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 2018

HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to RMB8,602.0 million, representing an increase of 22.4% compared to the year ended 31 December 2017.
- Profit for the year ended 31 December 2018 amounted to RMB774.0 million, representing an increase of 50.0% compared to the year ended 31 December 2017.
- Earnings per share for the year ended 31 December 2018 amounted to RMB0.36 (2017: RMB0.24).
- A final dividend of HK5.7 cents per share is proposed for 2018, full year dividend amounted to HK10.4 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 2018 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 2018

	Note	**2018** **RMB'000**	2017 *RMB'000*
Revenue	*2*	**8,602,033**	7,025,317
Cost of sales		**(7,238,112)**	(6,011,995)
Gross profit		**1,363,921**	1,013,322
Other revenue	*3*	**117,342**	84,807
Other net gain	*4*	**103,527**	32,500
Selling and distribution expenses		**(82,772)**	(85,519)
Administrative expenses		**(395,867)**	(348,830)
Profit from operations		**1,106,151**	696,280
Finance costs	*5(a)*	**(172,081)**	(64,988)
Profit before taxation	*5*	**934,070**	631,292
Income tax	*6*	**(160,050)**	(115,149)
Profit for the year attributable to equity shareholders of the Company		**774,020**	516,143
Earnings per share			
Basic and diluted *(RMB)*	*8*	**0.36**	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year attributable to equity shareholders of the Company	**774,020**	516,143
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	**(74,382)**	105,344
Available-for-sale securities: net movement in the fair value reserve (recycling)	**–**	12,849
	(74,382)	118,193
Total comprehensive income for the year attributable to equity shareholders of the Company	**699,638**	634,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment		**4,896,239**	4,834,198
– Construction in progress		**1,203,120**	130,127
– Interests in leasehold land held for own use under operating leases		**504,710**	425,369
		6,604,069	5,389,694
Intangible assets		**12,152**	8,324
Deposits and prepayments	*10*	**862,345**	470,418
		7,478,566	5,868,436
Current assets			
Inventories	*9*	**1,565,282**	797,742
Trade and other receivables	*10*	**1,193,494**	1,340,875
Other financial assets		**1,514,738**	2,171,077
Restricted bank deposits	*11*	**251,830**	135,740
Cash and cash equivalents	*12*	**455,623**	161,241
		4,980,967	4,606,675
Current liabilities			
Trade and other payables	*13*	**2,644,620**	1,597,376
Contract liabilities		**211,784**	–
Bank loans	*14*	**3,295,416**	3,129,828
Current portion of deferred income		**598**	7,539
Current taxation	*15(a)*	**92,137**	85,383
		6,244,555	4,820,126
Net current liabilities		**(1,263,588)**	(213,451)
Total assets less current liabilities		**6,214,978**	5,654,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Bank loans	*14*	**111,683**	12,818
Deferred income		**598**	792
Deferred tax liabilities	*15(b)*	**164,193**	155,511
		276,474	169,121
NET ASSETS		**5,938,504**	5,485,864
CAPITAL AND RESERVES			
Capital		**17,873**	17,886
Reserves		**5,920,631**	5,467,978
TOTAL EQUITY		**5,938,504**	5,485,864

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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments

- HKFRS 15, Revenue from contracts with customers

- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss (FVPL)	17,916
Net increase in retained earnings at 1 January 2018	17,916
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(17,916)
Net decrease in fair value reserve (recycling) at 1 January 2018	(17,916)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**HKFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost			
Cash and cash equivalents	161,241	–	161,241
Restricted bank deposits	135,740	–	135,740
Trade and other receivables *(note (i))*	800,120	(500,000)	300,120
	1,097,101	(500,000)	597,101
Financial assets carried at FVPL			
Other financial assets	–	2,671,077	2,671,077
Financial assets classified as available-for-sale under HKAS 39 *(note (ii))*	2,171,077	(2,171,077)	–

Notes:

(i) Trade and other receivables of RMB500,000,000 were reclassified to financial assets carried at FVPL at 1 January 2018 as a result of the initial application of HKFRS 9.

(ii) Under HKAS 39, other financial assets were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits and trade and other receivables).

The Group recognises that there will be not any material impact in the ECLs of the Group due to the change in accounting policy.

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect these changes in presentation, "Receipts in advance" amounting to RMB507,899,000, which was previously included in trade and other payables are now included under contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

(iii) HK (IFRIC) 22, Foreign currency transactions and advance consideration

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result 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 2018, the Group recorded net current liabilities totalling RMB1,263,588,000 (2017: RMB213,451,000). 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. An analysis on the Group's revenue by product category is set out in note 2.

2 REVENUE

The principal activities of the Group are manufacturing and sales of polyester filament yarns products and polyester thin films products.

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major products is as follows:

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Polyester filament yarns products	**6,784,724**	5,720,028
– Polyester thin films products	**1,817,309**	1,305,289
	8,602,033	7,025,317

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 *(see note 1(ii))*.

The Group's customer base is diversified. No individual customer (2017: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2018.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

As no obvious seasonality in demand for products, the Group has no seasonality in operations.

3 OTHER REVENUE

	2018	2017
	RMB'000	*RMB'000*
Bank interest income	**6,056**	25,055
Government grants	**84,111**	38,786
Sales of raw materials	**26,874**	20,627
Others	**301**	339
	117,342	84,807

Government grants include RMB76,505,000 (2017: RMB21,334,000) 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 amounts of RMB7,606,000 (2017: RMB17,452,000) were transferred from deferred income to consolidated income statement.

4 OTHER NET GAIN

	2018	2017
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**21**	374
Donation	**(81)**	(100)
Net exchange loss	**(6,733)**	(5,572)
Net gain/(loss) on forward foreign exchange contracts	**1,831**	(15,680)
Net realised and unrealised gains on other financial assets	**106,582**	–
Available-for-sale securities: reclassified from equity	**–**	46,196
Insurance compensation	**–**	4,722
Others	**1,907**	2,560
	103,527	32,500

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**127,926**	55,894
Other interest expenses	**44,155**	9,094
	172,081	64,988

* *No borrowing costs have been capitalised in 2018 (2017: nil).*

(b) Staff costs:

	2018	2017
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**7,361**	5,960
Salaries, wages and other benefits	**254,886**	219,924
	262,247	225,884

(c) Other items:

	2018	2017
	RMB'000	*RMB'000*
Amortisation of interests in leasehold land held for own use under operating leases	**12,814**	9,935
Amortisation of intangible assets	**1,840**	654
Depreciation	**338,396**	327,916
Auditors' remuneration	**2,300**	2,100
Operating lease charges in respect of properties	**1,082**	1,191
Research and development costs*	**274,935**	236,279
Cost of inventories**	**7,238,112**	6,011,995

* *Research and development costs include RMB103,763,000 (2017: RMB98,285,000) 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 RMB413,999,000 (2017: RMB395,230,000) 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:

	2018	2017
	RMB'000	*RMB'000*
Current tax – PRC Income Tax		
Provision for the year	**139,405**	100,903
Over-provision in respect of prior years	**(3,517)**	(1,496)
Dividends withholding tax	**15,480**	–
	151,368	99,407
Deferred tax *(note 15(b))*		
Origination and reversal of temporary differences	**8,682**	15,742
	160,050	115,149

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**934,070**	631,292
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**356,747**	161,530
Tax effect of non-deductible expenses	**5,449**	7,804
Tax effect of non-taxable income	**(118,186)**	(2)
Tax effect of unused tax losses not recognised	**2,226**	2,843
Tax effect of use of unused tax losses not recognised in prior years	**(3,087)**	–
Over-provision in prior years	**(3,517)**	(1,496)
Tax concessions *(note (iii) and (iv))*	**(95,062)**	(55,530)
Dividends withholding tax	**15,480**	–
Actual tax expenses	**160,050**	115,149

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

(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 2018 to 2020 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") 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.

(v) 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.

On 6 April 2018, the Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective from 2017 to 2019.

Dividends withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's subsidiaries in the PRC during the year.

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

7 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018	2017
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK4.7 cents per share (2017: HK5.9 cents per share)	**87,898**	105,278
Final dividend proposed after the end of the reporting period of HK5.7 cents per ordinary share (2017: HK8.4 cents per share)	**103,251**	144,309
	191,149	249,587

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8.4 cents per ordinary share (2017: HK4.8 cents per share)	**145,044**	91,127

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 RMB774,020,000 (2017: RMB516,143,000) and the weighted average of 2,125,699,375 ordinary shares (2017: 2,141,832,477 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	**2,126,944,000**	2,153,792,000
Effect of shares repurchased	**(1,244,625)**	(11,959,523)
Weighted average number of ordinary shares	**2,125,699,375**	2,141,832,477

There were no dilutive potential ordinary shares during the years ended 31 December 2018 and 2017, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**394,380**	278,290
Work in progress	**58,078**	31,049
Finished goods	**1,112,824**	488,403
	1,565,282	797,742

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB7,238,112,000 (2017: RMB6,011,995,000).

10 TRADE AND OTHER RECEIVABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors, net of loss allowance *(i)*	**71,482**	85,913	85,913
Bills receivable, net of loss allowance *(i)*	**115,334**	214,207	214,207
Deposits, prepayments and other receivables	**1,869,023**	1,011,173	1,011,173
Structured deposit *(ii)*	**–**	–	500,000
	2,055,839	1,311,293	1,811,293
Less: Non-current portion of deposits and prepayments	**(862,345)**	(470,418)	(470,418)
	1,193,494	840,875	1,340,875

Note:

(i) The Group has concluded that there is no material impact for the initial application of the new ECL model *(see note 1(c)(i))*.

(ii) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise the structured deposit in other financial statements *(see note 1(i))*.

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

As at 31 December 2018, the Group had discounted bank acceptance bills totalling RMB1,224,889,000 (2017: RMB62,099,000) and endorsed bank acceptance bills totalling RMB152,013,000 (2017: RMB144,961,000), which are derecognised as financial assets. These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Among the discounted bank acceptance bills mentioned above, a total of RMB910,000,000 were issued by Fujian Baikai Elastic Weaving Co., Ltd., Fujian Baikai Wrap Knitting Industry Co., Ltd. and Fujian Baikai Textile Chemical Fiber Industry Co., Ltd. (together referred to as "Baikai Group"), a connected party of the Group. The underlying transactions of those bills had been fully settled by bank transfer before those bills were issued. At the request of Baikai Group, which was entitled to settle these underlying transactions by bank transfer or bills, among other means, as its own choice under the relevant contracts, the settlement method of these settled underlying transactions was revised. Billion Fujian complied with Baikai Group's request and agreed to accept the bank acceptance bills for those transactions instead and the cash proceeds received from the underlying transactions were refunded to Baikai Group. Those bank acceptance bills were tendered to the relevant banks for cash payments in accordance with the respective terms of such bills thereafter and the discount expenses were borne by Baikai Group such that the total amount received by the Group was the same as the said amount refunded to Baikai Group.

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.

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 and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**81,086**	186,579
1 to 2 months	**38,223**	73,693
2 to 3 months	**15,750**	26,760
Over 3 months	**51,757**	13,088
	186,816	300,120

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

11 RESTRICTED BANK DEPOSITS

The restricted bank deposits of RMB251,830,000 (2017: RMB135,740,000) were pledged to the banks to secure certain bank loans *(see note 14)*.

12 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2018	2017
	RMB'000	*RMB'000*
Cash at bank and on hand	**455,623**	161,241

At 31 December 2018, cash at bank balances were placed with banks in the PRC amounted to RMB331,023,000 (2017: RMB138,935,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade creditors and bills payable	**1,869,553**	787,829	787,829
Other payables and accrued charges	**268,186**	224,385	224,385
Equipment payables	**429,204**	47,527	47,527
Construction payables	**77,677**	29,039	29,039
Receipts in advance *(note)*	**–**	–	507,899
	2,644,620	1,088,780	1,596,679
Derivative financial liabilities			
– forward exchange contracts	**–**	697	697
	2,644,620	1,089,477	1,597,376

Note: As a result of the adoption of HKFRS 15, receipts in advance are included in contract liabilities.

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,291,519**	680,522
More than 3 months but within 6 months	**573,329**	105,387
More than 6 months but within 1 year	**2,894**	84
More than 1 year	**1,811**	1,836
	1,869,553	787,829

14 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year or on demand	**3,295,416**	3,129,828
After 1 year but within 2 years	**11,752**	1,672
After 2 years but within 5 years	**80,257**	5,015
After 5 years	**19,674**	6,131
	111,683	12,818
	3,407,099	3,142,646

At 31 December 2018, the bank loans were secured as follows:

	2018	2017
	RMB'000	*RMB'000*
Bank loans		
– secured	**265,266**	150,230
– unsecured	**3,141,833**	2,992,416
	3,407,099	3,142,646

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

	2018	2017
	RMB'000	*RMB'000*
Properties	**45,827**	44,914
Restricted bank deposits *(note 11)*	**251,830**	135,740
	297,657	180,654

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018	2017
	RMB'000	*RMB'000*
Provision for the year	**139,405**	100,903
Over-provision in respect of prior years	**(3,517)**	(1,496)
Tax paid	**(144,614)**	(73,817)
Dividends withholding tax	**15,480**	–
	6,754	25,590
Balance of tax provision relating to prior years	**85,383**	59,793
	92,137	85,383

(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	**Other financial assets**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
At 1 January 2018	**171,207**	**3,161**	**(18,857)**	**155,511**
Charged/(credit) to profit or loss *(note 6(a))*	**11,113**	**(951)**	**(1,480)**	**8,682**
At 31 December 2018	**182,320**	**2,210**	**(20,337)**	**164,193**

(c) Deferred tax assets not recognised

Certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB191,410,000 (2017: RMB153,208,000) 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

As at 31 December 2018, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB3,258,527,000 (2017: RMB3,223,063,000). Deferred tax liabilities of RMB162,926,000 (2017: RMB161,153,000) 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 outstanding at 31 December 2018 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Authorised but not contracted for	**1,480,499**	3,176,350
Contracted for	**1,638,920**	961,740
	3,119,419	4,138,090

(b) At 31 December 2018, the total future minimum lease payments under a non-cancellable operating lease were payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**1,130**	1,272
After 1 year but within 5 years	**4,519**	5,089
Over 5 years	**6,350**	3,567
	11,999	9,928

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 41 years. It does not include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In 2018, significant slowdown was seen in global economic growth, of which, major economies especially USA, imposed tariffs, while other countries reacted with retaliatory tariffs. The rising trend of international trade protectionism has implied growing uncertainty in trade policies which in turn will exert pressure on future investments. Nevertheless, the world's two largest economies still recorded relatively impressive growth rates. As the world's largest economy, USA continued to perform strongly last year. As for China, after 30 years of phenomenal growth, its growth rate continued the momentum of "making progress while maintaining stability". According to the National Bureau of Statistics of the PRC, China's GDP exceeded RMB90.0 trillion in 2018, representing a growth of 6.6%, well enough to drive the improvement of Chinese people's average living standard.

From the perspective of development conditions, China has accumulated a solid material foundation, possesses are of the world's most complete industrial system, strong scientific and technological innovation capabilities, abundant human and land resources, and a relative higher total savings rate. In 2018, China's economic growth had slowed down, however, its economic development still enjoyed solid support. The Sino-US trade frictions continued to ferment and escalate, international economic and trade relationship are getting more and more complicated, and with global demands slowdown, the consumer market will be the main growth driver of China's economy in future. According to data from the National Bureau of Statistics of the PRC, in 2018, the ultimate consumption in China contributed 76.2% to China's GDP growth, the continuous promotion of domestic demand became an important momentum in driving its economic growth. The retail sales of apparel, footwear, hats and textile products amounted to RMB1.3707 trillion in 2018, representing a year-on-year growth of 8.0%, among which, the sales in December 2018 was RMB154.1 billion, representing a year-on-year increase of 7.4%. The escalation of the Sino-US competition has extended from trade war to other wider segments. The differences in politics, ideology, economic system and other aspects between China and the USA will have complicated and long-term impact on their competition.

INDUSTRY REVIEW

In 2018, China's textile industry maintained a steady and increasing trend overall. Although it was affected by unfavorable factors such as Sino-US trade frictions, with the successive launching of government policies to support economy development, the positive impact gradually emerged. The overall industry operation went well with stable growth in production and sales. The textile industry responded actively to market changes in accelerating the pace of scientific and technological research and development, made adjustment and transformation, and achieved gratifying results in terms of equipment intelligence, industry self-discipline and corporate management standards. In this year, with the rapid development of intelligent manufacturing and obvious trend of industrial transfer, development opportunities were emerging in the industry. The intelligentisation has become an inevitable trend for future textile machinery development. As intelligence manufacturing related technologies continued to be vigorously promoted in the textile sector, the textile industry has shifted from stand-alone machine intelligentisation to system digitalisation, automation and intelligent development.

On the other hand, China has become an important production base for global polyester thin films products. With the constant application expansion of polyester thin films in downstream industry, high-end, functionalization and diversification had become the development direction for polyester thin films industry. The integration of polyester filament yarns and polyester thin films supply-side capacity, orderly industry supply and stable increase in price gave a continuous promising outlook.

BUSINESS REVIEW

Stable growth in the Group's sales amount

The Group enjoyed scalable cost advantages through introducing 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 both product innovation and technology innovation. As the market demand for the Group's products remained strong, the sales of the Group recorded a stable growth during the year under review.

The prominent research and development as well as our innovative capability 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 optimisation and recruiting innovative talents, and strives to research and develop new products and enhance product added value, as well as improving brand values and market competitiveness of the Company. Through our strong research and development team, the Group continued to intensify the co-operation with colleges and institutions, form a multi-disciplinary project research and development chain, and obtain patent and proprietary technology results, as well as vigorously support the implementation of the differentiated operating philosophy and is committed to improving product quality and developing differentiated products diversity.

The Group has a research and development team, comprising over 600 senior technicians, to develop new products under 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 differential products accounted for 68.5% of its total revenue. Such a high rate ensures our market competitiveness and is also a key factor contributing to the steady growth of the Group's sales turnover.

Intelligent and automatic production technology

As the largest polyester filament yarns manufacturer in Southern China, we are selected as the "innovative enterprise" under the technological and innovative projects of Fujian Province. By relying on technology innovation, the Group strived to establish a digitalised and intelligentised automatic chemical fiber production workshop, and become the industry front runner of realising the full process intelligent automatic production. By leveraging on digitalisation, networking and modularization of automatic equipment, the Group keeps on improving its products' quality and production volume.

The Group owns the largest differentiated chemical fiber production base in Southern China. It is also the first enterprise in Fujian Province to adopt the world's advanced melt-direct spinning differentiated chemical fiber production line and possesses the industry leading spinning and texturing equipment and technology. The Group completed the construction of the "polyester filament yarns melt-direct spinning intelligent manufacturing digital workshop" with intelligent manufacturing integrated standardisation and new mode application which has successfully passed the inspection and acceptance. We achieved total process digital simulation optimisation and tracking in production research and development, production control, quality management, energy consumption control and logistics sales, improved production efficiency, lowered corporate cost, reduced defective product rate, shortened research and development cycle and increased energy utilisation rate.

Furthermore, the Group designed and developed independently its "Polyester filament yarns package external appearance quality online intelligent detection system" technology, on-line inspection system and equipment as well as online tensile force supervision and monitoring system, and achieved a breakthrough in the research and development of key technology and equipment to address shortcomings for core intelligent manufacturing in the industry, which has substantially improved the digitalised intelligent manufacturing standard and product quality of polyester filament yarns production. This technological achievement was accredited by experts during the year under review and is recognised to reach international leading standard. It is the first time for the Group to apply the machine vision intelligent detection technology to external appearance inspection of filament yarns package, and develop the online intelligent detection system for the filament yarns package external appearance to achieve continuous, efficient and intelligent online detection to replace manual operation. Since its application, the system has been running smoothly. It has achieved sound economic and social benefits with vast market prospects.

The intelligent logistics and warehousing system of the Group mainly comprises spinning automatic doffing, automatic packaging, automatic stereoscopic warehouse, transportation system, electronic control system and computer information system. The production information can be intelligently and automatically identified, tracked, categorized, stored and managed, such that the production operation can be completed in an intelligent and fully automated manner. The Group enjoyed scalable cost advantages through introducing large-scale and advanced production equipment. Most of our key equipment are imported from Germany and Japan and are of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation. In addition, the Group introduced the production lines and research and development equipment for bi-axial oriented polypropylene film ("**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.

During the year under review, the Group's research and development expenses amounted to RMB274,935,000, representing 3.2% of its revenue. Our research and development efforts mainly focus on improving product quality, and production efficiency, and enhancing our innovation capability in every aspect from chemical fiber to textile fabrics.

Market development

The Group has all along been paying 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. While consolidating our market share in Fujian and Guangdong Provinces, we have also strived to develop the international markets and continued to improve our response to the market whilst expanding the emerging markets. According to the 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 RMB106,449,000 or 10.3% as compared to the same period in 2017, which represented a further increase in brand popularity and market share in overseas markets.

By endeavoring to intensify its innovation facilitation and enhance new market expansion, as well as integrating with national planning and policies for the chemical fiber industry and polyester thin films industry and the opportunities brought by "The Belt and Road", the Group established Billion Vietnam in Vietnam to develop the polyester bottle chip business, polyester filament yarns production facility, and the polyester, partially oriented yarn ("**POY**") and fully drawn yarn ("**FDY**") production facilities in Vietnam. Currently, the project has fully entered into its construction phase. It is expected that full operation of the facilities will commence by the end of 2019.

Production capacity expansion

The polyester plant of the Group located in Jinnan Industrial Zone was put into operation on 30 September 2018, with an annual production capacity of 220,000 tons. It comprises 10 spinning POY production lines, 2 FDY production lines, 124 texturing machines, spinning intelligent production equipment and logistic intelligent system. At present, the polyester filament yarns business expansion project is in full operation, indicating the further leap by the Group in its development.

The Group is currently investing approximately US$222 million in Vietnam to expand the polyester bottle chip business, polyester filament yarns production facility, and the polyester, POY and FDY production facilities, and is expected to go into full operation by the end of 2019. Upon completing the expansion project, the overseas business of the Group will enjoy a healthier long-term and sustainable development.

Furthermore, in view of the increasing consumption of polyester industrial yarns in the PRC in recent years, in particular, the accelerating expansion of the polyester industrial yarns market in Eastern China, the Group will invest approximately US$185 million to set up a production line for polyester industrial yarn products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum and it is expected to gradually commence commercial production in the second quarter of 2020.

On 31 December 2018, the designed capacity of FDY and POY of the Group was 875,000 tons per year, the designed capacity of drawn textured yarn ("**DTY**") was 633,200 tons per year, and the designed capacity for polyester thin films was 255,000 tons per year, of which the designed capacity of BOPET thin films was 182,500 tons per year.

Product research and development

The management team of the Group applied scientific management software to (i) achieve networking and informatization management during the course of production; (ii) arrange production allocation among various products; and (iii) deploy equipment between production and research and development to maximise the usage of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enables the Group to constantly launching 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 its fiber testing center gained the recognition of CNAS National Laboratory. The Academician Expert Work Station was launched to carry out special scientific research and cooperation. 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 awarded the Fifth "China's Top Ten Textile Science and Technology Award • New Technology Award" for the project of "melt-direct spinning online adding functional polyester fiber and its key manufacturing technology" during the year under review, which recognised the achievements of our innovative and research and development efforts. Billion Fujian and 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**"), principal subsidiaries of the Group, both have been awarded as high technology enterprises.

As of 31 December 2018, the Group owned 115 national patents registered in China and had applied for 121 national patents. Among all of the Group's patented products, 91 of them have already been applied to our products sold to customers. Our research and development expenditure was RMB274,935,000 in 2018, representing 3.2% 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 2018, revenue generated from the Group's differentiated products amounted to RMB5,895,033,000, accounting for 68.5% of its total revenue for the year, representing an increase of RMB839,488,000 or 16.6% as compared to 2017. 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.

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

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. In addition, Billion Fujian and Billion High-tech under the Group have successfully passed the reviews regarding the three levels of production safety standardisation. The Group formulated enterprise standards that are more stringent than national standards for polyester filament yarns and conducted comprehensive inspections on the products used. Moreover, the Group implemented product quality and performance appraisal system comprehensively to all production departments. The Group also obtained the EU textile products OEKO Environmental Protection Product First Class Recognition, with all products passing the random product quality inspections by 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 utilisation. 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 PHILOSOPHY, FACTORY-BASED FAMILY AND CO-DEVELOPMENT

We believe a harmonious employment relationship is a key element of our success. Hence, we have been constantly adhering to the belief of "Human-oriented Philosophy, Factory-based Family and Co-development" to provide staff a full-fledged 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 trainings, the Group also puts in place a series of facilities and benefits for its staff and their families, which have enabled staff not only to develop their career, but also have a harmonious family and build a harmonious enterprise together with the Group.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2018 was RMB8,602,033,000, representing an increase of 22.4% as compared to RMB7,025,317,000 in 2017. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB6,784,724,000, accounting for 78.9% of total revenue, while revenue attributable to the sales of polyester thin films was RMB1,817,309,000, accounting for 21.1% 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 international 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 cottonlike 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. The Group's product plans are clearly positioned and targeted at the middle and high-end markets. In response to the needs of the target markets, the product plan designs are based on the production of differential oerlikon fibers and functional fibers.

Revenue attributable to the sales of polyester filament yarn products for the year under review was RMB6,784,724,000, representing an increase of RMB1,064,696,000 or 18.6% as compared to RMB5,720,028,000 in 2017. The average selling price of polyester filament yarns for the year under review was RMB10,595 per ton, representing an increase of RMB1,350 or 14.6% as compared to RMB9,245 per ton in 2017. The Group's overall production capacity has been enhanced after its production site E had duly commenced production on 30 September 2018, and coupled with the Group having been actively developing the research of the new functional products aspect of its differentiated products that has higher added-value, thus bringing a stable growth for both the sales revenue and sales volume 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. The Group introduced the production lines and research and development equipment with advanced international standards for BOPET thin films from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films, and is the one of largest polyester thin film production enterprises in China.

Revenue attributable to the sales of polyester thin film products for the year under review was RMB1,817,309,000, representing a significant increase of RMB512,020,000 or 39.2% as compared to RMB1,305,289,000 in 2017. The average selling price of polyester thin films for the year under review was RMB9,016 per ton, representing an increase of RMB1,234 or 15.9% as compared to RMB7,782 per ton in 2017.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2018		2017		**2018**		2017	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*	***Tons***	***Percentage***	*Tons*	*Percentage*
Polyester filament yarns								
DTY	**4,845,008**	**56.4%**	4,007,568	57.0%	**420,584**	**50.0%**	398,000	50.6%
FDY	**1,205,622**	**14.0%**	1,114,368	15.9%	**120,476**	**14.3%**	127,003	16.2%
POY	**35,754**	**0.4%**	93,748	1.3%	**3,854**	**0.5%**	12,035	1.5%
Other polyester filament yarn products*	**698,340**	**8.1%**	504,344	7.2%	**95,484**	**11.3%**	81,649	10.4%
Sub-total	**6,784,724**	**78.9%**	5,720,028	81.4%	**640,398**	**76.1%**	618,687	78.7%
Polyester thin films								
BOPET thin films	**1,388,916**	**16.1%**	1,076,319	15.3%	**143,409**	**17.0%**	132,202	16.8%
Other polyester thin film products**	**428,393**	**5.0%**	228,970	3.3%	**58,154**	**6.9%**	35,536	4.5%
Sub-total	**1,817,309**	**21.1%**	1,305,289	18.6%	**201,563**	**23.9%**	167,738	21.3%
Total	**8,602,033**	**100.0%**	7,025,317	100.0%	**841,961**	**100.0%**	786,425	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 markets by constantly improving its service quality and increasing its brand recognition. The export sales revenue increased from RMB1,035,474,000 in 2017 to RMB1,141,923,000 during the year under review, which was up by RMB106,449,000, representing an increase of 10.3%. Approximately 86.7% of the Group's revenue was generated from domestic market sales, of which 53.8% was from sales to customers in Fujian Province and 24.2% 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.

Geographic Breakdown of Revenue

	2018		2017	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Domestic sales				
Fujian Province	**4,629,842**	**53.8%**	3,549,452	50.5%
Guangdong Province	**2,080,489**	**24.2%**	1,758,639	25.0%
Other Provinces	**749,779**	**8.7%**	681,752	9.8%
Export sales*	**1,141,923**	**13.3%**	1,035,474	14.7%
Total	**8,602,033**	**100.0%**	7,025,317	100.0%

* *Export sales were mainly made to countries such as Turkey, Italy, Belgium, Brazil, United States of America, Spain, Russia and Poland.*

2. *Cost of Sales*

The cost of sales of the Group in 2018 was RMB7,238,112,000, representing an increase of 20.4% as compared to RMB6,011,995,000 in 2017. Such an increase was primarily attributable to the increase in raw materials prices. The cost of sales for polyester filament yarns was RMB5,671,375,000, accounting for 78.4% of total cost of sales. The cost of sales for polyester thin films was RMB1,566,737,000, accounting for 21.6% 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 RMB7,881 per ton in 2017 to RMB8,856 per ton during the year under review, representing an increase of RMB975 or 12.4% 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 RMB5,976 per ton in 2017 to RMB6,967 per ton during the year under review, representing an increase of RMB991 or 16.6% per ton. The Group's key raw materials, namely PTA and MEG, accounted for 71.9% 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 RMB6,774 per ton in 2017 to RMB7,773 per ton during the year under review, representing an increase of RMB999 or 14.7% per ton, which was mainly due to the increase in raw materials selling prices of polyester thin film products. In addition, the average price of raw materials for polyester thin films increased from RMB6,026 per ton in 2017 to RMB7,058 per ton during the year under review, representing an increase of RMB1,032 or 17.1% per ton.

Analysis of cost of sales

	2018		2017	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**2,779,913**	**38.4%**	2,253,272	37.5%
MEG	**1,300,657**	**18.0%**	1,224,613	20.4%
POY and other raw materials	**380,814**	**5.3%**	219,264	3.6%
Sub-total	**4,461,384**	**61.7%**	3,697,149	61.5%
Manufacturing costs	**1,205,700**	**16.7%**	1,157,984	19.3%
Other costs	**4,291**	**0.0%**	20,701	0.3%
Sub-total	**5,671,375**	**78.4%**	4,875,834	81.1%
Polyester thin films				
Cost of raw materials				
PTA	**919,550**	**12.7%**	616,594	10.3%
MEG	**417,986**	**5.8%**	343,768	5.7%
Chips and other raw materials	**85,128**	**1.2%**	50,413	0.8%
Sub-total	**1,422,664**	**19.7%**	1,010,775	16.8%
Manufacturing costs	**140,112**	**1.9%**	122,612	2.0%
Other costs	**3,961**	**0.0%**	2,774	0.1%
Sub-total	**1,566,737**	**21.6%**	1,136,161	18.9%
Total	**7,238,112**	**100.0%**	6,011,995	100.0%

Analysis of product sales cost (Average per ton)

	2018		2017	
	RMB (Per ton)	***Percentage***	*RMB (Per ton)*	*Percentage*
Polyester filament yarns				
Cost of raw materials				
PTA	**4,341**	**49.0%**	3,642	46.2%
MEG	**2,031**	**22.9%**	1,979	25.1%
POY and other raw materials	**595**	**6.7%**	355	4.5%
Sub-total	**6,967**	**78.6%**	5,976	75.8%
Manufacturing costs	**1,882**	**21.3%**	1,872	23.8%
Other costs	**7**	**0.1%**	33	0.4%
Sub-total	**8,856**	**100.0%**	7,881	100.0%
Polyester thin films				
Cost of raw materials				
PTA	**4,562**	**58.7%**	3,676	54.3%
MEG	**2,074**	**26.7%**	2,049	30.2%
Chips and other raw materials	**422**	**5.4%**	301	4.4%
Sub-total	**7,058**	**90.8%**	6,026	88.9%
Manufacturing costs	**695**	**8.9%**	731	10.8%
Other costs	**20**	**0.3%**	17	0.3%
Sub-total	**7,773**	**100.0%**	6,774	100.0%
Total	**8,598**		7,645	

3. Gross Profit

The gross profit of the Group in 2018 was RMB1,363,921,000, representing an increase of RMB350,599,000 or 34.6% as compared to RMB1,013,322,000 in 2017. Average selling price of products increased by RMB1,284 per ton, representing an increase of 14.4% from RMB8,933 per ton in 2017 to RMB10,217 per ton during the year under review, while average cost of products increased by RMB953 per ton, representing an increase of 12.5% from RMB7,645 per ton in 2017 to RMB8,598 per ton during the year under review. Therefore, the average gross profit of products per ton increased from RMB1,288 in 2017 to RMB1,619 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 1.4 percentage points from 14.4% in 2017 to 15.8% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarns increased by an average of RMB1,350 per ton, representing an increase of 14.6% from RMB9,245 in 2017 to RMB10,595 during the year under review. The average gross profit of polyester filament yarns per ton increased from RMB1,364 in 2017 to RMB1,739 during the year under review. The gross profit margin increased by 1.6 percentage points from 14.8% in 2017 to 16.4% during the year under review.

Polyester thin films

Average selling price of polyester thin films increased by an average of RMB1,234 per ton, representing an increase of 15.9% from RMB7,782 in 2017 to RMB9,016 during the year under review. The average gross profit of polyester thin films per ton increased from RMB1,008 in 2017 to RMB1,243 during the year under review. The gross profit margin increased by 0.8 percentage point from 13.0% in 2017 to 13.8% during the year under review.

During the year under review, the increase in gross profit and gross profit margin of the Group was primarily attributable to an increase in the sales price of the Group's products per ton arising from the Group's continuous development of new functional products featuring high quality and technology, as well as the robust demand for polyester filament yarns and polyester thin films and continuous industry recovery.

Analysis of gross profit by product

	2018		2017	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Polyester filament yarns				
DTY	**862,261**	**63.2%**	632,437	62.4%
FDY	**200,881**	**14.7%**	180,267	17.8%
POY	**3,886**	**0.3%**	5,981	0.6%
Other polyester filament yarn products*	**46,321**	**3.4%**	25,509	2.5%
Sub-total	**1,113,349**	**81.6%**	844,194	83.3%
Polyester thin films				
BOPET thin films	**224,905**	**16.5%**	157,461	15.5%
Other polyester thin film products**	**25,667**	**1.9%**	11,667	1.2%
Sub-total	**250,572**	**18.4%**	169,128	16.7%
Total	**1,363,921**	**100.0%**	1,013,322	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)

	2018	2017
	RMB	*RMB*
Polyester filament yarns		
Average selling price	**10,595**	9,245
Average cost of sales	**8,856**	7,881
Average gross profit	**1,739**	1,364
Average gross profit margin	**16.4%**	14.8%
Polyester thin films		
Average selling price	**9,016**	7,782
Average cost of sales	**7,773**	6,774
Average gross profit	**1,243**	1,008
Average gross profit margin	**13.8%**	13.0%

4. Other revenue

Other revenue of the Group in 2018 amounted to RMB117,342,000, representing an increase of 38.4% as compared to RMB84,807,000 in 2017. Other revenue mainly included bank interest income, government grants and gains on disposal of raw materials. Such change was mainly attributable to the combined effect of the increases in gains from government grants and gains on disposal of raw materials as compared to that of the same period last year, as well as the decrease in bank interest income.

5. Other net gain

Other net gain of the Group in 2018 amounted to RMB103,527,000, representing an increase of 218.5% as compared to RMB32,500,000 in 2017. Other net gain mainly comprised net realised and unrealised gains on other financial assets, net gain/(loss) on forward foreign exchange contracts and net exchange loss. Such change was mainly attributable to an increase in net realised and unrealised gains on other financial assets.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2018 amounted to RMB82,772,000, representing a decrease of 3.2% as compared to RMB85,519,000 in 2017. Selling and distribution expenses mainly included transportation costs, wages of sales staff, operation expenses and promotion expenses. Such decrease was mainly due to the decrease in miscellaneous expenses.

7. Administrative expenses

Administrative expenses of the Group in 2018 amounted to RMB395,867,000, representing an increase of 13.5% as compared to RMB348,830,000 in 2017. 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.

8. Finance costs

Finance costs of the Group in 2018 amounted to RMB172,081,000, representing an increase of 164.8% as compared to RMB64,988,000 in 2017. Such change was mainly due to an increase in interest on bank borrowings due to increases in average banking loans and lending interest rate during the year under review.

9. Income tax

Income tax of the Group in 2018 amounted to RMB160,050,000, representing an increase of 39.0% as compared to RMB115,149,000 in 2017. Such change was mainly due to an increase in profit before income tax of the Group, and the payment of withholding income tax due to distribution of dividends by Billion Fujian to Billion Development (Hong Kong) Limited.

Billion Fujian and Billion High-tech, the principal subsidiaries of the Group, have been awarded as high technology enterprises and were still able to enjoy corporate income tax at the concessionary rate of 15% in 2018.

10. Profit for the year

Profit of the Group for the year 2018 amounted to RMB774,020,000, representing an increase of RMB257,877,000 or 50.0% as compared to RMB516,143,000 in 2017. Net profit margin was 9.0%, representing an increase of 1.7 percentage points as compared to 7.3% in 2017. It was mainly due 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, the sustained growth of polyester thin film business, as well as the continuous recovery of the differentiated polyester filament yarns business.

Financial Position

1. Liquidity and capital resources

As at 31 December 2018, cash and cash equivalent of the Group amounted to RMB455,623,000, representing an increase of RMB294,382,000 or 182.6% as compared to RMB161,241,000 as at 31 December 2017. Such an increase was mainly due to the combined effect of an increase in cash inflows generated from the Group's operating activities, a decrease in bank wealth management products held and expansion of plants and purchase of production equipment during the year under review.

During the year under review, net cash inflow generated from operating activities amounted to RMB899,037,000 and net cash outflow used in investing activities amounted to RMB372,966,000 and net cash outflow incurred from financing activities amounted to RMB241,519,000.

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 59.6 days (2017: 39.3 days), increased by 20.3 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 sustained industry robust sentiment and steady increase in selling price. Accounts receivable turnover days were 10.3 days (2017: 18.1 days), representing a decrease of 7.8 days as compared to last year, which was mainly due to the efficiency improvement resulting from improved accounts receivable collection procedures. The trade payable turnover days were 78.8 days (2017: 52.3 days), representing an increase of 26.5 days as compared to last year, which was mainly due to increasing dominance in inventory payables by the Group.

As at 31 December 2018, the Group had capital commitments of RMB3,119,419,000, which was mainly used in 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, and the expansion of production lines for polyester industrial yarn products in Jinjiang.

2. Capital Structure

As at 31 December 2018, total liabilities of the Group amounted to RMB6,521,029,000, and capital and reserves amounted to RMB5,938,504,000. The gearing ratio (total liabilities divided by total equity) was 109.8%. Total assets amounted to RMB12,459,533,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.9 times. Bank loans of the Group amounted to RMB3,407,099,000, of which RMB3,295,416,000 were repayable within one year and RMB111,683,000 were repayable after one year. Among the bank borrowings, 7.8% 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 2018.

Contingent Liabilities

As at 31 December 2018, the Group did not have any contingent liabilities (2017: 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 2018, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in U.S. dollar of RMB50,679,000 and the net liabilities exposure denominated in Euro of RMB5,456,000.

Employees and Remuneration

As at 31 December 2018, the Group had a total of 4,983 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 recovery of the global real economy has entered into a watershed with increasing risk in trade frictions. This is mainly due to the scope expansion of tariffs imposed by USA on the goods from China as well as increasing tariff rates. The trade frictions may also trigger financial market volatility. At present, China's economy remains stable albeit changes where opportunities and challenges co-exist. Although the income growth of Chinese residents has shown a slowdown trend, manufacturing investment is still relatively resilient.

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”. As the largest polyester filament yarns manufacturer in Southern China, the largest differentiated chemical fiber production base in Fujian region and one of China’s top 500 private enterprises, the Group has always been focusing on technological innovation. It 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 continuous launches of new products enable the products of the Company to cover wider application segments and penetrate into more differentiated segmented market. By focusing on products with higher value-to-cost, the Group has replaced certain imported products and alternative products of other materials, and has effectively overcome the risks brought by competition, and ensured the profitability and growth of the Group while integrating the technology and cost advantages and forming new sectors for profit growth.

The Group carries out Scientific Outlook on Development earnestly, adheres to “control quality and facilitate innovation” and endeavors to research new products and technology reform. Also, it pushes products transformation and upgrade and marches its step towards high value-added production. Meanwhile, it creates new market demand, keeps on providing premier raw materials to downstream textile enterprises, laying a foundation for the brand “Billion” and improves its strengths and position among industry peers. After the Group’s production site E was formally put into production on 30 September 2018, its overall production capacity has been increased, and coupled with the Group actively developing the research of the new functional products aspect of its differentiated products that have higher added-value, both the sales and profit of the Group will continue to grow steadily.

In order to further expand the overseas markets, the Group has established Billion Vietnam in Vietnam, so as to develop the overseas polyester bottle chip business, and to set up to the polyester filament yarns production facility, and the polyester, POY and FDY production facilities in Vietnam. Currently, the project has fully entered into its construction phase. Furthermore, the Group is investing approximately US$185 million to set up a production line for polyester industrial yarn products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum and it is expected to gradually commence commercial production in the second quarter of 2020. Upon the completion of the Vietnam development plan and the polyester industrial yarn products expansion plan, the scale of the Group will further grow and the sales volume and revenue of its products will be further increased and returns of our shareholder will be further improved.

DIVIDEND

The Board has recommended the payment of a final dividend of HK5.7 cents per share of the Company for the year ended 31 December 2018. 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 30 April 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 April 2019 to Wednesday, 10 April 2019 (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 Wednesday, 3 April 2019.

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 2018. 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 2018, 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 2018.

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 2018. 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 2018, the Company bought back its own shares on the Stock Exchange, 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*
January 2018	612,000	9.92	9.39	4,943,000
May 2018	994,000	12.48	10.28	8,849,000
July 2018	30,000	10.36	10.36	264,000
Total	1,636,000			14,056,000

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 1,636,000 shares were bought back in 2018 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 RMB13,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$17,163,000 (equivalent to RMB14,043,000) 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 2018 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 2018 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, 28 February 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Sze Tin Yau and Mr. Wu Jinbiao as executive directors, Mr. Zeng Wu as non-executive director and Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Shih Chun Pi as independent non-executive directors.