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 2016

HIGHLIGHTS

- Revenue for the year ended 31 December 2016 amounted to RMB6,125.3 million, representing an increase of 12.2% compared to the year ended 31 December 2015.
- Profit for the year ended 31 December 2016 amounted to RMB315.4 million, representing an increase of 56.2% compared to the year ended 31 December 2015.
- Earnings per share for the year ended 31 December 2016 amounted to RMB0.15 (2015: RMB0.09).
- A final dividend of HK4.8 cents per share is proposed for 2016, full year dividend amounted to HK8.3 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 2016 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 2016

		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**6,125,251**	5,461,403
Cost of sales		**(5,413,436)**	(4,870,772)
Gross profit		**711,815**	590,631
Other revenue	*3*	**77,979**	107,140
Other net gain/(loss)	*4*	**19,052**	(21,804)
Selling and distribution expenses		**(61,484)**	(47,784)
Administrative expenses		**(291,358)**	(266,708)
Profit from operations		**456,004**	361,475
Finance costs	*5(a)*	**(67,851)**	(88,352)
Profit before taxation	*5*	**388,153**	273,123
Income tax	*6*	**(72,802)**	(71,235)
Profit for the year attributable to equity shareholders of the Company		**315,351**	201,888
Earnings per share			
Basic and diluted *(RMB)*	*8*	**0.15**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
Profit for the year attributable to equity shareholders of the Company	**315,351**	201,888
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	**(94,088)**	(78,025)
Available-for-sale securities: net movement in the fair value reserve	**5,067**	–
	(89,021)	(78,025)
Total comprehensive income for the year attributable to equity shareholders of the Company	**226,330**	123,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment		**4,949,225**	4,211,722
– Construction in progress		**44,979**	832,831
– Interests in leasehold land held for own use under operating leases		**422,078**	431,754
		5,416,282	5,476,307
Deposits and prepayments	*10*	**236,927**	242,255
		5,653,209	5,718,562
Current assets			
Inventories	*9*	**496,442**	529,823
Trade and other receivables	*10*	**598,064**	826,000
Other financial assets		**1,255,848**	–
Restricted bank deposits	*11*	**165,488**	1,308,705
Fixed deposit held at banks with maturity over three months		**150,000**	–
Cash and cash equivalents	*12*	**315,297**	518,690
		2,981,139	3,183,218
Current liabilities			
Trade and other payables	*13*	**1,632,592**	911,324
Bank loans	*14*	**1,592,240**	2,639,886
Current portion of deferred income		**17,365**	–
Current taxation	*15(a)*	**59,793**	52,212
		3,301,990	3,603,422
Net current liabilities		**(320,851)**	(420,204)
Total assets less current liabilities		**5,332,358**	5,298,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Non-current liabilities			
Bank loans	*14*	**15,505**	16,197
Deferred income		**7,810**	–
Deferred tax liabilities	*15(b)*	**137,389**	118,175
		160,704	134,372
NET ASSETS		**5,171,654**	5,163,986
CAPITAL AND RESERVES			
Capital		**18,112**	18,317
Reserves		**5,153,542**	5,145,669
TOTAL EQUITY		**5,171,654**	5,163,986

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. 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.

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 these 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 VAT, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Polyester filament yarns products	**5,459,898**	5,298,177
Polyester thin films products	**665,353**	163,226
	6,125,251	5,461,403

The Group's customer base is diversified. No individual customer (2015: 1 customer) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2016.

3 OTHER REVENUE

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**29,517**	53,608
Government grants	**29,853**	33,315
Sales of raw materials	**18,554**	20,128
Others	**55**	89
	77,979	107,140

Government grants include RMB24,083,000 (2015: RMB33,315,000) 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. The remaining amounted to RMB5,770,000 (2015: nil) were transferred from deferred income to consolidated income statement.

4 OTHER NET GAIN/(LOSS)

	2016	2015
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**7**	975
Donation	**(292)**	(74)
Net exchange loss	**(4,210)**	(9,833)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	**22,058**	(14,332)
Others	**1,489**	1,460
	19,052	(21,804)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**43,991**	70,960
Other interest expenses	**23,860**	17,392
	67,851	88,352

* *No borrowing costs have been capitalised in 2016 (2015: nil).*

(b) Staff costs:

	2016	2015
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**5,714**	3,533
Salaries, wages and other benefits	**203,715**	159,138
	209,429	162,671

(c) Other items:

	2016	2015
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**9,676**	9,676
Depreciation	**296,186**	278,412
Auditors' remuneration	**2,000**	2,340
Operating lease charges in respect of properties	**852**	360
Research and development costs*	**189,888**	165,166
Cost of inventories**	**5,413,436**	4,870,772

* *Research and development costs include RMB69,857,000 (2015: RMB52,947,000) 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 RMB386,542,000 (2015: RMB334,671,000) 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:

	2016	2015
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**53,383**	54,088
Under/(over)-provision in respect of prior years	**986**	(721)
	54,369	53,367
Deferred tax *(note 15(b))*		
Origination and reversal of temporary differences	**18,433**	17,868
	72,802	71,235

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

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**388,153**	273,123
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**100,256**	73,468
Tax effect of non-deductible expenses	**8,292**	5,352
Tax effect of non-taxable income	**(1,734)**	(112)
Tax effect of unused tax losses not recognised	**1,547**	4,009
Under/(over)-provision in prior years	**986**	(721)
Tax concessions *(note (iii))*	**(36,545)**	(30,769)
Others *(note (v))*	**–**	20,008
Actual tax expenses	**72,802**	71,235

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 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 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 RMB20,008,000 paid by Billion Fujian during 2015.

* *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

	2016	2015
	RMB'000	*RMB'000*
Interim dividend declared and paid of 3.5 cents per share (2015: HK3.0 cents per share)	**65,118**	53,951
Final dividend proposed after the end of the reporting period of 4.8 cents per ordinary share (2015: HK3.0 cents per share)	**91,719**	54,443
	156,837	108,394

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

	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 3.0 cents per ordinary share (2015: HK3.0 cents per share)	**54,854**	51,926

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 RMB315,351,000 (2015: RMB201,888,000) and the weighted average of 2,167,330,186 ordinary shares (2015: 2,193,258,203 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at 1 January	**2,178,160,000**	2,208,492,000
Effect of shares repurchased	**(10,829,814)**	(15,233,797)
Weighted average number of ordinary shares	**2,167,330,186**	2,193,258,203

There were no dilutive potential ordinary shares during the years ended 31 December 2016 and 2015, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**154,380**	159,608
Work in progress	**24,420**	21,321
Finished goods	**317,642**	348,894
	496,442	529,823

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB5,413,436,000 (2015: RMB4,870,772,000).

10 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade debtors	**207,402**	408,979
Bills receivable	**188,111**	179,954
Deposits, prepayments and other receivables	**418,018**	475,453
Derivative financial assets – forward exchange contracts	**21,460**	3,869
	834,991	1,068,255
Less: Non-current portion of deposits and prepayments	**(236,927)**	(242,255)
	598,064	826,000

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

As at 31 December 2016, the Group had discounted bank acceptance bills totalling RMB518,455,000 (2015: RMB1,061,256,000) and endorsed bank acceptance bills totalling RMB81,709,000 (2015: RMB134,784,000), 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:

	2016	2015
	RMB'000	*RMB'000*
Current	**394,314**	586,912
Less than 1 month past due	**848**	1,185
More than 1 month but less than 3 months past due	**282**	104
More than 3 months but less than 1 year past due	**69**	732
	1,199	2,021
	395,513	588,933

Trade debtors are due within 90 to 210 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 2016 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 RMB165,488,000 (2015: RMB1,308,705,000) 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

	2016	2015
	RMB'000	*RMB'000*
Deposits with banks and other financial institutions within three months to maturity when placed	**200,000**	150,038
Cash at bank and on hand	**115,297**	368,652
Cash and cash equivalents in the statement of financial position	**315,297**	518,690

At 31 December 2016, cash at bank balances were placed with banks in the PRC amounted to RMB296,816,000 (2015: RMB492,652,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade creditors and bills payable	**992,199**	500,231
Other payables and accrued charges	**209,790**	196,691
Equipment payables	**50,154**	39,100
Construction payables	**962**	1,651
Receipts in advance	**377,710**	158,942
	1,630,815	896,615
Derivative financial liabilities		
– forward exchange contracts	**1,777**	14,472
– interest rate swaps	**–**	237
	1,777	14,709
	1,632,592	911,324

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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**719,697**	421,959
More than 3 months but within 6 months	**222,686**	75,931
More than 6 months but within 1 year	**49,453**	1,984
More than 1 year	**363**	357
	992,199	500,231

14 BANK LOANS

At 31 December 2016, the bank loans were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,592,240**	2,639,886
After 1 year but within 2 years	**1,789**	1,676
After 2 years but within 5 years	**5,367**	5,026
After 5 years	**8,349**	9,495
	15,505	16,197
	1,607,745	2,656,083

At 31 December 2016, the bank loans were secured or guaranteed as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank loans		
– secured	**136,198**	1,131,721
– guaranteed	**1,263,437**	–
– unsecured	**208,110**	1,524,362
	1,607,745	2,656,083

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

	2016	2015
	RMB'000	*RMB'000*
Properties	**49,342**	47,410
Restricted bank deposits *(note 11)*	**118,904**	1,124,771
	168,246	1,172,181

As at 31 December 2016, certain bank loans of Billion Development amounted to RMB1,263,437,000 (2015: nil) were guaranteed by the Company, Billion Fujian and Billion High-tech at nil consideration.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016	2015
	RMB'000	*RMB'000*
Provision for the year	**53,383**	54,088
Under/(over)-provision in respect of prior years	**986**	(721)
Tax paid	**(46,788)**	(47,810)
	7,581	5,557
Balance of tax provision relating to prior years	**52,212**	46,655
	59,793	52,212

(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	Available-for-sale securities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
At 1 January 2016	135,234	–	(17,059)	118,175
Charged to profit or loss *(note 6(a))*	18,019	–	414	18,433
Charged to reserves	–	781	–	781
At 31 December 2016	153,253	781	(16,645)	137,389

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB127,930,000 (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 31 December 2016, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,767,802,000 (2015: RMB2,440,309,000). Deferred tax liabilities of RMB138,390,000 (2015: RMB122,015,000) 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 2016 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Authorised but not contracted for	**250,325**	191,927
Contracted for	**284,792**	257,423
	535,117	449,350

(b) At 31 December 2016, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**1,272**	360
After 1 year but within 5 years	**5,089**	1,440
Over 5 years	**4,840**	1,170
	11,201	2,970

The Group is the lessee in respect of oil storage area and warehouse held under an operating lease. The lease runs for an initial period of 10 to 20 years. It does not include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

The global economic growth remained stable in 2016. However, with trade protectionism emerging and the wave of de-globalization proliferating, the growth rate of emerging market economies continued to decline. Among the developed economies, the U.S. economy gave a strong come back after experiencing the sluggishness in the first half of 2016, while the continued sluggish European economy, the on-going uncertainties in the external environment caused by Brexit made the European economy's road to recovery jerky and harsh.

With the continued support of policy stimulation, China's economic growth was slightly stronger than expected. The sales and purchases in commodity markets recorded strong recovery. In recent few months, the prices of bulk commodities had bottomed out, and international oil price recovered to hit US$50 per barrel after experiencing 8 months of continuous decline in 2016, but the average price for the year was still depressed as compared with that of 2015. In 2016, China's GDP growth rate maintained at 6.7%, which was in line with the objective of growth set at the beginning of the year. The economy in the PRC responded successfully to the economic downward pressure, showing a stable recovery in domestic consumption, improved quality and efficiency in development. It showed the achievements made by economic policy of "stable growth" last year. Based on the view from an internal perspective of China's economic development, the "three-phase aggregated" challenges as a result of 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. According to data from the National Bureau of Statistics of the PRC, in 2016, the ultimate consumption in China contributed 64.6% of China's GDP growth, which was an important momentum in driving the growth of the economy. Retail sales of apparel, footwear and textile products amounted to RMB1,443.3 billion in 2016, representing a year-on-year increase of 7.0%, among which, the sales in December 2016 was RMB162.9 billion, representing a year-on-year increase of 7.1%. Facing complicated international situations, the PRC economic growth rate still remained the development momentum of "making stability while making progress slowly, making progress while maintaining stability" in 2016.

INDUSTRY OVERVIEW

The textile industry in China is closely related to the macro-economic development of the country. In 2016, it recorded a stable growth in terms of size and efficiency of the textile industry in China, continued its deepening structural adjustment, stable improvement in innovation capacity, and made new progress in sustainable development. Meanwhile, the textile industry in China and the macro-economy in China faced the challenges of the conflict between innovation development and transformation upgrading, the conflict of production capacity structure and effective demands, as well as the conflict of environment constraint and economic development. The pace of "going out" in relation to the overseas layout of textile enterprises was accelerated and the progress of the "One Belt One Road" in China created favorable conditions for expanding international markets of textile industry and maintaining its market share, and the Group has also prepared well for developing the overseas polyester bottle chip and polyester filament yarns production business in Vietnam.

There were significant changes in the demand and supply pattern of the polyester filament yarns industry in 2016, in particular the recovery of differentiated polyester filament yarn industry in the second half of 2016, the price of polyester filament yarn increased in a stable manner, and profitability of enterprise improved. On the other hand, with the investments in new technology 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. As there are relatively few companies which produce polyester thin films in Southern China, and the Group had completed the entire expansion plan for the functional environmentally-friendly polyester thin films production during the year under review, it becomes the largest polyester thin films manufacturer in Southern China. 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.

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, also, the differentiated polyester filament yarn industry recovered in the second half of 2016. Market demand for the Group's products remained strong and sales volume of the Group continued to maintain a stable growth during the year 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. 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 470 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 innovative 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 64.8%. 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.

Intelligent automatic production technology

Billion Fujian, the "China's top 500 private enterprises", is the largest polyester filament yarns manufacturer in Southern China, and an "innovation enterprise" of technological and innovative projects of Fujian Province. By relying on technology innovation and striving to establish a digital and intelligent automatic chemical fiber production workshop, it is the front runner of realizing the full process intelligent automatic production in the industry. It meets the intelligent and digital requirements in processes such as design, process, manufacturing, testing and logistics for differential and functional polyester filament yarn products in segments covering sports, leisure, home furnishings and apparel, increases the proportion of functional and differential products, shortens the research and development cycle of new products, and improves labour productivity, significantly reduces labour works intensity, increases energy efficiency utilization and reduces the cost of enterprise operation. By leveraging on the digitalization, networking and modularization of automatic equipment, the Group keeps on improving its products' quality and production volume. 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.

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.

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 sales of polyester thin films and its proportion in the Group's total revenue will be further increased.

Continuous implementation of Standardized Management

The Group continued its implementation of standardized management in 2016, concretely improved and strengthened its fundamental management. The Group further optimized the improvement of its management system, operation mechanism, remuneration system to improve the enterprise culture and management concept. It achieved management flow and procedures, operational management indication system and operating procedure standardization in key segments, enable the Group to have oversight of the entire process management in meeting the organisation objectives and responsibilities and to improve various operational indices effectively.

Market development

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 year under review increased by RMB70,783,000 or 8.8%, which represents a significant increase in brand popularity and market share in overseas markets.

Production capacity expansion

As of 31 December 2016, the Group's designed production capacity for FDY and POY was 785,000 tons per year, and for DTY, it was 513,000 tons per year. In addition, the expansion plan for the Group's functional environmentally-friendly polyester thin films production has also completed in 2016. As of 31 December 2016, the designed production capacity of polyester thin films was 255,000 tons per year, of which, the designed production capacity of BOPET thin films was 182,500 tons per year.

Product research and development

As of 31 December 2016, the Group owned 98 national patents registered in China and had applied for 112 national patents. Among all of the Group's patented products, 57 of them have already been applied to our products sold to customers. Research and development activities of the Group relied on its experienced research and development team. Our research and development expenditure was RMB189,888,000 in 2016, representing 3.1% of our total revenue.

For the year ended 31 December 2016, revenue generated from the Group's differentiated products amounted to RMB3,966,347,000, accounted for 64.8% 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

The Group is in strict compliance with the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Conserving Energy" and other environmental protection 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 enterprise standards which are more stringent 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. Billion Fujian passed the Switzerland OEKO Environmental Protection Product First Class Recognition for seven 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 six years, and its thin film products passed the random inspection of products used for food of Fujian Provincial Bureau of Quality and Technical Supervision four years in succession.

In terms of 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.

HUMAN-ORIENTED, FACTORY IS HOME AND CO-DEVELOPMENT

We believe our 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 Company created an accommodating and buffered harbour for employees through turning staff individuality into a complete family, whereby staff's sense of belonging improved significantly. The Group adopted humanized measures such as giving heavy weights to "Married Couple Workers", running kindergartens, "Charity Direct", organize "Summer and Winter Camps", "Weekend Workshops" and "Psychological Consultation Room for Teenagers" and established after-school tutoring platform for the children of our staff. In addition, we provide activity centers and entertainment venues for our staff 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 regularly and organize staff outdoor travel to stimulate staff enthusiasm to the Group.

In September 2016, the Charity Foundation of the Group organized a donation activity named "Donate a book to make a dream come true". All the books donated were specially delivered to Wawushe Primary School（瓦吾社小學）in Zhaojue County, Sichuan Province by the Company. Apart from bringing pabulum to the children in the impoverished mountainous regions, it also cultivates staff's spirit of consideration of others. In October 2016, the Group established the "Billion Charity Foundation" to collaborate the labour union's foundation for mutual medical care, wedding and death, so as to provide an unfailing supply of charity support and hardship security for the Group's staff and their families.

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 job satisfaction and morale.

Occupational Development Plan

The Group cultivates itself 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 "Baihong-Tianjin University Network Education College" to nourish and train talented professionals.

Emphasis 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 openings, with equal promotion opportunities among all staff, and emphasizes on staff's individual moral self-cultivation.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2016 was RMB6,125,251,000, representing an increase of 12.2% as compared to RMB5,461,403,000 in 2015. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,459,898,000, accounting for 89.1% of total revenue. Revenue attributable to the sales of polyester thin films was RMB665,353,000, accounting for 10.9% of total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

The Group adopts the world advanced melt-direct spinning differentiated chemical fiber production line, and possesses the leading spinning and texturing equipment and technology in the industry. The Group positions its polyester filament yarn products in the middle and high-end markets both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame resistant, abrasion-resistant, super-soft, super-shining and antibacterial. The products are widely used in the production of high-end fabrics and textiles for various apparel, footwear, home furnishings and for industrial.

Revenue attributable to the sales of polyester filament yarn products for the year under review was RMB5,459,898,000, representing an increase of RMB161,721,000 or 3.1% as compared to RMB5,298,177,000 in 2015. The average selling price of polyester filament yarns in the year under review was RMB7,511 per ton, representing a decrease of RMB272 or 3.5% as compared to RMB7,783 per ton in 2015.

During the year under review, the Group further made optimized adjustment to product mix with higher product differentiation rate. The drop in 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. By benefiting from the recovery of the differentiated polyester filament yarn industry in the second half of 2016 and increasing brand recognition overseas, the market demand for the Group's polyester filament yarn products went up continuously, and the sales volume of polyester filament yarns of the Group for the year increased to 726,911 tons during the year under review from 680,716 tons in 2015 (representing an increase of 46,195 tons or 6.8%). During the year under review, despite the decline in average selling price of our polyester filament yarn as compared to 2015, the average selling price in the second half of 2016 represented a significant increase as compared to the first half year.

Polyester thin films

The Group completed the entire expansion plan for producing functional environmental-friendly polyester thin films during the year under review, and with the second to fifth production lines were officially put into operation, the Group's production capacity of polyester thin films reached 255,000 tons per year. It become the largest polyester thin film production enterprise in Southern China.

Revenue attributable to the sales of polyester thin film products for the year under review was RMB665,353,000, representing a significant increase of RMB502,127,000 or 307.6% as compared to RMB163,226,000 in 2015. The average selling price of polyester thin films in the year under review was RMB6,940 per ton, representing a decrease of RMB1,728 or 19.9% as compared to RMB8,668 per ton in 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.

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 to conduct research and development on various categories of thin film products under different raw material formulae and various technological conditions. For its products, the Group passed the ISO9001 quality control system and national QS audit certification, and obtained the "food use plastic packaging materials" product permit, thereby fulfill entirely the standardized and regulating corporate management standard. The Company will continue to realize business growth through enhancing new market expansion, seeking for opportunities, integrating with national planning and policies for the chemical fiber industry and polyester thin film industry.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2016		2015		**2016**		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**3,650,041**	**59.6%**	4,047,256	74.1%	**450,398**	**54.8%**	492,615	70.4%
FDY	**1,295,982**	**21.1%**	785,279	14.4%	**183,749**	**22.3%**	107,745	15.4%
POY	**117,000**	**1.9%**	144,232	2.6%	**17,955**	**2.2%**	21,531	3.1%
Other polyester filament yarn products*	**396,875**	**6.5%**	321,410	5.9%	**74,809**	**9.1%**	58,825	8.4%
Sub-total	**5,459,898**	**89.1%**	5,298,177	97.0%	**726,911**	**88.4%**	680,716	97.3%
Polyester thin films								
BOPET thin films	**585,410**	**9.6%**	163,226	3.0%	**81,516**	**9.9%**	18,831	2.7%
Other polyester thin film products**	**79,943**	**1.3%**	–	–	**14,352**	**1.7%**	–	–
Sub-total	**665,353**	**10.9%**	163,226	3.0%	**95,868**	**11.6%**	18,831	2.7%
Total	**6,125,251**	**100.0%**	5,461,403	100.0%	**822,779**	**100.0%**	699,547	100.0%

* *Other polyester filament yarn products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.*

** *Other polyester thin film products represent polyester chips, polyester films and wasted filament generated during the production process.*

Sales by geographic region

The Group continued to actively expanding and consolidating its market share in overseas market by improving its service quality and increasing its brand recognition. Although the percentage of export sales revenue of the Group declined slightly from 14.8% in 2015 to 14.3% during the year under review, the export sales revenue increased by 8.8% from RMB806,598,000 in 2015 to RMB877,381,000 during the year under review. Approximately 85.7% of the Group's revenue was generated from domestic market sales, of which 58.4% were from sales to customers in Fujian Province and 20.3% to customers in the adjacent Guangdong Province. The textile manufacturing industries in both provinces are booming, resulting in a strong demand for the Group's products. 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

	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**3,579,238**	**58.4%**	3,591,023	65.8%
Guangdong Province	**1,243,551**	**20.3%**	881,923	16.1%
Other provinces	**425,081**	**7.0%**	181,859	3.3%
Export sales*	**877,381**	**14.3%**	806,598	14.8%
Total	**6,125,251**	**100.0%**	5,461,403	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 2016 was RMB5,413,436,000, representing an increase of 11.1% as compared to RMB4,870,772,000 in 2015. Such an increase was primarily attributable to a combined impact of an increase in sales volume, the drop in both raw materials prices and average manufacturing costs of products per ton. The cost of sales for polyester filament yarns was RMB4,824,801,000, accounting for 89.1% of total cost of sales. The cost of sales for polyester thin films was RMB588,635,000, accounting for 10.9% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales revenue.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB6,934 per ton in 2015 to RMB6,637 per ton during the year under review, representing a decrease of RMB297 or 4.3%, which was mainly due to the decrease in the selling prices of MEG, the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB5,303 per ton in 2015 to RMB5,087 per ton during the year under review, representing a decrease of RMB216 or 4.1%. The Group's key raw materials, namely PTA and MEG, accounted for 68.3% of total cost of sales, the prices of which were directly affected by crude oil price – a key raw material of PTA and MEG.

Polyester thin films

The average cost of sales for polyester thin films dropped from RMB7,991 per ton in 2015 to RMB6,140 per ton during the year under review, representing a decrease of RMB1,851 or 23.2%, which was mainly because of the second to fifth production lines of polyester thin films that were formally put into production during the year under review, resulting in a drop in the average manufacturing cost of polyester thin film products per ton. In addition, the average price of raw materials for polyester thin films dropped from RMB6,367 per ton in 2015 to RMB5,401 per ton during the year under review, representing a decrease of RMB966 per ton or 15.2%.

Analysis of cost of sales

	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,450,244**	**45.3%**	2,219,046	45.5%
MEG	**1,069,631**	**19.7%**	1,181,627	24.3%
POY and other raw materials	**178,056**	**3.3%**	209,130	4.3%
Sub-total	**3,697,931**	**68.3%**	3,609,803	74.1%
Manufacturing costs	**1,110,789**	**20.5%**	1,103,831	22.7%
Other costs	**16,081**	**0.3%**	6,667	0.1%
Sub-total	**4,824,801**	**89.1%**	4,720,301	96.9%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**517,747**	**9.6%**	119,892	2.5%
Manufacturing costs	**70,106**	**1.3%**	30,391	0.6%
Other costs	**782**	**0.0%**	188	0.0%
Sub-total	**588,635**	**10.9%**	150,471	3.1%
Total	**5,413,436**	**100.0%**	4,870,772	100.0%

Analysis of product sales cost (Average per ton)

	2016		2015	
	RMB (Per ton)	***Percentage***	*RMB (Per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**3,371**	**50.8%**	3,260	47.0%
MEG	**1,471**	**22.2%**	1,736	25.1%
POY and other raw materials	**245**	**3.7%**	307	4.4%
Sub-total	**5,087**	**76.7%**	5,303	76.5%
Manufacturing costs	**1,528**	**23.0%**	1,621	23.4%
Other costs	**22**	**0.3%**	10	0.1%
Sub-total	**6,637**	**100.0%**	6,934	100.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**5,401**	**88.0%**	6,367	79.7%
Manufacturing costs	**731**	**11.9%**	1,614	20.2%
Other costs	**8**	**0.1%**	10	0.1%
Sub-total	**6,140**	**100.0%**	7,991	100.0%
Total	**6,579**		6,963	

3. Gross Profit

The gross profit of the Group in 2016 was RMB711,815,000, which had increased by RMB121,184,000, representing an increase of 20.5% as compared to RMB590,631,000 in 2015. Sales volume of the Group during the year under review increased by 123,232 tons, representing an increase of 17.6% as compared to 2015. Average selling price of products decreased by RMB362 per ton, representing a decrease of 4.6% from RMB7,807 in 2015 to RMB7,445 during the year under review, while average cost of products decreased by RMB384 per ton, representing a decrease of 5.5% from RMB6,963 in 2015 to RMB6,579 during the year under review. Therefore, the average gross profit of products per ton increased from RMB844 in 2015 to RMB865 during the year under review. As the decrease in the average cost of products per ton was much higher than the decrease in average selling price of products per ton, gross profit margin was increased by 0.8 percentage points from 10.8% in 2015 to 11.6% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarn decreased by an average of RMB272 per ton, representing a decrease of 3.5% from RMB7,783 in 2015 to RMB7,511 during the year under review. The average gross profit of polyester filament yarn per ton increased from RMB849 in 2015 to RMB874 during the year under review. The gross profit margin increased by 0.7 percentage points from 10.9% in 2015 to 11.6% during the year under review.

Polyester thin films

Average selling price of polyester thin films decreased by RMB1,728 per ton, representing a decrease of 19.9% from RMB8,668 in 2015 to RMB6,940 during the year under review. The average gross profit of polyester thin films per ton increased from RMB677 in 2015 to RMB800 during the year under review. The gross profit margin increased by 3.7 percentage points from 7.8% in 2015 to 11.5% 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 decrease in average manufacturing cost of products per ton arising from the orderly completion of entire expansion plan of the polyester thin film production, as well as the recovery of the differentiated polyester filament yarn industry in the second half of 2016.

Analysis of gross profit by product

	2016		2015	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**439,626**	**61.8%**	445,334	75.4%
FDY	**163,101**	**22.9%**	94,523	16.0%
POY	**6,459**	**0.9%**	5,359	0.9%
Other polyester filament yarn products*	**25,911**	**3.6%**	32,660	5.5%
Sub-total	**635,097**	**89.2%**	577,876	97.8%
Polyester thin films				
BOPET thin films	**74,897**	**10.5%**	12,755	2.2%
Other polyester thin film products**	**1,821**	**0.3%**	–	–
Sub-total	**76,718**	**10.8%**	12,755	2.2%
Total	**711,815**	**100.0%**	590,631	100.0%

* *Other polyester filament yarn products represent PET chips and wasted filament generated during the production process.*

** *Other polyester thin film products represent polyester chips, polyester films and wasted filament generated during the production process.*

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

	2016	2015
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**7,511**	7,783
Average cost of sales	**6,637**	6,934
Average gross profit	**874**	849
Average gross profit margin	**11.6%**	10.9%
Polyester thin films		
Average selling price	**6,940**	8,668
Average cost of sales	**6,140**	7,991
Average gross profit	**800**	677
Average gross profit margin	**11.5%**	7.8%

4. Other revenue

Other revenue of the Group in 2016 amounted to RMB77,979,000, representing a decrease of 27.2% as compared to RMB107,140,000 in 2015. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such a decrease was mainly 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 supporting fund for foreign trade, Chinese government's fund for energy conservation and emission reduction, polyester filament yarn melt-direct spinning intelligent and digital workshop and large capacity differentiated polyester polyamide integration technology and application fund.

5. Other net gain/(loss)

Other net gain of the Group in 2016 amounted to RMB19,052,000 (2015: other net loss amounted to RMB21,804,000). Other net gain mainly comprised the combined effect of net gain on financial assets and liabilities at fair value through profit or loss of RMB22,058,000 (2015: net loss amounted to RMB14,332,000) and the net exchange loss of RMB4,210,000 (2015: RMB9,833,000) during the year under review.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2016 amounted to RMB61,484,000, representing an increase of 28.7% as compared to RMB47,784,000 in 2015. Selling and distribution expenses mainly included transportation cost, wages of our sales staff, operation 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 in 2016 amounted to RMB291,358,000, increased by 9.2% as compared to RMB266,708,000 in 2015. Administrative expenses mainly included research and development costs, depreciation of 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 year.

8. Finance costs

Finance costs of the Group in 2016 amounted to RMB67,851,000, decreased by 23.2% as compared to RMB88,352,000 in 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 in 2016 amounted to RMB72,802,000, increased by 2.2% as compared to RMB71,235,000 in 2015. Such change was mainly due to the combined effect of the recovery of the differentiated polyester filament yarn industry in the second half of 2016, increase in sales of polyester thin film products arising from the completion of entire expansion plan of the Group's polyester thin film production during the year under review and income tax expenses expected to be non-refundable of approximately RMB20,008,000 which was paid by Billion Fujian in 2015. Billion Fujian, a principal subsidiary of the Group and has been awarded as a high technology enterprise, was able to enjoy corporate income tax at the concessionary rate of 15% in 2016. Billion High-tech, another principal subsidiary of the Group, is subject to a corporate income tax rate of 25%.

10. Profit for the year

Profit of the Group for the year 2016 amounted to RMB315,351,000, increased by RMB113,463,000 or 56.2% as compared to RMB201,888,000 in 2015. Net profit margin was 5.1%, increased by 1.4 percentage points as compared to 3.7% in 2015. It was mainly due to the recovery of the differentiated polyester filament yarn industry in the second half of 2016 and the increase in sales of polyester thin film products arising from the completion of whole expansion plan of the Group's polyester thin film production during the year under review.

Financial Position

1. *Liquidity and capital resources*

As at 31 December 2016, cash and cash equivalent of the Group amounted to RMB315,297,000, decreased by RMB203,393,000 or 39.2% as compared to RMB518,690,000 as at 31 December 2015. 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 RMB1,706,828,000 and net cash outflow used in investing activities amounted to RMB451,250,000 and net cash outflow from financing activities amounted to RMB1,469,766,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year under review, inventory turnover days were 34.6 days (2015: 35.4 days), decreased by 0.8 days as compared to the same period last year. Accounts receivable turnover days were 29.3 days (2015: 43.2 days), representing a decrease of 13.9 days as compared to last year, which was mainly due to the efficiency gains resulting from improved accounts receivable collection procedures. The trade payable turnover days were 55.3 days (2015: 49.5 days), representing an increase of 5.8 days as compared to last year.

As at 31 December 2016, the Group had capital commitments of RMB535,117,000, 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 2016, the total liabilities of the Group amounted to RMB3,462,694,000, and capital and reserves amounted to RMB5,171,654,000. The gearing ratio (total liabilities divided by total equity) was 67.0%. Total assets amounted to RMB8,634,348,000. The debt-to-assets ratio (total assets divided by total liabilities) was 2.5 times. Bank loans of the Group amounted to RMB1,607,745,000, of which RMB1,592,240,000 were repayable within one year and RMB15,505,000 were repayable after one year. Among the bank borrowings, 10.5% were secured by properties 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 2016.

Contingent Liabilities

As at 31 December 2016, the Group did not have any contingent liabilities (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 31 December 2016, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in Euro of RMB11,248,000.

Employees and Remuneration

As at 31 December 2016, the Group had a total of 4,102 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 Directors believe the PRC economy will continue to progress in accordance with its master economic guideline of "making progress while maintaining stability". The Group will intensify innovation facilitation and continue to enhance new market expansion, and integrate with national planning and policies for the chemical fiber industry and polyester thin film industry and the opportunities brought by "One Belt One Road" to develop the overseas polyester bottle chip business and polyester filament yarns production business in Vietnam. It is expected that the total investment amounts are approximately US$65,000,000 and approximately US$64,000,000 respectively. Vietnam's advantageous location in the region provides convenient conditions for procurement and transportation of raw and auxiliary materials, and with a huge market capacity exists in neighboring markets, the Group may capture the growing market demand for polyester thin films and polyester filament yarns through these investments. Hence, the Group considers that there is a good potential to develop the polyester bottle chip business and polyester filament yarns business in Vietnam and believes that these new investments will benefit the Group and generate good financial returns.

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. The Group has established long-term business relationships with several domestic well-known garments and shoes manufacturers. 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 continue to enhance corporate branding marketing and establishment to improve the international competitiveness of the Group's products.

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 the industrial chains of textile-related industries. 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.

The continuous launching of new products enables the products of the Company to cover wider application segments, to cut-in more differential segmented market. By leveraging on higher value-to-cost, certain products replaced imported similar products and corresponding products in other materials, effectively resisted the risks brought by competition, and ensured the profitability and growth of the Company while integrating the technology and cost advantages at the time of forming new sectors for profit growth. By benefiting from the completion of entire expansion plan for functional environmentally-friendly polyester thin films production during the year under review, it is expected that further increase would be made in the sales of polyester thin films products and also its proportion to the total revenue of the Group in 2017.

The management team of the Group has many years of industry experience and has stronger technical ability, which can timely grasp the market development trend, understand market demand, and actively launch new products to meet market demand, thereby improving the competitiveness and influence of the Company. The management of the Company advocates a human-oriented approach, established highly effective incentive mechanism, stress mechanism and assurance mechanism, which fully stimulates and mobilizes the initiative, proactivity and creativity of staff. 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 HK4.8 cents per share of the Company for the year ended 31 December 2016. 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 18 May 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 5 May 2017 to Wednesday, 10 May 2017 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming 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 Thursday, 4 May 2017.

Further, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Thursday, 18 May 2017, 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 Monday, 15 May 2017.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Wednesday, 24 May 2017, to shareholders whose names appear on the register of members of the Company on Thursday, 18 May 2017.

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 2016. 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 2016, 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 2016.

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 2016. 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 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
July 2016	488,000	4.90	4.76	2,029
August 2016	986,000	4.95	4.80	4,084
September 2016	1,242,000	4.85	4.70	5,140
October 2016	1,870,000	4.83	4.50	7,596
November 2016	3,292,000	5.30	4.70	14,246
December 2016	3,892,000	5.53	4.87	17,646
	24,368,000			98,690

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 24,368,000 shares were repurchased in 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 RMB205,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$114,852,000 (equivalent to RMB98,485,000) 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 2016 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 2016 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
Chairman

Hong Kong, 17 March 2017

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