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 2017

HIGHLIGHTS

- Revenue for the year ended 31 December 2017 amounted to RMB7,025.3 million, representing an increase of 14.7% compared to the year ended 31 December 2016.
- Profit for the year ended 31 December 2017 amounted to RMB516.1 million, representing an increase of 63.7% compared to the year ended 31 December 2016.
- Earnings per share for the year ended 31 December 2017 amounted to RMB0.24 (2016: RMB0.15).
- A final dividend of HK8.4 cents per share is proposed for 2017, full year dividend amounted to HK14.3 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 2017 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 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*2*	**7,025,317**	6,125,251
Cost of sales		**(6,011,995)**	(5,413,436)
Gross profit		**1,013,322**	711,815
Other revenue	*3*	**84,807**	77,979
Other net gain	*4*	**32,500**	19,052
Selling and distribution expenses		**(85,519)**	(61,484)
Administrative expenses		**(348,830)**	(291,358)
Profit from operations		**696,280**	456,004
Finance costs	*5(a)*	**(64,988)**	(67,851)
Profit before taxation	*5*	**631,292**	388,153
Income tax	*6*	**(115,149)**	(72,802)
Profit for the year attributable to equity shareholders of the Company		**516,143**	315,351
Earnings per share			
Basic and diluted *(RMB)*	*8*	**0.24**	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit for the year attributable to equity shareholders of the Company	**516,143**	315,351
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss (after tax):		
Exchange differences on translation of financial statements of operations outside mainland China	**105,344**	(94,088)
Available-for-sale securities: net movement in the fair value reserve	**12,849**	5,067
	118,193	(89,021)
Total comprehensive income for the year attributable to equity shareholders of the Company	**634,336**	226,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment		**4,834,198**	4,949,225
– Construction in progress		**130,127**	44,979
– Interests in leasehold land held for own use under operating leases		**425,369**	422,078
		5,389,694	5,416,282
Intangible assets		**8,324**	–
Deposits and prepayments	*10*	**470,418**	236,927
		5,868,436	5,653,209
Current assets			
Inventories	*9*	**797,742**	496,442
Trade and other receivables	*10*	**1,340,875**	598,064
Other financial assets		**2,171,077**	1,255,848
Restricted bank deposits	*11*	**135,740**	165,488
Fixed deposit held at banks with maturity over three months		**–**	150,000
Cash and cash equivalents	*12*	**161,241**	315,297
		4,606,675	2,981,139
Current liabilities			
Trade and other payables	*13*	**1,597,376**	1,632,592
Bank loans	*14*	**3,129,828**	1,592,240
Current portion of deferred income		**7,539**	17,365
Current taxation	*15(a)*	**85,383**	59,793
		4,820,126	3,301,990
Net current liabilities		**(213,451)**	(320,851)
Total assets less current liabilities		**5,654,985**	5,332,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank loans	*14*	**12,818**	15,505
Deferred income		**792**	7,810
Deferred tax liabilities	*15(b)*	**155,511**	137,389
		169,121	160,704
NET ASSETS		**5,485,864**	5,171,654
CAPITAL AND RESERVES			
Capital		**17,886**	18,112
Reserves		**5,467,978**	5,153,542
TOTAL EQUITY		**5,485,864**	5,171,654

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

As at 31 December 2017, the Group recorded net current liabilities totalling RMB213,451,000 (2016: RMB320,851,000). In view of such circumstance, 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 end of the reporting period 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 operates in a single business, manufacture and sales of polyester products in a single geographical region, which is 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:

	2017	2016
	RMB'000	*RMB'000*
Polyester filament yarns products	**5,720,028**	5,459,898
Polyester thin films products	**1,305,289**	665,353
	7,025,317	6,125,251

The Group's customer base is diversified. No individual customer (2016: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2017.

3 OTHER REVENUE

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**25,055**	29,517
Government grants	**38,786**	29,853
Sales of raw materials	**20,627**	18,554
Others	**339**	55
	84,807	77,979

Government grants include RMB21,334,000 (2016: RMB24,083,000) 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 RMB17,452,000 (2016: RMB5,770,000) were transferred from deferred income to consolidated income statement.

4 OTHER NET GAIN

	2017	2016
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**374**	7
Donation	**(100)**	(292)
Net exchange loss	**(5,572)**	(4,210)
Net (loss)/gain on forward foreign exchange contracts	**(15,680)**	22,058
Available-for-sale securities:		
reclassified from equity on disposal	**46,196**	–
Insurance compensation	**4,722**	374
Others	**2,560**	1,115
	32,500	19,052

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**55,894**	43,991
Other interest expenses	**9,094**	23,860
	64,988	67,851

* *No borrowing costs have been capitalised in 2017 (2016: nil).*

(b) Staff costs:

	2017	2016
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**5,960**	5,714
Salaries, wages and other benefits	**219,924**	203,715
	225,884	209,429

(c) **Other items:**

	2017	2016
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**9,935**	9,676
Amortisation of intangible assets	**654**	–
Depreciation	**327,916**	296,186
Auditors' remuneration	**2,100**	2,000
Operating lease charges in respect of properties	**1,191**	852
Research and development costs*	**236,279**	189,888
Cost of inventories**	**6,011,995**	5,413,436

* *Research and development costs include RMB98,285,000 (2016: RMB69,857,000) 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 RMB395,230,000 (2016: RMB386,542,000) 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:**

	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**100,903**	53,383
(Over)/under-provision in respect of prior years	**(1,496)**	986
	99,407	54,369
Deferred tax *(note 15(b))*		
Origination and reversal of temporary differences	**15,742**	18,433
	115,149	72,802

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**631,292**	388,153
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**161,530**	100,256
Tax effect of non-deductible expenses	**7,804**	8,292
Tax effect of non-taxable income	**(2)**	(1,734)
Tax effect of unused tax losses not recognised	**2,843**	1,547
(Over)/under-provision in prior years	**(1,496)**	986
Tax concessions *(note (iv))*	**(55,530)**	(36,545)
Actual tax expenses	**115,149**	72,802

(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 2017 and 2016.

(iii) The PRC's statutory tax rate is 25%.

(iv) 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.

(v) 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") was approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2017 to 2019 which entitles Billion High-tech to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

* *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

	2017	2016
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK5.9 cents per share (2016: HK3.5 cents per share)	**105,278**	65,118
Final dividend proposed after the end of the reporting period of HK8.4 cents per ordinary share (2016: HK4.8 cents per share)	**144,309**	91,719
	249,587	156,837

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

	2017	2016
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.8 cents per ordinary share (2016: HK3.0 cents per share)	**91,127**	54,854

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 RMB516,143,000 (2016: RMB315,351,000) and the weighted average of 2,141,832,477 ordinary shares (2016: 2,167,330,186 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	**2,153,792,000**	2,178,160,000
Effect of shares repurchased	**(11,959,523)**	(10,829,814)
Weighted average number of ordinary shares	**2,141,832,477**	2,167,330,186

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**278,290**	154,380
Work in progress	**31,049**	24,420
Finished goods	**488,403**	317,642
	797,742	496,442

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB6,011,995,000 (2016: RMB5,413,436,000).

10 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade debtors	**85,913**	207,402
Bills receivable	**214,207**	188,111
Deposits, prepayments and other receivables	**1,011,173**	418,018
Derivative financial assets		
– forward exchange contracts	**–**	21,460
Structured deposits	**500,000**	–
	1,811,293	834,991
Less: Non-current portion of deposits and prepayments	**(470,418)**	(236,927)
	1,340,875	598,064

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

As at 31 December 2017, the Group had discounted bank acceptance bills totalling RMB62,099,000 (2016: RMB518,455,000) and endorsed bank acceptance bills totalling RMB144,961,000 (2016: RMB81,709,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

The Group placed principal-guaranteed structured deposits in a reputable bank in the PRC amounting to RMB500,000,000 (31 December 2016: nil) with term of 178 days. The expected annual rate of returns include a fixed rate of 1.75% and floating rates ranged from 2.31% to 2.35% which are indexed to the price of gold in London Gold Market.

Non-current portion of deposits and prepayments represents deposits for acquisition of interests in leasehold land, property, plant and equipment, construction materials and deposits for construction service.

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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**186,579**	181,470
1 to 2 months	**73,693**	89,969
2 to 3 months	**26,760**	80,682
Over 3 months	**13,088**	43,392
	300,120	395,513

Trade debtors are due within 90 to 210 days from the date of billing.

(b) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**295,253**	394,314
Less than 1 month past due	**4,042**	848
1 to 3 months past due	**477**	282
3 months to 1 year past due	**348**	69
	4,867	1,199
	300,120	395,513

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 2017 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 RMB135,740,000 (2016: RMB118,904,000) were pledged to the banks to secure certain bank loans *(see note 14)*. At 31 December 2016, the restricted bank deposits of RMB46,584,000 was pledged to secure certain bills payable.

12 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2017	2016
	RMB'000	*RMB'000*
Deposits with banks and other financial institutions within three months to maturity when placed	**–**	200,000
Cash at bank and on hand	**161,241**	115,297
	161,241	315,297

At 31 December 2017, cash at bank balances were placed with banks in the PRC amounted to RMB138,935,000 (2016: RMB296,816,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade creditors and bills payable	**787,829**	992,199
Other payables and accrued charges	**224,385**	209,790
Equipment payables	**47,527**	50,154
Construction payables	**29,039**	962
Receipts in advance	**507,899**	377,710
	1,596,679	1,630,815
Derivative financial liabilities		
– forward exchange contracts	**697**	1,777
	1,597,376	1,632,592

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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**680,522**	719,697
More than 3 months but within 6 months	**105,387**	222,686
More than 6 months but within 1 year	**84**	49,453
More than 1 year	**1,836**	363
	787,829	992,199

14 BANK LOANS

At 31 December 2017, the bank loans were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year or on demand	**3,129,828**	1,592,240
After 1 year but within 2 years	**1,672**	1,789
After 2 years but within 5 years	**5,015**	5,367
After 5 years	**6,131**	8,349
	12,818	15,505
	3,142,646	1,607,745

At 31 December 2017, the bank loans were secured or guaranteed as follows:

	2017	2016
	RMB'000	*RMB'000*
Bank loans		
– secured	**150,230**	136,198
– guaranteed	**1,618,416**	1,263,437
– unsecured	**1,374,000**	208,110
	3,142,646	1,607,745

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

	2017	2016
	RMB'000	*RMB'000*
Properties	**44,914**	49,342
Restricted bank deposits *(note 11)*	**135,740**	118,904
	180,654	168,246

As at 31 December 2017, certain bank loans of Billion Development amounted to RMB1,474,416,000 (2016: RMB1,263,437,000) were jointly guaranteed by the Company, Billion Fujian and Billion High-tech at nil consideration. And certain bank loans of Billion High-tech amounted to RMB144,000,000 (2016: nil) were guaranteed by Billion Fujian at nil consideration.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017	2016
	RMB'000	*RMB'000*
Provision for the year	**100,903**	53,383
(Over)/under-provision in respect of prior years	**(1,496)**	986
Tax paid	**(73,817)**	(46,788)
	25,590	7,581
Balance of tax provision relating to prior years	**59,793**	52,212
	85,383	59,793

(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 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
At 1 January 2017	**153,253**	**781**	**(16,645)**	**137,389**
Charged/(credit) to profit or loss *(note 6(a))*	**17,954**	**–**	**(2,212)**	**15,742**
Charged to reserves	**–**	**2,380**	**–**	**2,380**
At 31 December 2017	**171,207**	**3,161**	**(18,857)**	**155,511**

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB153,208,000 (2016: RMB127,930,000) 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 2017, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB3,223,063,000 (2016: RMB2,767,802,000). Deferred tax liabilities of RMB161,153,000 (2016: RMB138,390,000) 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.

16 COMMITMENTS

(a) Capital commitments in respect of property, plant and equipment outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Authorised but not contracted for	**3,176,350**	250,325
Contracted for	**961,740**	284,792
	4,138,090	535,117

(b) At 31 December 2017, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**1,272**	1,272
After 1 year but within 5 years	**5,089**	5,089
Over 5 years	**3,567**	4,840
	9,928	11,201

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 economy continued its recovery in 2017 with continued economic expansion and moderate inflation overall. The economies in U.S.A., Eurozone and Japan saw continuous improvements, while emerging economies showed rapid growth as a whole. The capital market was active while the bulk commodity market improved steadily. In addition, after the Brexit process is launched and the US presidential election concluded, the uncertainties of global policies significantly reduced and the desires of enterprises to invest and people to consume escalated.

In 2017, China's GDP exceeded RMB82.7 trillion, representing a growth of 6.9%, which continued the momentum of "making progress while maintaining stability" and the overall situation was better than expected. In 2017, the economic structure continued to optimize and consumption continued to serve as an important engine for economic growth, while domestic demand continued to be an important factor in supporting the stable economic growth in mainland China. In addition, China' foreign trade once again picked up its growth. After facilitating the "One Belt One Road" initiative in the past two to three years, many infrastructure projects along the route are under implementation and posed positive support for machinery and equipment and raw materials export from mainland China, benefiting its performance in foreign trade. Moreover, lowering production capacity was successful and the new economy and new industries also developed rapidly. According to data from the National Bureau of Statistics of the PRC, in 2017, the ultimate consumption in China contributed 58.8% to China's GDP growth, which was an important momentum in driving the growth of the economy. The retail sales of apparel, footwear, hats and textile products amounted to RMB1.4557 trillion in 2017, representing a year-on-year increase of 7.8%, among which, the sales in December 2017 was RMB166.4 billion, representing a year-on-year increase of 9.7%. With the continued support of policy stimulation, China's economy continued its steady and healthy development trend, industrial structure continued to optimize and employment rate was above expected target, resident income increased steadily, consumer sentiment continued to improve, and the sales and purchases in commodity markets recorded strong recovery.

INDUSTRY REVIEW

The textile industry in China is closely related to the nation's macro-economic development. The accelerating global economic recovery and bouncing back of international market demand stimulated textile products export in the PRC. The stable growth in domestic macro-economy provided positive support for demand in domestic market. The growth in urban and rural resident income, construction of new types of urbanization and full implementation of the Two-Child Policy had facilitated the growth in consumption of upgraded textile products. The growth rate in the value-added textile industry was gradually stabilized, and industrial development was basically transited from a slowing down period to a dull and stable period. In addition, the countries along the "One Belt One Road" of China are the major destinations of China's export in textile machinery, the progress of the "One Belt One Road" and the pace of "going out" in relation to the overseas layout of textile enterprises was accelerated and created favorable conditions for expanding the 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.

The apparel industry entered a new re-stocking stage as a result of its rebound in 2017, which had driven the strong demand for polyester filament yarns and raw material price increase in polyester filament yarns. The continuous recovery in polyester filament yarns industry had demonstrated significant improvement in industry operation, inventory and profitability. On the other hand, the integration of polyester filament yarns supply-side capacity and improved industry supply pattern had driven the stable increase in polyester filament yarns price which saw a further growth in enterprise profitability.

The downstream industry of polyester thin films comprises mainly businesses engaged in production and sale of plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. With the constant application expansion of polyester thin films in downstream industry, product differentiated development is the trend of industry development. Investing and producing various functional thin films products with special features will become the direction of development for polyester thin films enterprises. There was no significant new player entering the polyester thin films industry in China during the year under review. The Group will strive to be 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 amount

The Group continued to strive for product quality improvement and development of differentiated products during the year under review. The market demand for the Group's products remained strong. Also, with the continuous recovery in the differentiated polyester filament yarn industry, the sales of the Group recorded a stable growth during the year under review.

The prominent research and development as well as our innovation capacity are the foundation of our sustainable development. We emphasize on and persist to pursuing the technology innovation approach of a combination of "Production, Learning, Research and Application". 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 research and develop new products and enhance product added value, and improve the brand values and competitive strengths of the Company.

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 ongoing launching of new products which served as a guidance to the market. The Group brought in scalable cost advantages through large-scale and advanced production equipment, most of our key equipment are 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.

The Group has a research and development team which comprises over 550 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 product quality and personalized quality service. During the year under review, the Group's product differentiation rate reached 72.0%. Such a high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales amount.

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, improve labour productivity, product quality, research and development capacity of new products and energy efficiency utilization, so as to form a new model of reproducible polyester filament yarn melt-direct spinning intelligent manufacturing and promote for industry application, as well as leading the industry transformation and upgrade.

In addition, the Group strived to establish a digital and intelligent fully automatic chemical fiber production workshop, and is the front runner of realizing the full process of intelligent automatic production in the industry. Moreover, the second fully automated three-dimensional storage and retrieval system of the Group have commenced operation during the period under review. The automated storage and retrieval system adopts the double-shelf set-up with all drawn textured yarn ("**DTY**") products stocking in automatically, which further shorten the time spent for stock in or stock out, improving space utilization, increasing management efficiency and saving labour costs. In addition, the automated three-dimensional storage and retrieval system was designed based on the specific environmental conditions. For example, in order to accommodate the local temperature and humidity in Quanzhou, it is designed with rust removal and four-proof measures, namely lightning-proof, damp-proof and rustproof typhoon-proof and stormproof, to ensure the system life and stable operation.

The Group introduced the production lines and research and development equipment for BOPET thin films from Dornier in Germany. 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.

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, focus on customers' experience and timely communicate the feedback from customers to the technology and production center, thus ensuring bilateral interaction and providing fast and efficient product after-sales services. The Group has strived for the integration of differential and functional polyester filament with high quality, which has driven the technological progress of textile products in surrounding areas, enhanced and expanded the industrial chain of regional and even nationwide textile-related industries.

The Group not only has the largest differentiated chemical fiber production base in Southern China, but is also the first in Fujian Province to adopt the world advanced melt-direct spinning differentiated chemical fiber production line, and possesses the leading spinning and texturing equipment and technology in the industry. 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 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 RMB158,093,000 or 18.0%, which represents a further increase in brand popularity and market share in overseas markets.

Production capacity expansion

As of 31 December 2017, the Group's designed production capacity for fully drawn yarn ("**FDY**") and partially oriented yarn ("**POY**") was 785,000 tons per year, for DTY, it was 548,600 tons per year and for polyester thin films, it was 255,000 tons per year, of which, the designed production capacity of BOPET thin films was 182,500 tons per year. In addition, with an aim to achieve high-end upgrading from manufacturing to "intelligent manufacturing", 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, the Group is investing approximately US$222,000,000 to expand its polyester filament yarns businesses, which will go into full operation by the end of 2018. Upon completing the expansion plan, the annual production capacity of the Group's polyester filament yarns products will increase by approximately 220,000 tons.

By endeavoring to intensify its innovation facilitation and 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", the Group has established Billion Industrial (Viet Nam) Co., Ltd. ("**Billion Vietnam**") in Vietnam during the year under review to develop the polyester bottle chip business, polyester filament yarns production facility, and the polyester, POY and FDY production facility in Vietnam. Currently, the project has fully entered into construction phase. The full operation of the facilities can be expected by the end of 2019. It is believed that the new investments will benefit the Group and record favorable financial returns.

Product research and development

The management team of the Group applied scientific management software to (i) achieve networking and informationization management during the course of production; (ii) arrange production allocation among various products; and (iii) allocate equipment between production and research and development to maximize the usage of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enables the Group to constantly launch new products in time targeting at market demand with a view to increase the strengths of product differentiation.

The Group has strong scientific research strengths. Its technology center was awarded as the "State Enterprise Technology Centre" and "High-Tech Enterprise" and its fiber testing center gained the recognition of CNAS National Laboratory. The Academician Expert Work Station was launched to carry out scientific research projects cooperation. The Group established a "polyester fiber joint research and development center" through collaboration with Donghua University to jointly develop new products. Its independently research and developed project of "melt direct-spun polyester filament yarn spinning project analog computer system and process optimization" was awarded the "First Prize for the Advancement of Science & Technology in Fujian Province".

As of 31 December 2017, the Group owned 112 national patents registered in China and had applied for 121 national patents. Among all of the Group's patented products, 77 of them have already been applied to our products sold to customers. Our research and development expenditure was RMB236,279,000 in 2017, representing 3.3% of our total revenue. Our research and development efforts mainly focus on improving product quality and production efficiency and enhancing the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.

For the year ended 31 December 2017, revenue generated from the Group's differentiated products amounted to RMB5,055,545,000, accounted for 72.0% of its total revenue for the year, representing an increase of RMB1,089,198,000 or 27.5% as compared to 2016. 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 (passed the third review and accreditation in 2017) and OHSAS18001 Occupational Health and Safety Management System to achieve coordinated management and improved the management efficiency of the Group effectively. In addition, Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd. and Fujian Billion High-tech Material Industrial Co., Ltd. under the Group have successively passed the review regarding the three levels of production safety standardization. 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. The Group also passed the EU textile products OEKO Environmental Protection Product First Class Recognition, with all products passed the random product quality inspection of relevant bureaus of quality and technical supervision.

The Group strictly complied with the national environmental protection requirements and pursued the environmental guidelines of "precaution and treatment with precaution as priority" to reinforce and plan environmental protection works. We practiced well clean production and energy saving and consumption cutting and improved the efficiency of resources utilization. The Group insisted on taking technical innovation as a driving force and adopted advanced contamination treatment technologies to control pollutant emissions during the production process, striving to fully complete the internal emission reduction plans.

HUMAN-ORIENTED, FACTORY IS HOME AND CO-DEVELOPMENT

We believe a harmonious employment relationship is a key element of our success. Hence, we constantly adhere to the belief of "Human-oriented, Factory is Home and Co-development" to provide them an improved employment system and ensure fair and equitable protection to all staff, and we strictly comply with relevant labour laws, regulations and industry practices. Apart from providing good promotion prospects and training, the Group also provides a series of facilities and benefits for its staff and their families, which not only develop the career of our staff, but also having a harmonious family and establish a harmonious enterprise with the Group.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2017 was RMB7,025,317,000, representing an increase of 14.7% as compared to RMB6,125,251,000 in 2016. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,720,028,000, accounting for 81.4% of total revenue. Revenue attributable to the sales of polyester thin films was RMB1,305,289,000, accounting for 18.6% of total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

The Group adopts melt-direct spinning differentiated chemical fiber production line which is technologically advanced by global standard, 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 Group's products are widely used in the production of high-end fabrics and textiles for various apparels, footwear, home furnishings and industrial use. Satisfying the needs of the middle and high-end markets both domestically and abroad for textile raw materials is of great significance to the exploration of the industry chain in Southern China.

Revenue attributable to the sales of polyester filament yarn products for the year under review was RMB5,720,028,000, representing an increase of RMB260,130,000 or 4.8% as compared to RMB5,459,898,000 in 2016. The average selling price of polyester filament yarns in the year under review was RMB9,245 per ton, representing an increase of RMB1,734 or 23.1% as compared to RMB7,511 per ton in 2016.

During the year under review, using a market-oriented approach, the Group actively developed the research of the new functional products aspect of its differentiated products that has higher added-value. As affected by the factor of production process, there was a decline in production tons. However, the Group's polyester filament yarn products mainly focused on product quality and technology, whereby bringing a robust growth for the sales revenue of polyester filament yarn products.

Polyester thin films

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 positioned at the middle and high-end markets both domestically and abroad. 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 material" product permit, thereby having fulfilled entirely the standardized and regulating corporate management standard. The Group has introduced 5 biaxial oriented polypropylene film production lines successively from Dornier of Germany, and then the complete set of equipment adopts programmed control where the whole production process is monitored through the central-controlled computer and various kinds of quality products are produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines in KAMPF of Germany have been introduced. This comprehensive and advanced equipment has guaranteed high quality of products. The Group's production capacity of polyester thin films reaches 255,000 tons per year. It has 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 RMB1,305,289,000, representing a significant increase of RMB639,936,000 or 96.2% as compared to RMB665,353,000 in 2016. The average selling price of polyester thin films in the year under review was RMB7,782 per ton, representing an increase of RMB842 or 12.1% as compared to RMB6,940 per ton in 2016.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2017		2016		**2017**		2016	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**4,007,568**	**57.0%**	3,650,041	59.6%	**398,000**	**50.6%**	450,398	54.8%
FDY	**1,114,368**	**15.9%**	1,295,982	21.1%	**127,003**	**16.2%**	183,749	22.3%
POY	**93,748**	**1.3%**	117,000	1.9%	**12,035**	**1.5%**	17,955	2.2%
Other polyester filament yarn products*	**504,344**	**7.2%**	396,875	6.5%	**81,649**	**10.4%**	74,809	9.1%
Sub-total	**5,720,028**	**81.4%**	5,459,898	89.1%	**618,687**	**78.7%**	726,911	88.4%
Polyester thin films								
BOPET thin films	**1,076,319**	**15.3%**	585,410	9.6%	**132,202**	**16.8%**	81,516	9.9%
Other polyester thin film products**	**228,970**	**3.3%**	79,943	1.3%	**35,536**	**4.5%**	14,352	1.7%
Sub-total	**1,305,289**	**18.6%**	665,353	10.9%	**167,738**	**21.3%**	95,868	11.6%
Total	**7,025,317**	**100.0%**	6,125,251	100.0%	**786,425**	**100.0%**	822,779	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 actively expanded and consolidated its market share in overseas market by constantly improving its service quality and increasing its brand recognition. The export sales revenue increased from RMB877,381,000 in 2016 to RMB1,035,474,000 during the year under review, the percentage of export sales revenue also slightly increased from 14.3% in 2016 to 14.7% during the year under review, representing an increase of 0.4 percentage point. Approximately 85.3% of the Group's revenue was generated from domestic market sales, of which 50.5% was from sales to customers in Fujian Province and 25.0% 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. In addition, the Group's polyester chips shops were equipped with professional marketing staff in Ningbo in order to explore other provincial markets, where it provided customized product development services to its customers and developed strategic partners.

Geographic Breakdown of Revenue

	2017		2016	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**3,549,452**	**50.5%**	3,579,238	58.4%
Guangdong Province	**1,758,639**	**25.0%**	1,243,551	20.3%
Other Provinces	**681,752**	**9.8%**	425,081	7.0%
Export sales*	**1,035,474**	**14.7%**	877,381	14.3%
Total	**7,025,317**	**100.0%**	6,125,251	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 2017 was RMB6,011,995,000, representing an increase of 11.1% as compared to RMB5,413,436,000 in 2016. Such an increase was primarily attributable to the increase in raw materials prices. The cost of sales for polyester filament yarns was RMB4,875,834,000, accounting for 81.1% of total cost of sales. The cost of sales for polyester thin films was RMB1,136,161,000, accounting for 18.9% 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

Average cost of sales for polyester filament yarns increased from RMB6,637 per ton in 2016 to RMB7,881 per ton during the year under review, representing an increase of RMB1,244 or 18.7% per ton, which was mainly due to the increase in the selling prices of purified terephthalic acid ("**PTA**") and mono ethylene glycol ("**MEG**"), the raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns increased from RMB5,087 per ton in 2016 to RMB5,976 per ton during the year under review, representing an increase of RMB889 or 17.5% per ton. The Group's key raw materials, namely PTA and MEG, accounted for 71.3% of total cost of sales for polyester filament yarns, 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 increased from RMB6,140 per ton in 2016 to RMB6,774 per ton during the year under review, representing an increase of RMB634 or 10.3% per ton, which was mainly due to the increase in raw materials selling prices of polyester thin films. In addition, the average price of raw materials for polyester thin films increased from RMB5,401 per ton in 2016 to RMB6,026 per ton during the year under review, representing an increase of RMB625 or 11.6% per ton.

Analysis of cost of sales

	2017		2016	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,253,272**	**37.5%**	2,450,244	45.3%
MEG	**1,224,613**	**20.4%**	1,069,631	19.7%
POY and other raw materials	**219,264**	**3.6%**	178,056	3.3%
Sub-total	**3,697,149**	**61.5%**	3,697,931	68.3%
Manufacturing costs	**1,157,984**	**19.3%**	1,110,789	20.5%
Other costs	**20,701**	**0.3%**	16,081	0.3%
Sub-total	**4,875,834**	**81.1%**	4,824,801	89.1%
Polyester thin films				
Cost of raw materials				
PTA	**616,594**	**10.3%**	328,332	6.1%
MEG	**343,768**	**5.7%**	150,387	2.8%
Chips and other raw materials	**50,413**	**0.8%**	39,028	0.7%
Sub-total	**1,010,775**	**16.8%**	517,747	9.6%
Manufacturing costs	**122,612**	**2.0%**	70,106	1.3%
Other costs	**2,774**	**0.1%**	782	0.0%
Sub-total	**1,136,161**	**18.9%**	588,635	10.9%
Total	**6,011,995**	**100.0%**	5,413,436	100.0%

Analysis of product sales cost (Average per ton)

	2017		2016	
	RMB (Per ton)	***Percentage***	*RMB (Per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**3,642**	**46.2%**	3,371	50.8%
MEG	**1,979**	**25.1%**	1,471	22.2%
POY and other raw materials	**355**	**4.5%**	245	3.7%
Sub-total	**5,976**	**75.8%**	5,087	76.7%
Manufacturing costs	**1,872**	**23.8%**	1,528	23.0%
Other costs	**33**	**0.4%**	22	0.3%
Sub-total	**7,881**	**100.0%**	6,637	100.0%
Polyester thin films				
Cost of raw materials				
PTA	**3,676**	**54.3%**	3,425	55.8%
MEG	**2,049**	**30.2%**	1,569	25.6%
Chips and other raw materials	**301**	**4.4%**	407	6.6%
Sub-total	**6,026**	**88.9%**	5,401	88.0%
Manufacturing costs	**731**	**10.8%**	731	11.9%
Other costs	**17**	**0.3%**	8	0.1%
Sub-total	**6,774**	**100.0%**	6,140	100.0%
Total	**7,645**		6,579	

3. *Gross Profit*

The gross profit of the Group in 2017 was RMB1,013,322,000, which had been increased by RMB301,507,000, representing an increase of 42.4% as compared to RMB711,815,000 in 2016. Average selling price of products increased by RMB1,488 per ton, representing an increase of 20.0% from RMB7,445 per ton in 2016 to RMB8,933 per ton during the year under review, while average cost of products increased by RMB1,066 per ton, representing an increase of 16.2% from RMB6,579 per ton in 2016 to RMB7,645 per ton during the year under review. Therefore, the average gross profit of products per ton increased from RMB865 in 2016 to RMB1,288 during the year under review. As the increase in the average selling price of products per ton was much higher than the increase in the average cost of products per ton, the gross profit margin was increased by 2.8 percentage points from 11.6% in 2016 to 14.4% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarn increased by an average of RMB1,734 per ton, representing an increase of 23.1% from RMB7,511 in 2016 to RMB9,245 during the year under review. The average gross profit of polyester filament yarn per ton increased from RMB874 in 2016 to RMB1,364 during the year under review. The gross profit margin increased by 3.2 percentage points from 11.6% in 2016 to 14.8% during the year under review.

Polyester thin films

Average selling price of polyester thin films increased by an average of RMB842 per ton, representing an increase of 12.1% from RMB6,940 in 2016 to RMB7,782 during the year under review. The average gross profit of polyester thin films per ton increased from RMB800 in 2016 to RMB1,008 during the year under review. The gross profit margin increased by 1.5 percentage points from 11.5% in 2016 to 13.0% 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 an increase in the sales price of the Group's products per ton arising from the Group's continuous development of functional new products featuring high quality and technology, as well as the continuous recovery of the differentiated polyester filament yarn.

Analysis of gross profit by product

	2017		2016	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**632,437**	**62.4%**	439,626	61.8%
FDY	**180,267**	**17.8%**	163,101	22.9%
POY	**5,981**	**0.6%**	6,459	0.9%
Other polyester filament yarn products*	**25,509**	**2.5%**	25,911	3.6%
Sub-total	**844,194**	**83.3%**	635,097	89.2%
Polyester thin films				
BOPET thin films	**157,461**	**15.5%**	74,897	10.5%
Other polyester thin film products**	**11,667**	**1.2%**	1,821	0.3%
Sub-total	**169,128**	**16.7%**	76,718	10.8%
Total	**1,013,322**	**100.0%**	711,815	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)

	2017	2016
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**9,245**	7,511
Average cost of sales	**7,881**	6,637
Average gross profit	**1,364**	874
Average gross profit margin	**14.8%**	11.6%
Polyester thin films		
Average selling price	**7,782**	6,940
Average cost of sales	**6,774**	6,140
Average gross profit	**1,008**	800
Average gross profit margin	**13.0%**	11.5%

4. *Other revenue*

Other revenue of the Group in 2017 amounted to RMB84,807,000, representing an increase of 8.8% as compared to RMB77,979,000 in 2016. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such change was mainly attributable to the increase in gain from government grants as compared to that of the same period last year. During the year under review, government grants mainly included polyester filament yarn melt-direct spinning intelligent and digital workshop, leading enterprise innovation and development award, special fund for speeding up the development of machinery equipment industry and informatization and industrialization, special fund for provincial industry and information development and supporting fund for scientific and technological innovation award.

5. *Other net gain*

Other net gain of the Group in 2017 amounted to RMB32,500,000, representing an increase of 70.6% as compared to RMB19,052,000 in 2016. Other net gain mainly comprised the reclassified from equity under the available-for-sale securities, the net (loss)/gain on forward foreign exchange contracts and net exchange loss. Such change was mainly attributable to the combined effect of the reclassified from equity under the available-for-sale securities increased by RMB46,196,000 (2016: nil), net loss on forward foreign exchange contracts of RMB15,680,000 (2016: net gain amounted to RMB22,058,000) and net exchange loss of RMB5,572,000 (2016: RMB4,210,000).

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2017 amounted to RMB85,519,000, representing an increase of 39.1% as compared to RMB61,484,000 in 2016. 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 in other provinces and overseas during the year under review.

7. Administrative expenses

Administrative expenses of the Group in 2017 amounted to RMB348,830,000, increased by 19.7% as compared to RMB291,358,000 in 2016. 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 2017 amounted to RMB64,988,000, decreased by 4.2% as compared to RMB67,851,000 in 2016. Such change was mainly due to the decrease in bills receivable discounting charges during the year under review.

9. Income tax

Income tax of the Group in 2017 amounted to RMB115,149,000, increased by 58.2% as compared to RMB72,802,000 in 2016. Such change was mainly due to an increase of profit before income tax of the Group resulting from the recovery of the differentiated polyester filament yarn industry and the increase in sales volumes of polyester thin film products upon the completion of entire expansion plan of the Group's polyester thin film production. Billion Fujian and Billion High-tech, principal subsidiaries of the Group, have been awarded as high technology enterprises and were able to enjoy corporate income tax at the concessionary rate of 15% in 2017.

10. Profit for the year

Profit of the Group for the year 2017 amounted to RMB516,143,000, increased by RMB200,792,000 or 63.7% as compared to RMB315,351,000 in 2016. Net profit margin was 7.3%, increased by 2.2 percentage points as compared to 5.1% in 2016. It was mainly due to the recovery of the differentiated polyester filament yarn industry and the increase in sales volumes of polyester thin film products upon the completion of entire expansion plan of the Group's polyester thin film production.

Financial Position

1. *Liquidity and capital resources*

As at 31 December 2017, cash and cash equivalent of the Group amounted to RMB161,241,000, decreased by RMB154,056,000 or 48.9% as compared to RMB315,297,000 as at 31 December 2016. Such a decrease was mainly due to the expansion of plants and the purchase of production equipment and the increase of other financing assets during the year under review.

During the year under review, net cash inflow generated from operating activities amounted to RMB275,814,000 and net cash outflow used in investing activities amounted to RMB1,677,919,000 and net cash inflow generated from financing activities amounted to RMB1,254,234,000.

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 39.3 days (2016: 34.6 days), increased by 4.7 days as compared to the same period last year, which was mainly due to the increase in inventories by the Group for sales activities in the second half of the year due to the recovery of the industry. Accounts receivable turnover days were 18.1 days (2016: 29.3 days), representing a decrease of 11.2 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 52.3 days (2016: 55.3 days), which were comparable to those of last year.

As at 31 December 2017, the Group had capital commitments of RMB4,138,090,000, which was mainly used in the expansion of production capacity of polyester filament yarn, the development of the polyester bottle chip business and production facility of polyester filament yarns and the production facilities of polyester, POY and FDY in Vietnam.

2. *Capital Structure*

As at 31 December 2017, the total liabilities of the Group amounted to RMB4,989,247,000, and capital and reserves amounted to RMB5,485,864,000. The gearing ratio (total liabilities divided by total equity) was 90.9%. Total assets amounted to RMB10,475,111,000. The debt-to-assets ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,142,646,000, of which RMB3,129,828,000 were repayable within one year and RMB12,818,000 were repayable after one year. Among the bank borrowings, 4.8% 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 2017.

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities (2016: 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 2017, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in U.S. dollar of RMB79,762,000 and the net liabilities exposure denominated in Euro of RMB7,234,000.

Employees and Remuneration

As at 31 December 2017, the Group had a total of 4,083 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

Along with the continuous recovery in polyester filament yarns industry, the downstream enterprises have entered into the re-stocking stage, which will continue to drive the demand for polyester filament yarns and see further growth in the Group's business. As the largest polyester filament yarns manufacturer in Southern China and China's top 500 private enterprises, the Group will continue to intensify innovation facilitation and enhance new market expansion. Through integrating with national planning and policies for the chemical fiber industry and polyester thin film industry and the opportunities brought by "One Belt One Road", the Group established Billion Vietnam during the year under review for expanding the polyester bottle chip business with an annual capacity of 250,000 tons, polyester filament yarns production facilities with an annual capacity of 165,000 tons, as well as polyester, POY and FDY production facilities with an annual capacity of 220,000 tons in Vietnam, which are expected to be put into full production by the end of 2019.

Through technology innovation, we will continue to improve the processing system of functional differentiated products, improve labour productivity, product quality, research and development capacity of new products and energy efficiency utilization, so as to form a new model of reproducible polyester filament yarn melt-direct spinning intelligent manufacturing and promote for industry application, as well as leading the industry transformation and upgrade. In addition, the Group has introduced the biaxial oriented polypropylene film production lines from Dornier of Germany, as well as the complete set of equipment adopts programmed control where the whole production process is monitored through the central-controlled computer and various kinds of quality products are produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines of KAMPF of Germany have been introduced. This comprehensive and advanced equipment will enable the Group to attain and maintain high quality for its products.

The continuous launching of new products enables the products of the Company to cover wider application segments and penetrate into more differentiated segmented market. By leveraging on higher value-to-cost, certain products replaced similar imported products and alternative products in other materials, effectively resisted the risks brought by competition, and ensured the profitability and growth of the Group while integrating the technology and cost advantages whilst forming new sectors for profit growth. Upon the completion of expansion plan for functional and environmentally friendly polyester thin films production of the Group, the sales volume and sales of polyester thin films products recorded a significant growth, further increase is expected to the sales of polyester thin films products and also its proportion to the total revenue of the Group.

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 and regions such as Turkey, Italy, Belgium, Brazil, United States, Spain and Poland. 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.

By adhering to the mission of "providing eco-friendly products for the public, aspiring to be the world's premier supplier of consumer product materials", the Group implements the operation philosophy of "creating green products". We will continue to provide quality products and service to global customers with professional technology and serious attitude. 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 HK8.4 cents per share of the Company for the year ended 31 December 2017. 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 9 May 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 April 2018 to Monday, 30 April 2018 (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 Tuesday, 24 April 2018.

Further, the register of members of the Company will be closed from Monday, 7 May 2018 to Wednesday, 9 May 2018, 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 Friday, 4 May 2018.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Wednesday, 16 May 2018, to shareholders whose names appear on the register of members of the Company on Wednesday, 9 May 2018.

AUDIT COMMITTEE

The audit committee of the Board had reviewed, together with the management, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2017. 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 2017, 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 2017.

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 2017. 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 2017, the Company bought back its own shares on the Stock Exchange, the details of which are as follows:

Month/Year	Number of shares bought back	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*RMB'000*
January 2017	444,000	5.64	5.25	2,124
March 2017	730,000	5.49	5.17	3,390
April 2017	1,264,000	5.63	5.29	6,079
May 2017	2,558,000	5.84	5.17	12,092
June 2017	760,000	5.66	5.44	3,642
July 2017	12,214,000	5.65	3.65	46,495
August 2017	622,000	5.55	5.45	2,917
September 2017	3,398,000	6.29	5.45	16,543
October 2017	1,998,000	7.70	6.40	12,248
November 2017	2,498,000	8.20	6.95	15,453
December 2017	362,000	9.27	8.48	2,738
Total	26,848,000			123,721

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 26,848,000 shares were bought back in 2017 and the shares bought back 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 RMB226,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$143,168,000 (equivalent to RMB123,495,000) 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 2017 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 2017 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

By order of the Board
Billion Industrial Holdings Limited
Sze Tin Yau
Co-Chairman

Hong Kong, 12 March 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Sze Tin Yau, Mr. Wu Jinbiao, Mr. Wu Zhongqin and Mr. Liu Jingui as executive Directors, Mr. Zeng Wu as non-executive Director and Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming as independent non-executive Directors.