid a foundation to further "adjust its structure" in the second half of the year. From an internal perspective of China's economic development, the "three-phase aggregated" challenges from the simultaneous dealing of slowing down in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies continued 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 RMB681.6 billion in the first half of 2016, representing a year-on-year increase of 7.0%, which demonstrated the development trend of "making stability while making progress slowly".

INDUSTRY REVIEW

The textile industry in China is closely related to the macro-economic development of the country. With China's economy having entered into a "new normal state", the growth of textile industry in China decelerated. Textiles export in China began to restore with a slight increase due to the accelerating depreciation in RMB. The consumer confidence saw fluctuations in recent months and while it was improved as compared with that in 2015, however, the growth was still low as a whole. Hence, the room for growth was limited.

For polyester filament yarns, the investments in new technology have led to a decrease in production costs and together with the dropping of market prices of mono ethylene glycol ("**MEG**"), the price of chemical fiber products, therefore, 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 were no new players entering the polyester thin films industry in China during the period under review, and the second and third production lines of the Group were formally put into production during the period under review, and we leveraged 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 and the low cost has hindered the trading volume of polyester thin films. The price of polyester thin films also adjusted downwards. 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. Also, with the commencement of production of the second and third production lines of the Group's functional environmentally-friendly polyester thin films during the period under review, the sales volume of the Group had maintained a stable growth during the period under review.

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. 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. During the period under review, the Group's research and development expenses amounted to RMB82,832,000, representing 3.0% of its revenue. Our research and development efforts mainly focus on improving product quality, reducing production costs, improving production efficiency, and strengthening our effort in recruitment of talents to enhance the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.

The Group strived to establish a digital and intelligent automatic chemical fiber production workshop, and is the front runner of realizing the full process intelligent automatic production in the industry. Moreover, the semi-automated storage and retrieval system and fully automated storage and retrieval system in Zone C of the Group have commenced operation. The automated storage and retrieval system adopts equipment such as shelves, stacker, chain conveyor and shuttle, applies computer control system and bar code technologies in store in or out, and achieves complete automation, labour-free operation within the internal storage. The automated storage and retrieval system shortens the time spent for stock in or stock out, improves space utilization, increases management efficiency, saves labour costs, and enables the Group to package its products in exterior packaging with a higher quality and further improves the brand image of the products of the Group.

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 customized 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 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 period under review increased by RMB31,600,000 or 7.7%, which represents a significant increase in brand popularity and market share in overseas markets.

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. Our production capacity of polyester thin films has been expanding orderly. The fourth and fifth production lines of the Group are currently at the commissioning stage, while the second and third production lines have formally commenced operation during the period under review. It is expected that the designed production capacity of polyester thin films will reach 255,000 tons per year after the expansion plan of polyester thin films is fully completed, and the sales of polyester thin films and its proportion in the Group's total revenue will be further increased by that time.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB2,723,695,000 (for the first half of 2015: RMB2,780,998,000), representing a decrease of 2.1% as compared to the same period last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB2,575,281,000, accounting for 94.6% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB148,414,000, accounting for 5.4% of the total revenue. The revenue analysis of the two products is as follows:

Polyester filament yarns

The continuous relatively strong economic downward pressure faced by the Chinese economy and the market decline of polyester filament yarns products had affected the overall revenue of the Group. Revenue attributable to the sales of polyester filament yarns products for the period under review was RMB2,575,281,000, representing a decrease of RMB125,129,000 as compared to the revenue of RMB2,700,410,000 in the first half of 2015 or a decrease of 4.6%. The average selling price of polyester filament yarns during the period under review was RMB7,444 per ton, representing a decrease of RMB359 or 4.6% as compared to the average selling price of RMB7,803 per ton in the first half of 2015. The market demand for the Group's Products remained robust and the sales volume of the Group's polyester filament yarns products during the period under review was 345,969 tons, which maintained a stable momentum as compared to the sales volume of 346,081 tons in the first half of 2015.

Polyester thin films

The machines for the fourth and fifth production lines of the Group for the functional environmentally-friendly polyester thin films are currently at the commissioning stage, while the second and third production lines were officially put into operation in May 2016. Upon the completion of the expansion plan of polyester thin films, our total production capacity of polyester thin films will reach 255,000 tons per year, and by that time, we will become the largest polyester thin film production enterprise in Southern China. Revenue attributable to the sales of polyester thin film products for the period under review was RMB148,414,000, representing an increase of RMB67,826,000 as compared to the revenue of RMB80,588,000 in the first half of 2015 or an increase of 84.2%. The average selling price of polyester thin films during the period was RMB7,720 per ton, representing a decrease of RMB1,464 or 15.9% as compared to the average selling price of RMB9,184 per ton in the first half of 2015. The Group's polyester thin films can be widely used in various sectors including packaging, magnetic materials, imaging, industry, electronics and electrical appliances, with its principal products positioning at the middle and high-end markets both domestic and abroad.

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**			
	2016		2015		**2016**		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**1,832,565**	**67.3%**	2,091,700	75.2%	**230,521**	**63.1%**	254,872	71.8%
FDY	**556,450**	**20.5%**	387,261	13.9%	**80,512**	**22.0%**	51,894	14.6%
POY and others*	**186,266**	**6.8%**	221,449	8.0%	**34,936**	**9.6%**	39,315	11.1%
Sub-total	**2,575,281**	**94.6%**	2,700,410	97.1%	**345,969**	**94.7%**	346,081	97.5%
Polyester thin films	**148,414**	**5.4%**	80,588	2.9%	**19,224**	**5.3%**	8,775	2.5%
Total	**2,723,695**	**100.0%**	2,780,998	100.0%	**365,193**	**100.0%**	354,856	100.0%

* *"Others" represents 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 increased from 14.7% in the first half of 2015 to 16.1% during the period under review. Approximately 83.9% of the Group's revenue was generated from domestic market sales, of which 61.8% were from sales to customers in Fujian Province and 18.2% to customers in the adjacent Guangdong Province. While maintaining its domestic market share and position in Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets, where it provided customized product development services to its customers and developed strategic partnerships.

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**1,683,673**	**61.8%**	1,829,227	65.8%
Guangdong Province	**494,201**	**18.2%**	463,866	16.6%
Other provinces	**106,116**	**3.9%**	79,800	2.9%
Export sales	**439,705**	**16.1%**	408,105	14.7%
Total	**2,723,695**	**100.0%**	2,780,998	100.0%

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

2. *Cost of Sales*

Cost of sales of the Group for the period under review was RMB2,417,205,000, representing a decrease of 2.0% as compared to the cost of sales of RMB2,467,448,000 in the first half of 2015. 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 RMB2,284,367,000, accounting for 94.5% of the total cost of sales. The cost of sales for polyester thin films was RMB132,838,000, accounting for 5.5% 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 RMB6,921 per ton in the first half of 2015 to RMB6,603 per ton during the period under review, representing a decrease of RMB318 or 4.6% per ton, which was mainly due to the decrease in the selling prices of MEG, one of the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB5,417 per ton in the first half of 2015 to RMB4,927 per ton during the period, representing decrease of RMB490 or 9.0% per ton.

Polyester thin films

Average cost of sales for polyester thin films dropped from RMB8,218 per ton in the first half of 2015 to RMB6,910 per ton during the period under review, representing a decrease of RMB1,308 or 15.9% per ton, 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			
	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**1,132,772**	**46.8%**	1,129,830	45.8%
MEG	**490,351**	**20.3%**	624,548	25.3%
POY and other raw materials	**81,638**	**3.4%**	120,419	4.9%
Sub-total	**1,704,761**	**70.5%**	1,874,797	76.0%
Manufacturing costs	**570,917**	**23.6%**	516,640	20.9%
Other costs	**8,689**	**0.4%**	3,900	0.2%
Sub-total	**2,284,367**	**94.5%**	2,395,337	97.1%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**109,645**	**4.5%**	57,783	2.3%
Manufacturing costs	**23,032**	**1.0%**	14,255	0.6%
Other costs	**161**	**–**	73	–
Sub-total	**132,838**	**5.5%**	72,111	2.9%
Total	**2,417,205**	**100.0%**	2,467,448	100.0%

3. Gross Profit

Gross profit of the Group for the period under review was RMB306,490,000, which was decreased by RMB7,060,000, representing a decrease of 2.3% as compared to RMB313,550,000 in the first half of 2015. Sales volume of the Group during the period under review increased by 10,337 tons, representing an increase of 2.9% as compared to the first half of 2015. Average selling price of products per ton decreased by an average of RMB379 per ton, representing a decrease of 4.8% from RMB7,837 per ton in the first half of 2015 to RMB7,458 per ton during the period under review, while average cost of products per ton during the period also decreased by an average of RMB334 per ton, representing a decrease of 4.8% from RMB6,953 per ton in the first half of 2015 to RMB6,619 per ton during the period under review. Therefore, the average gross profit of products per ton decreased from RMB884 in the first half of 2015 to RMB839 during the period under review. As the decrease in the average cost of the products per ton was similar to the decrease in the average selling price of the products per ton, gross profit margin of the Group during the period under review remained the same as that for the first half of 2015 at 11.3%.

Polyester filament yarn

Average selling price of polyester filament yarn products per ton decreased by an average of RMB359 per ton, representing a decrease of 4.6% from RMB7,803 per ton in the first half of 2015 to RMB7,444 per ton during the period under review. The average gross profit of polyester filament yarn products per ton decreased from RMB882 per ton in the first half of 2015 to RMB841 per ton during the period. The gross profit margin in the first half of 2015 and during the period under review remained at the 11.3% level.

Polyester thin films

Average selling price of polyester thin films products per ton decreased by an average of RMB1,464 per ton, representing a decrease of 15.9% from RMB9,184 per ton in the first half of 2015 to RMB7,720 per ton during the period under review. The average gross profit of polyester thin films products per ton decreased from RMB966 in the first half of 2015 to RMB810 during the period. The gross profit margin in the first half of 2015 and during the period under review remains at the 10.5% level.

The overall gross profit of the Group during the period under review decreased slightly, and gross profit margin was similar to that in the first half of 2015, 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 and price decrease that gave a combined effect on Group during the period.

Analysis of gross profit by product

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**206,225**	**67.3%**	240,150	76.6%
FDY	**70,943**	**23.1%**	51,707	16.5%
POY and others*	**13,746**	**4.5%**	13,216	4.2%
Sub-total	**290,914**	**94.9%**	305,073	97.3%
Polyester thin films	**15,576**	**5.1%**	8,477	2.7%
Total	**306,490**	**100.0%**	313,550	100.0%

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

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

	For the six months ended 30 June	
	2016	2015
	RMB	*RMB*
Polyester filament yarns		
Average selling price per ton	**7,444**	7,803
Average cost of sales per ton	**6,603**	6,921
Average gross profit per ton	**841**	882
Average gross profit margin	**11.3%**	11.3%
Polyester thin films		
Average selling price per ton	**7,720**	9,184
Average cost of sales per ton	**6,910**	8,218
Average gross profit per ton	**810**	966
Average gross profit margin	**10.5%**	10.5%

4. Other revenue

Other revenue of the Group for the period under review amounted to RMB32,480,000, representing a decrease of 40.0% as compared to RMB54,118,000 in the first half of 2015. Other revenue mainly included bank interest income, income from transfer of materials and gain from government grants. Such change was mainly attributable to the decrease in the amounts of bank interest income and gain from government grants as compared to those of the same period last year.

5. Other net gain/(loss)

Other net gain of the Group during the period under review amounted to RMB19,120,000 (for the first half of 2015: other net loss amounted to RMB8,719,000). Other net gain was mainly attributable to the net exchange loss decrease from RMB19,076,000 in the first half of 2015 to RMB3,918,000 during the period under review and the increase of net gain on financial assets and liabilities at fair value through profit or loss from RMB9,523,000 in the first half of 2015 to RMB22,763,000 during the period under review.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB29,147,000, representing an increase of 28.5% as compared to RMB22,681,000 in the first half of 2015. 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 RMB129,976,000, increased by 3.1% as compared to RMB126,069,000 in the first half of 2015. 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 increase in the costs of research and development on polyester thin films products of the Group during the period.

8. Finance costs

Finance costs of the Group for the period under review amounted to RMB35,678,000, decreased by 21.2% as compared to RMB45,301,000 in the first half of 2015. Such change was mainly due to the decrease in interests on bank advances and other borrowings resulted from a decrease in bank loans.

9. Income tax

Income tax of the Group for the period under review amounted to RMB33,164,000, decreased by 35.7% as compared to RMB51,567,000 in the first half of 2015. Such change 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）in the first half of 2015.

10. Profit for the period

Profit of the Group for the period under review amounted to RMB130,125,000 increased by RMB16,794,000 or 14.8% as compared to RMB113,331,000 in the first half of 2015. It was mainly due to the decrease in finance costs and income tax during the period.

Financial position

1. Liquidity and Capital Resources

As at 30 June 2016, cash and cash equivalent of the Group amounted to RMB441,272,000, and had decreased by RMB77,418,000 or 14.9% as compared to RMB518,690,000 as at 31 December 2015.

During the period under review, net cash inflow from operating activities amounted to RMB339,032,000 (exceeding the profit attributable to shareholders), demonstrating the sound working capital management of the Group. Net cash inflow generated from investing activities amounted to RMB707,965,000, which mainly include the combined effect of the capital expenditure of RMB99,712,000, increase in other financial assets of RMB167,000,000 and the decrease in restricted bank deposits of RMB949,126,000. Net cash outflow used in financing activities amounted to RMB1,133,625,000, which mainly include the net decrease in bank loans of RMB977,037,000, repurchase of shares of RMB47,949,000 and the payment of 2015 final dividends amounting to RMB54,854,000 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 34.8 days (for the first half of 2015: 33.0 days), and there was no significant change for those as compared to the same period last year. The trade receivable turnover days were 40.3 days (for the first half of 2015: 44.2 days), representing a decrease of 3.9 days as compared to the same period last year, which was mainly due to the increase in discounted trade receivables during the period. The trade payable turnover days were 33.1 days (for the first half of 2015: 59.1 days), representing a decrease of 26.0 days as compared to the same period last year, which was mainly due to the Group's shortening of payment terms for securing more discounts.

As at 30 June 2016, the Group had capital commitments of RMB466,530,000, which was mainly used for the expansion of production capacity and development of functional environmentally-friendly polyester thin films business.

2. *Capital Structure*

As at 30 June 2016, the total liabilities of the Group amounted to RMB2,777,198,000, and capital and reserves amounted to RMB5,164,137,000. The gearing ratio (total liabilities divided by total equity) was 53.8%. Total assets amounted to RMB7,941,335,000. The asset liability ratio (total assets divided by total liabilities) was 2.9 times. Bank loans of the Group amounted to RMB1,722,861,000, of which RMB1,707,192,000 were repayable within one year and RMB15,669,000 were repayable after one year. Among the bank borrowings, 12.0% were secured by properties 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 2016.

Contingent Liabilities

As at 30 June 2016, the Group did not have any contingent liability (2015: 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 2016, the Group's foreign currency risk exposure was mainly derived from the net assets exposure denominated in United States Dollars of RMB137,626,000 and net liabilities exposure denominated in Euro of RMB9,550,000.

Employees and Remuneration

As at 30 June 2016, the Group employed a total of 4,094 employees. Remuneration for employees is determined according to 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 according to individual performance.

Business Outlook

The PRC economy has entered a "new normal state", and 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 and 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.

As the largest polyester filament yarns manufacturer in Southern China and China's top 500 private enterprises, 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 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. The Group will facilitate its industry to achieve high-end upgrading from manufacturing to "intelligent manufacturing" by relying on technology innovation and to realize the traditional industry transformation and upgrading to high efficiency with low consumption by virtue of the automatic equipment digitalization, networking and modularization, so as to present a sound momentum with steady improvement in quality and production. In addition, the Group will introduce the biaxial oriented polypropylene film production lines from Dornier in Germany, and then the complete set of equipment will adopt programmed control where the whole production process will be monitored through the central-controlled computer and various kinds of quality products will be produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines of KAMPF in Germany will be introduced. This comprehensive and advanced equipment will guarantee high quality of products. Upon completion of the installation and commissioning of the Group's fourth to fifth production lines of polyester thin films, its production capacity will be further improved. At that time, the proportion of polyester thin films sales volume attributable to the Group's total revenue will be further increased.

Interim Dividend

The Board resolved to declare an interim dividend of HK3.5 cents per share in cash for the six months ended 30 June 2016. The dividend will be paid on 9 September 2016 to those shareholders whose names appear on the Company's register of members on 1 September 2016.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 30 August 2016 to Thursday, 1 September 2016, 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, 29 August 2016.

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 30 June 2016, 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 2016.

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, risk management 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 2016 and this interim results announcement.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 30 June 2016, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	*HK$*	*RMB'000*
January 2016	332,000	4.59	4.29	1,224
March 2016	2,022,000	4.38	4.18	7,204
April 2016	6,736,000	4.85	4.24	25,160
May 2016	1,852,000	4.95	4.78	7,528
June 2016	1,656,000	4.90	4.72	6,833
	12,598,000			47,949

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 12,598,000 shares were repurchased during the six months ended 30 June 2016 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 RMB106,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$57,101,000 (equivalent to approximately RMB47,843,000) 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, 15 August 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. Zeng Wu 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.