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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 2021

HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to RMB14,241.6 million, representing an increase of 68.9% compared to the year ended 31 December 2020.
- Profit for the year ended 31 December 2021 amounted to RMB1,759.7 million, representing an increase of 125.2% compared to the year ended 31 December 2020.
- Earnings per share for the year ended 31 December 2021 amounted to RMB0.83 (2020: RMB0.37).

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 2021 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		2021	2020
	<i>Note</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	2	14,241,565	8,431,054
Cost of sales		<u>(11,493,748)</u>	<u>(7,050,709)</u>
Gross profit		2,747,817	1,380,345
Other revenue	3	358,499	247,290
Other net gains and losses	4	73,767	6,523
Selling and distribution expenses		(205,432)	(115,604)
Administrative expenses		<u>(614,242)</u>	<u>(409,312)</u>
Profit from operations		2,360,409	1,109,242
Finance costs	5	<u>(268,933)</u>	<u>(196,175)</u>
Profit before tax	5	2,091,476	913,067
Income tax expenses	6	<u>(331,745)</u>	<u>(131,585)</u>
Profit for the year attributable to owners of the Company		<u>1,759,731</u>	<u>781,482</u>
Earnings per share	8		
Basic and diluted (<i>RMB</i>)		<u>0.83</u>	<u>0.37</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to owners of the Company	1,759,731	781,482
Other comprehensive loss:		
<i>Item that will not be reclassified to profit or loss</i>		
Translation of the Company's financial statements into presentation currency	(4,206)	(10,414)
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	(24,061)	(49,773)
Total other comprehensive loss for the year	(28,267)	(60,187)
Total comprehensive income for the year attributable to owners of the Company	1,731,464	721,295

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		11,086,187	10,393,976
Intangible assets		7,672	8,414
Deposits and prepayments	10	374,646	406,423
		<u>11,468,505</u>	<u>10,808,813</u>
Current assets			
Inventories	9	2,808,935	1,905,552
Trade and other receivables	10	2,106,053	1,695,744
Financial assets at FVPL	11	611,636	—
Restricted bank deposits	12	6,394,131	3,929,520
Cash and cash equivalents	13	149,339	342,919
		<u>12,070,094</u>	<u>7,873,735</u>
Current liabilities			
Trade and other payables	14	12,582,085	7,430,769
Contract liabilities		208,231	274,374
Financial liabilities at FVPL	11	—	1,245
Bank loans	15	794,074	2,068,975
Lease liabilities		1,040	1,003
Tax payable		153,220	134,263
		<u>13,738,650</u>	<u>9,910,629</u>
Net current liabilities		<u>(1,668,556)</u>	<u>(2,036,894)</u>
Total assets less current liabilities		<u>9,799,949</u>	<u>8,771,919</u>

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans	15	511,453	1,215,416
Lease liabilities		4,103	5,193
Deferred tax liabilities		181,054	176,467
		<u>696,610</u>	<u>1,397,076</u>
NET ASSETS		<u>9,103,339</u>	<u>7,374,843</u>
Capital and reserves			
Share capital		17,819	17,827
Reserves		9,085,520	7,357,016
TOTAL EQUITY		<u>9,103,339</u>	<u>7,374,843</u>

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements are presented in Renminbi (“RMB”) as the functional currency of the Group’s major operating subsidiaries is RMB. All amounts have been rounded to the nearest thousand, unless otherwise stated.

Conforming to the current year’s presentation, certain figures for the last year have been reclassified. The revised presentation reflects more appropriately the nature of these items for comparison purpose. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for other financial assets and contracts for financial instruments at fair value through profit or loss (“FVPL”) which are stated at fair value.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed below.

Going concern

At 31 December 2021, the Group recorded net current liabilities of approximately RMB1,668,556,000 (2020: *approximately RMB2,036,894,000*). Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank and cash balances as at 31 December 2021 and continuous net cash inflows from operating activities; and (ii) the confirmed and indicated credit commitments from financial institutions, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its normal operation and meet the obligation for its liabilities for the twelve months from the end of the reporting period of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2
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Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products. The Group has only one reportable operating segment. The Group’s most senior executive management reviews the Group as a whole and internal reports including only revenue analysis by product types and no other discretionary information is prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<u>Disaggregated by major products lines</u>		
Polyester filament yarns products	8,012,531	5,970,840
Polyester products*	4,973,212	2,258,398
Polyester industrial yarns products	1,221,114	199,459
ES fiber products	34,708	2,357
	<u>14,241,565</u>	<u>8,431,054</u>
<u>Disaggregated by geographical location of customers</u>		
The PRC	11,332,759	6,653,118
Others	2,908,806	1,777,936
	<u>14,241,565</u>	<u>8,431,054</u>

* Polyester products represent BOPET thin films, polyester bottle chips, polyester films and wasted filament generated during the production process.

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's aggregate revenue for the years ended 31 December 2021 and 2020.

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

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment (including right-of-use assets), intangible assets and deposits and prepayments ("Specified Non-current Assets"). The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

Location of the Specified Non-current Assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	9,139,466	8,532,758
Vietnam	2,289,507	2,234,040
Hong Kong	39,532	42,015
	<u>11,468,505</u>	<u>10,808,813</u>

3. OTHER REVENUE

	2021 RMB'000	2020 RMB'000
Bank interest income	193,735	141,715
Government grants (<i>Note</i>)	111,060	83,374
Sales of raw materials	51,929	22,475
Others	1,775	(274)
	<u>358,499</u>	<u>247,290</u>

Note:

During the year ended 31 December 2021, government grants include approximately RMB111,060,000 (2020: approximately RMB82,216,000) 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 and Nil (2020: approximately RMB1,158,000) transferred from deferred income to profit or loss upon the conditions met. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

4. OTHER NET GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Donation	(192)	(3,200)
Exchange gain, net	4,426	11,068
Loss on disposal of property, plant and equipment, net	(1,316)	(39)
Unrealised gain (loss) on financial instruments at FVPL, net		
– Other financial assets	4,496	–
– Contracts for financial instruments at FVPL	7,140	(1,245)
Realised gain (loss) on financial instruments at FVPL, net		
– Other financial assets	–	2,575
– Contracts for financial instruments at FVPL	69,124	(7,838)
Others	<u>(9,911)</u>	<u>5,202</u>
	<u>73,767</u>	<u>6,523</u>

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on bank loans	71,704	125,240
Interest on lease liabilities	285	328
Other interest expenses	220,415	122,802
	<u>292,404</u>	<u>248,370</u>
Less: Capitalised into construction in progress (Note (i))	(23,471)	(52,195)
	<u>268,933</u>	<u>196,175</u>

(b) Staff costs (including directors' emoluments)

	2021 RMB'000	2020 RMB'000
Salaries, wages, allowances and other benefits	457,095	386,159
Contributions to defined contribution retirement plan (Notes (ii),(iii))	12,719	8,792
	<u>469,814</u>	<u>394,951</u>

(c) Other items

	2021 RMB'000	2020 RMB'000
Amortisation of intangible assets (included in "Administrative expenses")	2,273	2,172
Auditors' remuneration		
– audit services	1,494	3,102
– non-audit services	208	500
Cost of inventories (Note (iv))	11,493,748	7,050,709
Depreciation (included in "Cost of sales" and "Administrative expenses"), as appropriate		
– property, plant and equipment	615,112	486,130
– right-of-use assets	19,433	17,122
Loss allowance on trade receivables, net	1,363	8,112
Research and development costs (Note (v))	446,384	240,723
	<u>446,384</u>	<u>240,723</u>

Notes:

- (i) The borrowing costs have been capitalised at a rate of 3.22% (2020: 2.92%-3%) per annum for the year ended 31 December 2021.
- (ii) From February 2020 to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the social security insurance.
- (iii) For the years ended 31 December 2021 and 2020, there were no forfeited contributions in respect of contribution previously made which were available to reduce the Group's existing level of contributions to the relevant defined contribution retirement plans.
- (iv) For the year ended 31 December 2021, cost of inventories included approximately RMB827,116,000 (2020: approximately RMB692,637,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (v) For the year ended 31 December 2021, research and development costs included approximately RMB143,319,000 (2020: approximately RMB117,736,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

6. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")		
Current year	285,816	119,080
Hong Kong Profits Tax		
Current year	—	2,613
Over-provision in respect of prior years	—	(1,520)
	<u>285,816</u>	<u>120,173</u>
Withholding tax		
Withholding tax on dividends	41,342	4,800
Deferred tax		
Origination and reversal of temporary differences	<u>4,587</u>	<u>6,612</u>
	<u><u>331,745</u></u>	<u><u>131,585</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Laws of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In accordance with the relevant CIT Law, regulations and implementation guidance notes, the subsidiaries in the PRC, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) (“Billion Fujian”) and Fujian Billion High-tech Material Industry Co., Ltd.* (福建百宏高新材料實業有限公司) (“Billion High-tech”) were approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2021 to 2023 and from 2020 to 2022, respectively, which entitles Billion Fujian and Billion High-tech to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations.

Hong Kong Profits Tax has not been provided for the year ended 31 December 2021 as the Group incurred a loss for taxation purpose in Hong Kong. For the year ended 31 December 2020, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK\$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Billion Development (Hong Kong) Limited (“Billion Development”), were taxed at 8.25% and assessable profits arising from Hong Kong above HK\$2 million were taxed at 16.5%.

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. The Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective until 2022. Withholding tax on dividend represents tax charged by the PRC tax authority on dividends distributed by the Group’s subsidiaries in the PRC for the years ended 31 December 2021 and 2020.

The standard corporate income tax rate in Vietnam is 20%. The provisions of the Investment Registration Certificate of Billion Industrial (Viet Nam) Co., Ltd. (“Billion Vietnam”), the subsidiary in Vietnam, allow Billion Vietnam to be exempted from income tax for 2 years starting from the first year it generates taxable profit and entitled to a 50% reduction in income for the 4 succeeding years. The above exemption and reduction are not applicable to other income. As Billion Vietnam generated taxable profit for the first year in 2021, Billion Vietnam is exempted from Vietnam CIT for the year ended 31 December 2021. For the year ended 31 December 2020, Vietnam CIT has not been provided as the Group incurred a loss for taxation purpose.

* *The English translation of the name is for reference only.*

7. DIVIDENDS

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2021 (2020: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	<u>1,759,731</u>	<u>781,482</u>
	2021	2020
Number of shares:		
Issued ordinary shares at 1 January	2,119,924,000	2,122,098,000
Effect of shares repurchased	<u>(897,704)</u>	<u>(217,514)</u>
Weighted average number of ordinary shares	<u>2,119,026,296</u>	<u>2,121,880,486</u>

There were no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	572,880	366,055
Work in progress	380,249	82,997
Finished goods	<u>1,855,806</u>	<u>1,456,500</u>
	<u>2,808,935</u>	<u>1,905,552</u>

10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables from third parties	497,706	334,861
Less: Loss allowance	<u>(9,543)</u>	<u>(8,195)</u>
	488,163	326,666
Bills receivables from third parties	<u>157,559</u>	<u>117,875</u>
	<u>645,722</u>	<u>444,541</u>
Deposits and prepayments for acquisition of interests in leasehold land and property, plant and equipment	374,420	406,191
Prepayments on raw materials	1,007,874	889,254
Interest receivables	176,554	80,018
Value-added tax recoverable	226,875	238,784
Deposits, prepayments and other receivables	<u>49,254</u>	<u>43,379</u>
	1,834,977	1,657,626
Less: Non-current portion of deposits and prepayments	<u>(374,646)</u>	<u>(406,423)</u>
	<u>1,460,331</u>	<u>1,251,203</u>
	<u>2,106,053</u>	<u>1,695,744</u>

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

At 31 December 2021, the Group had discounted bank acceptance bills totalling approximately RMB4,928,831,000 (2020: approximately RMB1,545,862,000) and endorsed bank acceptance bills totalling approximately RMB67,422,000 (2020: approximately RMB14,328,000), which are derecognised as financial assets (the “Derecognition”). 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. During the year ended 31 December 2021, the loss arising from the Derecognition was approximately RMB3,940,000 (2020: approximately RMB2,518,000).

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

Current portion of deposits, prepayments and other receivables mainly represents prepayments on raw materials, interest receivables from deposits with banks and value-added tax recoverable.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables and bills receivables (which are included in “trade and other receivables”), based on the date of billing and net of loss allowance for expected credit losses, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 month	516,789	254,033
1 to 2 months	58,290	110,865
2 to 3 months	49,199	64,729
Over 3 months	21,444	14,914
	<u>645,722</u>	<u>444,541</u>

Trade receivables and bills receivables are due within 90 to 210 days (2020: 90 to 210 days) and 1 to 365 days (2020: 1 to 365 days), respectively, from the date of billing.

11. FINANCIAL ASSETS/LIABILITIES AT FVPL

Details of financial instruments represented by financial assets (liabilities) at FVPL are set out as follows:

	2021 RMB'000	2020 RMB'000
Unlisted wealth management products (Note (i))	300,025	—
Structured deposits (Note (ii))	304,471	—
Contracts for financial instruments at FVPL (Note (iii))	7,140	(1,245)
	<u>611,636</u>	<u>(1,245)</u>

Notes:

- (i) At 31 December 2021, the Group invested in unlisted wealth management products issued by a bank in the PRC with the aggregate principal amounts of RMB300,000,000. These unlisted wealth management products comprised of listed and unlisted debt securities, funds and other financial products. There are no fixed or determinable returns of the wealth management products and the returns of principal are not guaranteed.
- (ii) At 31 December 2021, the Group placed principal-guaranteed structured deposits in a bank in the PRC with the principal aggregate amounts of RMB300,000,000. These structured deposits have a maturity of one year and expected return rate of 3.65% per annum comprising fixed rate of 1.8% per annum and floating rate of 1.85% per annum which are indexed to exchange rate of foreign currencies.
- (iii) At 31 December 2021, the Group had outstanding commodity futures contracts with underlying nominal values of approximately RMB79,464,000 (2020: approximately RMB120,624,000).

12. RESTRICTED BANK DEPOSITS

The restricted bank deposits of approximately RMB209,690,000 (2020: approximately RMB900,433,000) and approximately RMB6,184,441,000 (2020: approximately RMB3,029,087,000) were pledged to the banks to secure certain bank loans (Note 15) and bills payables (Note 14), respectively.

13. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Bank balances and cash	149,339	342,919

At 31 December 2021, cash at bank balances were placed with banks in the PRC amounted to approximately RMB95,182,000 (2020: approximately RMB245,809,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

14. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	421,467	423,862
Bills payables	10,607,556	5,566,919
Other payables and accrued charges	348,093	316,361
Salaries and welfare payables	40,468	32,429
Interest payables	9,568	6,218
Equipment payables	987,348	930,347
Construction payables	167,585	154,633
	12,582,085	7,430,769

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

At 31 December 2021, bills payables carry interest rate at 2.00% to 3.15% (2020: 2.00% to 3.15%) per annum and certain bills payables were secured by restricted bank deposits (Note 12).

The Group is normally allowed with a credit term of 60 to 180 days by its suppliers. At the end of the reporting period, the ageing analysis of trade payables and bills payables (which are included in “Trade and other payables”), based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	3,592,881	2,229,125
More than 3 months but within 6 months	3,077,446	1,493,629
More than 6 months but within 1 year	4,358,693	2,263,208
More than 1 year	3	4,819
	11,029,023	5,990,781

15. BANK LOANS

At the end of the reporting period, the bank loans were repayable as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year or on demand	<u>794,074</u>	<u>2,068,975</u>
After 1 year but within 2 years	420,412	699,193
After 2 years but within 5 years	91,041	462,600
After 5 years	<u>—</u>	<u>53,623</u>
	<u>511,453</u>	<u>1,215,416</u>
	<u><u>1,305,527</u></u>	<u><u>3,284,391</u></u>

At the end of the reporting period, the bank loans were secured as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank loans		
– secured	295,808	948,129
– unsecured	<u>1,009,719</u>	<u>2,336,262</u>
	<u><u>1,305,527</u></u>	<u><u>3,284,391</u></u>

At 31 December 2021, the secured bank loans are collectively secured by:

- (i) bank deposits amounted to approximately RMB209,690,000 (2020: approximately RMB900,433,000); and
- (ii) building held for own use amounted to approximately RMB39,255,000 (2020: approximately RMB41,613,000).

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2021 and 2020 not provided, net of any deposits paid, for in the consolidated financial statements were as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised but not contracted for	3,804	72,932
Contracted for	<u>1,309,844</u>	<u>1,644,385</u>
	<u><u>1,313,648</u></u>	<u><u>1,717,317</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In 2021, the global trend of economic recession triggered by the outbreak of the novel coronavirus (the “COVID-19”) and the important moment in the Sino-US relation have been gradually and adversely impacting the global economic landscape. However, with improved epidemic prevention and control, together with policies implemented to boost consumption, the markets and industries started to gradually resume their business operation and production. The global economy began to show signs of recovery from the impacts of the epidemic. The impact of the pandemic on China economy was temporary and unable to change the promising prospect of China’s economy to expand stably in long term. This positive attitude is backed by various economic statistics including the data from the National Bureau of Statistics of China that GDP for 2020 reached approximately RMB102,000 billion despite the temporary decrease in the beginning of 2020, representing an increase of approximately 2.3% as compared with 2019. The PMI rebounded in March 2020 after it significantly dropped in February 2020 and remained approximately over 50. From January 2021 to December 2021, the profit of industrial enterprises of larger scale exceeded RMB8.7 trillion, representing a year-on-year increase by approximately 34.3%. In order to manage the huge discrepancies in the pace of recovery in different regions due to varying results of prevention and control efforts in face of the adversely affected business activities in global trade, many countries around the world have been proposing and enhancing their economic stimulus policies to cope with economic downturn and rising unemployment brought by the epidemic. The progress of global recovery largely depends on the sustainability and effectiveness of various economic stimulus policies and the improvement of the world economic governance.

In addition, a number of COVID-19 vaccines have been approved for marketing, bringing people great hope that COVID-19 will be improved. As many countries implemented vaccination one after another and improved fiscal and currency policy, global economy has gradually improved in 2021, and while China is pursuing the stable economic development, it has also strengthened a social security network, which further helps the people’s access to services and goods, so as to stimulate consumption.

INDUSTRY REVIEW

The textile and apparel industry employs a large number of workers and plays an important role in ensuring the employment of residents, protecting the market players and stabilizing the supply chain of the industry chain. In 2021, China’s textile industry faces an increasingly complicated external environment with issues arising from the outbreak of COVID-19 around the globe, increasing risk points of the global economy and the domestic structural issues. The epidemic is causing economic losses due to both the decreased domestic sales of textile enterprises and the loss of foreign trade orders and intensifying international competition, which brought huge impacts on foreign demand to the textile and apparel industry. Despite the adverse impact from the epidemic, the development trend of China’s macro economy will remain positive in long term due to its continuing effort to stabilize growth for the domestic macro-economic policies. In recent years, China’s textile industry has seen the trend of growing export of textile machinery and chemical fibers with higher technology content and added value. Trade tensions and the epidemic may accelerate the adjustment of the industry. As the epidemic is

better controlled, the textile industry has started to gain development as a result of the effort of the Chinese government promulgating various anti-epidemic support measures to ease the operating pressure of the textile enterprises so as to ensure the overall steady progress and stable development in the industry. PRC government promulgated multiple supporting policies to transform textile industry and enhance its competitiveness, including but not limited to: (i) the Textile Industry Development Planning (2016-2020) (《紡織工業發展規劃(2016–2020)》) under which there are six measures including enhancing the industry’s innovation ability, fully implementing “Three Quality” strategy, promoting the intelligent manufacturing of textile, accelerating green development progress, promoting regional coordinative development and improving enterprises’ comprehensive strength. (ii) Development Outline of Textile Industry for the 14th Five Year Plan (《紡織行業「十四五」發展綱要》) which highlighted the textile industry shall satisfy, lead and create domestic demand by supplying supply high-quality product and fulfill the people’s hope for a better life. (iii) Made in China 2025 (《中國製造2025》) aims to comprehensively upgrade manufacturing industry to make it further pursue efficiency and integration so as to rank top in the global supply chain.

With the order in economy and people’s lives recovering and the proper support of government’s policy to stimulate local consumption, the sales in domestic market of textile industry witnessed higher growth in every quarter. With the progressively rebound of demands in overseas market, the enterprises in China textile industry already show a sign of stable restoration. According to the data from the National Bureau of Statistics of China, for the twelve months ended 31 December 2021, the total operating revenue and profit of the industrial enterprises of larger scale in the textile industry are approximately RMB2.57 trillion and RMB120 billion respectively, representing an increase by approximately 10.0% and 4.1% respectively. In addition, the total amount of the export of textile and apparel mostly maintained high, being over US\$25 billion per month after dropping to approximately US\$490 million in February 2020.

Benefiting from the recovery of textile industry, the demands in relevant raw material shows an upward momentum. For example, the market demands for polyester filament yarns products increased by approximately 4% on a year-on-year basis in the second half of 2020. In August 2021, The average operating rate of polyester filament yarns production increased to approximately 96% and the inventory turnover ratio of polyester filament yarns products maintained in the reasonable area approximately 15 days while the increase in demands elevated the market price. According to the data from the National Bureau of Statistics of China, the raw material price of textile products increased by approximately 5.0% on a year-on-year basis from January 2021 to December 2021 in general.

BUSINESS REVIEW

With 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”. In order to achieve “technology innovation and improving competitive strength”, the Group persists in pursuing the technology innovation in a comprehensive approach addressing “Production, Learning, Research and Application”. The Group formulates the deepened reform proposal through technology improvement, technology innovation, product mix optimization and recruiting

innovative talents, strives to research and develop new products and enhance product added value, and improves brand values and market competitiveness of the Company. As a “High Technology Enterprise” and the “Pilot Demonstration Enterprise of Intelligent Manufacturing in Fujian Province”, the Group is the first enterprise pioneering in the application of the full process intelligent automatic production in the industry. The Group leverages on the digitalization, networking and modularization of automatic equipment to keep on improving its products’ quality and production volume. During the epidemic, the Group showed great resilience to risks. Benefiting from technologies and equipment such as intelligent transformation, intelligent production, intelligent packaging and intelligent storage, our production was less impacted by the epidemic. The Group’s production lines of each workshop continued to run at full speed during the critical period of the first outbreak of the epidemic when manpower was largely limited. The capability of maintaining operation benefits from the automation, which proves that our forward-looking decision made years ago to carry out intelligent transformation, and also reinforces the Group’s determination towards further intelligent upgrade.

The Group attaches great importance to the introduction and cultivation of talents and has adopted the talent strategy of “recruiting employees with due care and connecting people with heart (招人留心、用人連心)” which attracts more talented individuals to join the business. We established a talents practice base in cooperation with Donghua University, and we have become an enterprise with excellent research and development talents. The Group has a research and development team, comprising a large number of senior technicians from all around the country, to develop new products under a market-oriented approach. The Group also has a sizable quality control team equipped with the world class testing facilities to ensure stringent product quality and personalized quality service.

The management team of the Group applied scientific management software to achieve networking and informatization of the management during the course of production, to allocate production among various products and to allocate equipment between production and research and development to maximize the utilization of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enabled the Group to constantly launch new products on time targeting at market demand with a view to increasing the strengths of product differentiation. Our ES fiber project successfully commenced production on 27 June 2020. ES fiber is a kind of bicomponent skin-core structure composite fiber where the skin component has a low melting point and good flexibility and the core component has a high melting point and high strength. After heating, a portion of the skin component will be melted and bonded together, and the rest maintains the fiber properties while enjoying a low thermal shrinkage rate. It is particularly suitable for use in through air drying process to manufacture products such as sanitary materials, thermal filling materials and filtration materials. With respect to model selection and main equipment installation, our ES fiber project adopts German facilities. The excellent equipment largely ensures the Group’s product innovation and technological innovation. The Group targets at the high-end customers to provide them with high-end customized products according to their demand, as a gradual process to enter into the international high-end market. Moving forward, the Group expects more promising prospects for the ES fiber business as to demand and application. High value-added products can generate higher profits, which will also consolidate the position of the Group in the industry.

The Group manufactures functional polyester thin films project of 255,000 tons in production site G on an annual basis, of which, 2 of the production lines focused on the production of polyester thin films, with an annual capacity of 70,000 tons, were duly put into production in December 2020. The project adopts international advanced polyester production process with six biaxially-oriented polyester thin films production lines of the latest model purchased from Dornier in Germany, equipped with the cutting machines in KAMPF of Germany, and 9 APET sheet production lines. By virtue of the automatic control, the implementation of purification management in production workshops, and the smooth operation and stability of the equipment and the production lines, we can manufacture thin films of larger span, which can satisfy more customers' needs and ensure the quality of various products. Positioning at high-end functional polyester thin films market at home and abroad, the products can be mainly applied in the segments including soft packaging, composite printing, garments, safety and energy saving, cosmetics, food packaging, toys, electronic products including solar backplane, protective film and release film. Due to the prosperous market conditions in the thin films market this year and wide market potential, there have been advanced orders placed by our customers prior to the commencement of commercial production of the project. Relying on the entire supply chain platform of the Group and mature technology management team, the products will serve customers in all respects with a focus on high quality, high starting point and specialization. The production of the project will allow the Group to double the capacity of its existing polyester thin films and APET sheet and strengthen its market position as a large polyester thin films manufacturer in China.

After more than one year of planning and construction, the manufacturing facilities of polyester industrial yarns, which has an annual production capacity of approximately 250,000 tons, commenced operation in July of the year under review. The Group has been committed to constructing its polyester industrial yarns products with the belief of "high quality, high starting point, specialization, and serving various fields". The Group adopts world-class advanced polyester process in its production by introducing the latest high-speed spinning winder of Oerlikon Barmag (a German brand), which can produce a full range of products including ordinary high-strength, low-shrink, ultra-low-shrink, activated, anti-wicking and water-repellent, car seat belt wear resistant and special sewing thread and non-ferrous type, as complemented by the plied and twisted lines and twisting device to enrich the product structure. Meanwhile, the Group is equipped with the whole-process intelligent production and management from the latest intelligent winding, product inspection, packaging to storage, together with the optimized application of Oerlikon Barmag's automation solution. The Group is also among the top ten polyester industrial yarns manufacturers in China. The project has led the Group to expand the business of polyester industrial yarns products, marking another milestone towards the whole industry chain layout of the Group. We gradually acquire expertise in the direction of customer flow, information flow and capital flow in the industry. Meanwhile, the Company continues to strengthen its publicity efforts to further enhance our reputation for polyester industrial yarns products, and proactively deepens understanding of customers' needs for polyester industrial yarns prices, functions and services. The Group will continue to provide customers with high-end quality products and gradually take the lead in the market.

The Group had signed a 5G new technology strategic cooperation with China Mobile, to jointly explore development opportunities in the 5G business sector by further leveraging the unique advantages of both parties. The Group's commissioning of 5G smart factories has eased the pressure caused by rising labor costs, improved production efficiency, and promoted high-quality development in digital, intelligent, and flexible aspects with reform and innovation. As the first 5G intelligent chemical factory in the chemical fiber industry in the country, the Group and China Mobile cooperate in the fields of intelligent manufacturing, 5G data acquisition and transmission, high-precision positioning, visual recognition, network security, etc., to expand 5G industrial Internet application scenarios and achieve mutual benefit and win-win results.

As a leading enterprise in Fujian, the Group has been dedicated to building the front-end platform for foreign economic and trading cooperation in recent years. In active response to the national call, the Group decided to invest in Vietnam to build a polyester factory as early as 2016. On 3 May 2020, the Group officially commenced the second project, i.e. the "polyester bottle chips project with an annual production capacity of 250,000 tons", under phase I of the Group's investment in and construction of the "700,000 ton differentiated chemical fiber project" in Tay Ninh, Vietnam. The main product of the project is bottle grade chips suitable for making bottles for water such as mineral water and purified water. Coupled with the "polyester filament yarns and chips project with an annual production capacity of 200,000 tons", which commenced operation in September 2019, the two projects under phase I of our investment in and construction of the "700,000 ton differentiated chemical fiber project" in Vietnam have completed construction. The Group targets to develop these projects to create a demonstration platform for China-Vietnam production capacity cooperation, being a further great leap forward for the development of the Group. Leveraging on the geographical location of Vietnam and its huge market potential, the Group will continue to capitalize on its opportunities and utilize its strengths as a large-scale corporation to differentiate itself from the competitors and enter the textile and polyester bottle chips market in Vietnam.

The Group has always been highly valuing the importance of marketing channel expansion and customer services. The flexible sales strategies enable it to understand market situations in time, focus on customers' experience and timely communicate the feedback from customers to the technology and production center, in order to ensure the bilateral interaction and providing fast and efficient product aftersales services. While consolidating its market share in Fujian and Guangdong Provinces, the Group also strived to develop international markets and continued to improve its response to the market whilst expanding the emerging markets. According to the feedback of downstream users in the emerging markets, the Group made functional improvement and technology upgrade to its existing product lines with suitable marketing strategy, strengthened quality control on export products, and maintained cost advantages.

The Group's major subsidiaries, Billion Fujian and Billion High-tech have been awarded as high technology enterprises. During the year under review, the revenue from and the research and development expenses of the Group's differentiated products amounted to RMB8,966,557,000 and RMB446,384,000, representing 63.0% and 3.1% of the total revenue respectively. Our research and development focused on improving the product quality and production efficiency, as well as enhancing

its innovative capability in all aspects from chemical fiber to textile fabrics. Such a high rate ensures our market competitiveness and is also a key factor contributing to the steady growth of the Group's sales. In addition, the Group owned 129 national patents registered in China and had applied for 153 national patents. Among all of the Group's patented products, 116 of them have already been applied to our products sold to customers. We remain confident in the short-and medium-term development as it continues to push ahead its innovative capability and intelligentization achievements, alongside with the application for patents in China, increasing national income, optimizing demographic structure and consumption upgrade.

FINANCIAL REVIEW

Operational performance

1. Revenue

Revenue of the Group in 2021 amounted to RMB14,241,565,000, representing an increase of 68.9% as compared to RMB8,431,054,000 in 2020. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB8,012,531,000 accounting for 56.3% of the total revenue. Revenue attributable to the sales of polyester products* was RMB4,973,212,000, accounting for 34.9% of the total revenue. The revenue of the new products ES fiber and polyester industrial yarns of the Group was RMB34,708,000 and RMB1,221,114,000, respectively, accounting for 0.2% and 8.6% of the total revenue, respectively. The revenue analysis of the various 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 targets its polyester filament yarns products at 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. These products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Group's product solutions have a clear positioning and are targeted at the mid to high-end market. 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.

* Polyester products represent BOPET thin films, polyester bottle chips, polyester films and wasted filament generated during the production process.

Revenue attributable to the sales of polyester filament yarns products for the year under review was RMB8,012,531,000, representing an increase of RMB2,041,691,000 or 34.2% as compared to RMB5,970,840,000 in 2020. The average selling price of polyester filament yarns in the year under review was RMB8,545 per ton, representing an increase of RMB669 or 8.5% as compared to RMB7,876 per ton in 2020.

Polyester products

The Group's polyester products 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 products production lines to conduct research and development on various categories of thin films 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 biaxially-oriented polyethylene terephthalate ("BOPET") thin films from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films. It has become one of the largest polyester thin films production enterprises in China. In addition, the commencement of production of the facility of Billion Vietnam has also expanded the production capacity of polyester products of the Group.

Revenue attributable to the sales of polyester products for the year under review was RMB4,973,212,000, representing an increase of RMB2,714,814,000 or 120.2% as compared to RMB2,258,398,000 in 2020. The average selling price of polyester products in the year under review was RMB7,749 per ton, representing a increase of RMB977 or 14.4% as compared to RMB6,772 in 2020. The sales volume of the Group's polyester products significantly increased by 92.5% from 333,469 tons in 2020 to 641,818 tons during the year under review, the sales volume continued to record steady growth.

ES fiber and polyester industrial yarns

The Group's ES fiber is a new type of thermally bonded composite fiber. After heating, a portion of the skin component will be melted and bonded together enjoying a low thermal shrinkage rate. Fibers are interlinked to form a non-woven fabric without adhesives. Different heat treatment methods will produce non-woven fabrics with different effects. For example, the application of hot air bonding can produce fluffy non-woven fabrics, the application of hot rolling bonding can produce high strength non-woven fabrics, products are mainly used in disposable sanitary products. The prospects for ES fiber demand are becoming broader, and the broad demand potential for ES fibers in the future is expected to open up new sources of economic growth for the Group. During the year under review, the revenue attributable to the sale of ES fiber products was RMB34,708,000, and the average selling price of the products was RMB7,808 per ton.

Different from the production process of polyester filament, polyester industrial yarns of the Group requires a solid phase polymerization device which can increase the viscosity through solid phase polycondensation. The tensile strength of such yarns is controlled by winding hot rolls industrial silk, and physical properties are controlled. Different strengths have different uses. Industrial silk products of the Group will serve various fields with high quality, high starting point and specialization, including hoisting belts, conveyor belts, car seat belts, canvas, teslin, coated cloth, fire hoses, oil and water pipelines, geotextiles and so on. During the year under review, the revenue attributable to the sale of polyester industrial yarns products was RMB1,221,114,000, and the average selling price of the products was RMB7,306 per ton.

Analysis of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	2021		2020		2021		2020	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>	<i>Tons</i>	<i>Percentage</i>	<i>Tons</i>	<i>Percentage</i>
Polyester filament yarns								
DTY	5,787,420	40.6%	4,515,904	53.6%	610,331	34.9%	506,401	45.0%
FDY	1,651,462	11.6%	759,759	9.0%	220,918	12.6%	104,389	9.3%
POY	107,243	0.8%	131,136	1.5%	15,806	0.9%	24,187	2.1%
Other polyester filament yarns products*	466,406	3.3%	564,041	6.7%	90,602	5.1%	123,137	10.9%
Sub-total	8,012,531	56.3%	5,970,840	70.8%	937,657	53.5%	758,114	67.3%
Polyester products								
BOPET thin films	3,342,281	23.5%	1,590,431	18.9%	366,217	20.9%	190,119	16.9%
Polyester bottle chips	1,028,102	7.2%	395,308	4.7%	164,318	9.4%	86,310	7.7%
Other polyester products**	602,829	4.2%	272,659	3.2%	111,283	6.4%	57,040	5.1%
Sub-total	4,973,212	34.9%	2,258,398	26.8%	641,818	36.7%	333,469	29.7%
ES fiber	34,708	0.2%	2,357	0.0%	4,445	0.3%	472	0.0%
Polyester industrial yarns	1,221,114	8.6%	199,459	2.4%	167,149	9.5%	34,041	3.0%
Total	14,241,565	100.0%	8,431,054	100.0%	1,751,069	100.0%	1,126,096	100.0%

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

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

Sales by geographic region

The Group's overseas sales revenue increased from RMB1,777,936,000 in 2020 to RMB2,908,806,000 during the year under review or an increase of 63.6%. Consequentially, the percentage of overseas sales revenue slightly decreased from 21.1% in 2020 to 20.4% during the year under review, representing an decrease of 0.7 percentage points. Although the epidemic disrupted the international shipping, the stable development of the Group's overseas sales was not affected. In addition, the second project under phase I of the Group's investment in and construction of the "700,000 ton differentiated chemical fiber project" in Tay Ninh, Vietnam fully commenced production, which boosted the sales of the overall overseas sales of the Group. Approximately 79.6% of the Group's revenue was generated from domestic market sales, of which 48.3% was from sales to customers in Fujian Province and 15.8% to customers in the adjacent Guangdong Province. The textile manufacturing industries in these two provinces have been booming, resulting in a relatively strong demand for the Group's products.

Geographic Breakdown of Revenue

	2021		2020	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Domestic sales				
Fujian Province	6,872,981	48.3%	4,123,590	48.9%
Guangdong Province	2,254,072	15.8%	1,766,053	20.9%
Other Provinces	2,205,706	15.5%	763,475	9.1%
Overseas sales*	2,908,806	20.4%	1,777,936	21.1%
Total	14,241,565	100.0%	8,431,054	100.0%

* Overseas sales were mainly made to countries such as ASEAN countries, EU countries, Japan, South Korea, Central America and South America.

2. Cost of Sales

Cost of sales of the Group in 2021 was RMB11,493,748,000, representing an increase of 63.0% as compared to RMB7,050,709,000 in 2020. Such increase was mainly attributable to the effect of the increase in raw materials prices. The cost of sales for polyester filament yarns, the Group's main products, was RMB6,591,628,000, accounting for 57.3% of the total cost of sales. The cost of sales for polyester products was RMB3,769,678,000, accounting for 32.8% of total cost of sales. The cost of sales for ES fiber and polyester industrial yarns products was RMB44,268,000 and RMB1,088,173,000 accounting for 0.4% and 9.5% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns increased from RMB6,993 per ton in 2020 to RMB7,030 per ton during the year under review, representing an increase of RMB37 or 0.5% per ton, which was mainly due to the impact of the slight increase in the selling price of purified terephthalic acid (“PTA”) and mono ethylene glycol (“MEG”), the raw materials of polyester filament yarns. The average price of raw materials for polyester filament yarns increased from RMB4,809 per ton in 2020 to RMB5,146 per ton during the year under review, representing an increase of RMB337 or 7.0% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 68.5% of the total cost of sales and the prices of which were mainly affected by the price of their raw materials, i.e. crude oil.

Polyester products

Average cost of sales for polyester products increased from RMB4,709 per ton in 2020 to RMB5,874 per ton during the year under review, representing an increase of RMB1,165 or 24.7% per ton, which was mainly due to the increase in the selling price of raw materials of polyester products. In addition, the average price of raw materials for polyester thin films increased from RMB3,903 per ton in 2020 to RMB5,033 per ton during the year under review, representing an increase of RMB1,130 or 29.0% per ton.

ES fiber and polyester industrial yarns

Average cost of sales for ES fiber was RMB9,959 per ton, while the average price of raw materials for ES fiber was RMB6,463 per ton.

Average cost of sales for polyester industrial yarns was RMB6,511 per ton, while the average price of raw materials for polyester industrial yarns was RMB5,177 per ton.

Analysis of Cost of Sales

	2021		2020	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	3,165,257	27.5%	2,440,164	34.6%
MEG	1,350,770	11.8%	966,078	13.8%
POY and other raw materials	308,782	2.7%	239,008	3.4%
Sub-total	4,824,809	42.0%	3,645,250	51.8%
Manufacturing costs	1,755,988	15.3%	1,652,837	23.4%
Other costs	10,831	0.1%	3,186	0.0%
Sub-total	6,591,628	57.4%	5,301,273	75.2%
Polyester products				
Cost of raw materials				
PTA	2,169,625	18.9%	864,433	12.3%
MEG	918,878	8.0%	368,696	5.2%
Chips and other raw materials	141,265	1.2%	68,430	1.0%
Sub-total	3,229,768	28.1%	1,301,559	18.5%
Manufacturing costs	539,400	4.7%	268,703	3.8%
Other costs	511	0.0%	268	0.0%
Sub-total	3,769,679	32.8%	1,570,530	22.3%
ES fiber				
Cost of raw materials				
PTA	7,792	0.1%	533	0.0%
MEG	3,374	0.0%	211	0.0%
Other raw materials	17,560	0.2%	1,377	0.0%
Sub-total	28,726	0.3%	2,121	0.0%
Manufacturing costs	15,486	0.1%	885	0.0%
Other costs	56	0.0%	2	0.0%
Sub-total	44,268	0.4%	3,008	0.0%
Polyester industrial yarns				
Cost of raw materials				
PTA	575,302	5.0%	94,674	1.3%
MEG	253,802	2.2%	39,758	0.6%
Other raw materials	36,239	0.3%	7,065	0.1%
Sub-total	865,343	7.5%	141,497	2.0%
Manufacturing costs	220,723	1.9%	34,242	0.5%
Other costs	2,107	0.0%	159	0.0%
Sub-total	1,088,173	9.4%	175,898	2.5%
Total	11,493,748	100.0%	7,050,709	100.0%

Analysis of Average Cost of Sales of Products Per Ton

	2021		2020	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>(per ton)</i>		<i>(per ton)</i>	
Polyester filament yarns				
Cost of raw materials				
PTA	3,375	48.0%	3,219	46.0%
MEG	1,442	20.5%	1,275	18.2%
POY and other raw materials	329	4.7%	315	4.5%
Sub-total	5,146	73.2%	4,809	68.7%
Manufacturing costs	1,873	26.6%	2,180	31.2%
Other costs	12	0.2%	4	0.1%
Sub-total	7,030	100.0%	6,993	100.0%
Polyester products				
Cost of raw materials				
PTA	3,381	57.6%	2,592	55.0%
MEG	1,432	24.4%	1,106	23.5%
Chips and other raw materials	220	3.7%	205	4.4%
Sub-total	5,033	85.7%	3,903	82.9%
Manufacturing costs	840	14.3%	805	17.1%
Other costs	1	0.0%	1	0.0%
Sub-total	5,874	100.0%	4,709	100.0%
ES fiber				
Cost of raw materials				
PTA	1,753	17.6%	1,129	17.7%
MEG	759	7.6%	447	7.0%
Other raw materials	3,951	39.7%	2,917	45.8%
Sub-total	6,463	64.9%	4,493	70.5%
Manufacturing costs	3,483	35.0%	1,875	29.4%
Other costs	13	0.1%	4	0.1%
Sub-total	9,959	100.0%	6,372	100.0%

	2021		2020	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>(per ton)</i>		<i>(per ton)</i>	
Polyester industrial yarns				
Cost of raw materials				
PTA	3,442	52.9%	2,781	53.8%
MEG	1,518	23.3%	1,168	22.6%
Other raw materials	217	3.3%	208	4.0%
Sub-total	5,177	79.5%	4,157	80.4%
Manufacturing costs	1,321	20.3%	1,006	19.5%
Other costs	13	0.2%	5	0.1%
Sub-total	6,511	100.0%	5,168	100.0%
Total	6,564		6,261	

3. *Gross Profit*

Gross profit of the Group in 2021 was RMB2,747,817,000, representing an increase of RMB1,367,472,000 or 99.07% as compared to RMB1,380,345,000 in 2020. Average selling price of products increased by RMB646 per ton or 8.6% from RMB7,487 per ton in 2020 to RMB8,133 per ton during the year under review, while average cost of products also increased by RMB303 per ton or 4.8% from RMB6,261 per ton in 2020 to RMB6,564 per ton during the year under review. The average gross profit of products per ton increased from RMB1,226 in 2020 to RMB1,569 during the year under review. Gross profit margin increased by 2.9 percentage point from 16.4% in 2020 to 19.3% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarns increased by RMB669 per ton or 8.5% from RMB7,876 in 2020 to RMB8,545 during the year under review. The average gross profit of polyester filament yarns per ton increased from RMB883 in 2020 to RMB1,515 during the year under review. As the average selling price of products per ton increased significantly than the average cost of products per ton, the gross profit margin increased by 6.5 percentage points from 11.2% in 2020 to 17.7% during the year under review.

Polyester products

Average selling price of polyester products increased by RMB977 per ton or 14.4% from RMB6,772 per ton in 2020 to RMB7,749 per ton during the year under review. The average gross profit of polyester products per ton decreased from RMB2,063 in 2020 to RMB1,875 during the year under review. The gross profit margin decreased by 6.3 percentage points from 30.5% in 2020 to 24.2% during the year under review.

ES fiber and polyester industrial yarns

During the year under review, the average selling prices of the Group's new products ES fiber and polyester industrial yarns were RMB7,808 and RMB7,306, respectively. As the initial investment and the initial stage of market expansion, ES fiber recorded an average loss per ton, while the average gross profit of polyester industrial yarns per ton was RMB795.

During the year under review, there's an increase in the sales volume and sales of the Group as compared to the same period of last year even amid the certain impact of global epidemic in the beginning of 2021. The enterprises in textile industry still face various difficulties including the impact of the loss in foreign trade orders and the intensifying international competition. But the development of textile industry progressively recovers as the pandemic is gradually under control, while the country starts to issue different supporting policies with regard to the influence of pandemic to help mitigate the operating pressure of enterprises in textile industry and to ensure the overall steady progress and stable development of the enterprises. While the Group is constantly committed to expanding their shares in both domestic market and overseas market and its production capacity continued to expand as planned. Factors including the official production of ES fiber and polyester industrial yarns allow the stable growth in the sales volume and sales of the Group's products continue in 2021. As the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

Analysis of gross profit by product

	2021		2020	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
DTY	1,161,478	42.3%	630,441	45.6%
FDY	220,420	8.0%	57,379	4.2%
POY and other polyester filament yarns products*	39,005	1.4%	(18,253)	(1.3%)
Sub-total	1,420,903	51.7%	669,567	48.5%
Polyester products				
BOPET thin films	1,045,114	38.0%	646,209	46.8%
Polyester bottle chips	133,142	4.9%	25,057	1.8%
Other polyester products**	25,278	0.9%	16,602	1.2%
Sub-total	1,203,534	43.8%	687,868	49.8%
ES fiber	(9,560)	(0.3%)	(651)	(0.0%)
Polyester industrial yarns	132,940	4.8%	23,561	1.7%
Total	2,747,817	100.0%	1,380,345	100.0%

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

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

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

	2021 RMB	2020 RMB
Polyester filament yarns		
Average selling price	8,545	7,876
Average cost of sales	<u>7,030</u>	<u>6,993</u>
Average gross profit	<u>1,515</u>	<u>883</u>
Average gross profit margin	<u>17.7%</u>	<u>11.2%</u>
Polyester products		
Average selling price	7,749	6,772
Average cost of sales	<u>5,874</u>	<u>4,709</u>
Average gross profit	<u>1,875</u>	<u>2,063</u>
Average gross profit margin	<u>24.2%</u>	<u>30.5%</u>
ES fiber		
Average selling price	7,808	4,994
Average cost of sales	<u>9,959</u>	<u>6,373</u>
Average gross loss	<u>(2,151)</u>	<u>(1,379)</u>
Average gross loss margin	<u>(27.5%)</u>	<u>(27.6%)</u>
Polyester industrial yarns		
Average selling price	7,306	5,859
Average cost of sales	<u>6,511</u>	<u>5,167</u>
Average gross profit	<u>795</u>	<u>692</u>
Average gross profit margin	<u>10.9%</u>	<u>11.8%</u>

4. *Other revenue*

Other revenue of the Group in 2021 amounted to RMB358,499,000, representing an increase of 45.0% as compared to RMB247,290,000 in 2020. Other revenue included bank interest income, government grants and gains on sales of raw materials. Such change was mainly attributable to the combined effect of an increase in bank interest income and sales of raw materials.

5. *Other net gains and losses*

Other net gains of the Group in 2021 amounted to RMB73,767,000, representing a increase of 1,030.9% as compared to RMB6,523,000 in 2020. Other net gains and losses mainly comprised the realised net gains and losses on financial instruments at FVPL, donation expenses and the net exchange gain and loss. Such change was mainly attributable to the combined effect of the increase in realised gain on financial instruments at FVPL and the decrease in donation expenses, and the decrease in net exchange gain.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2021 amounted to RMB205,432,000, representing an increase of 77.7% as compared to RMB115,604,000 in the 2020. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such increase was mainly due to the increase in transportation costs resulted from the increase in sales volume upon commencement of production of Billion Vietnam and the new production site in Jinjiang.

7. *Administrative expenses*

Administrative expenses of the Group in 2021 amounted to RMB614,242,000, increased by 50.1% as compared to RMB409,312,000 in 2020. Administrative expenses mainly comprised research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees, etc. Such change was mainly due to the increase in research and development expenses, professional and legal fees during the period under review.

8. *Finance costs*

Finance costs of the Group in 2021 amounted to RMB268,933,000, increased by 37.1% as compared to RMB196,175,000 in 2020. Such change was mainly due to the increase in the other interest expenses.

9. *Income tax*

Income tax of the Group in 2021 amounted to RMB331,745,000, increased by 152.1% as compared to RMB131,585,000 in 2020. Such change was mainly due to the increased in profit before income tax of the Group and the increased in payment of withholding income tax arising from dividends distribution to Billion Development by Billion Fujian.

Billion Fujian and Billion High-tech, major subsidiaries of the Group, were recognized as the Advanced and New Technology Enterprises and entitled to a preferential tax rate of 15% in 2021.

The standard corporate income tax rate in Vietnam is 20%. The provisions of the Investment Registration Certificate of Billion Industrial (Viet Nam) Co., Ltd. (“Billion Vietnam”), the subsidiary in Vietnam, allow Billion Vietnam to be exempted from income tax for 2 years starting from the first year it generates taxable profit and entitled to a 50% reduction in income for the 4 succeeding years.

10. Profit for the year

Profit of the Group in 2021 amounted to RMB1,759,731,000, increased by RMB978,249 or 125.2% as compared to RMB781,482,000 in 2020, while the net profit margin of 12.4% represented an increase of 3.1 percentage point as compared to 9.3% in 2020, which was mainly attributable to the Group’s continuous development of functional new products, the continuous growth as well as the continuous recovery of the polyester filament yarns and polyester thin films industry.

Financial position

1. Liquidity and capital resources

As at 31 December 2021, cash and cash equivalent of the Group amounted to RMB149,339,000, decreased by RMB193,580,000 or 56.5% as compared to RMB342,919,000 as at 31 December 2020. Such decrease was mainly due to the combined effect of the increase in bank wealth management products held and expansion of plants and procurement of production facility during the year under review.

During the year under review, net cash inflow from operating activities amounted to RMB6,187,764,000, net cash outflow used in investing activities amounted to RMB4,129,497,000 and net cash outflow from financing activities amounted to RMB2,253,247,000.

The Group satisfies its working capital needs mainly with cash inflows from operating activities. During the period under review, inventory turnover days were 74.9 days (2020: 106.4 days), a decrease of 31.5 days as compared to the same period last year, which was mainly due to the Group’s continuous expansion of domestic and foreign markets for new products of ES fibers and polyester industrial yarns, which resulted in an increase in orders, the industry continued to recover and the Group’s sales further increased upon the expansion, resulting in a decrease in inventory turnover days. The trade and bills receivable turnover days were 14.0 days (2020: 17.2 days), representing a decrease of 3.2 days as compared to the same period last year, which was mainly due to the decrease in the discounting of trade receivable during the period. The trade and bills payable turnover days were 481.2 days (2020: 308.1 days), representing an increase of 173.1 days as compared to the same period last year mainly due to the growth scale of the Group and the Group’s increasing discretion authority over goods payments, which increased the discounting of notes.

As at 31 December 2021, the Group had capital commitments of RMB1,313,648,000, which were mainly used for the expansion of production capacity as well as development of the production line for polyester industrial yarns products in Jinjiang.

2. Capital Structure

As at 31 December 2021, the total liabilities of the Group amounted to RMB14,435,260,000 whereas capital and reserves amounted to RMB9,103,339,000. The gearing ratio (total liabilities divided by total equity) was 158.6%. Total assets amounted to RMB23,538,599,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.6 times. Bank loans of the Group amounted to RMB1,305,527,000, of which RMB794,074,000 were repayable within one year, and RMB511,453,000 were repayable after one year. RMB295,808,000 of the bank borrowings were secured by properties and restricted bank deposits.

Significant investment held, and material acquisitions or disposals of subsidiaries

There were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review.

The Group will continue to seek opportunities in utilising its idle cash by investing in appropriate financial products. The Company's future plan in the coming year for other material investments and additions of capital assets is primarily related to the expansion of domestic production capacity as well as development of the Vietnam production business. The Company intends to finance such plan through internally generated funds and bank loans.

Charges on assets

Save as disclosed in this report, there was no other charge on Group's assets as of 31 December 2021.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

Foreign currency risk

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should need to arise. As at 31 December 2021, the Group had no significant outstanding foreign currency forward contracts (2020: RMB164,320,000).

Employees and remuneration

As at 31 December 2021, the Group had a total of 7,401 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 outbreak of the epidemic in 2020 led to the suspension of work in the textile industry at the beginning of the year, and domestic and foreign demand shrank. After entering the second half of the year, favorable policies were frequently issued, the resumption of work and production proceeded in an orderly manner, and the business conditions of the Company gradually improved. Recently, a number of Coronavirus Vaccines have been approved for marketing, giving people greater hope for the improvement of the epidemic. As countries continue to implement vaccines and fiscal and monetary policies, the global economy is expected to continue to rebound in 2022. While China is pursuing stable economic development, it has strengthened its social safety net, which is more conducive to people's access to services and commodities to stimulate consumption in this way.

With the gradual recovery of global trade and investment, the easing of the US-Sino trade war and the loosening of monetary policy by major central banks around the world and the introduction of various fiscal stimulus policies in some countries in response to the economic slowdown, global economic growth will be continually improved in this year, recession risks will be limited, monetary policy will be looser, and the economic outlook will be flat. In recent years, the price and spread performance of polyester filament yarns have been stronger than that in the same period in history. The concentration has continued to increase at the same time as the conversion of old and new capacity.

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. Benefiting from the economic cycle and the rise of the crude oil price, the price trend of polyester thin films of the Group continued to improve. In addition, the continuous launch of new products has driven up the price of the Group's products and coupled with our appropriate cost control, the Group's overall business has experienced steady growth.

The Billion Vietnam Polyester Filament Project, which has an iconic significance for the Group's expansion into emerging markets, was formally put into operation in September 2019, further expanding the Group's overseas markets. 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 is investing approximately US\$185 million to set up a production line for polyester industrial yarns products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum, and they have been gradually commenced commercial production in the second quarter of 2020.

Polyester products consumption has been increasing in China in recent years, and China has become an important production base for polyester products worldwide. By expanding the existing polyester thin film business, the Company will be able to leverage its existing scale and expertise in manufacturing polyester products to enjoy the growth of this market. The Group currently has geographical, technological and cost advantages in the polyester thin film industry. At a time when the industry is still in the blue ocean stage, the future polyester thin film will remain an important performance growth driver of the Group. The production line for polyester thin films established by the Group with an investment of US\$230 million over a period of three years from 2019 to 2021 has been completed as scheduled, with a total production capacity of approximately 255,000 tons per year.

After the expansion plans for the polyester industrial yarns project and the polyester thin film project are completed, the size of the Group, and the sales volume and sales revenue of products will further increase. However, due to the impact of the continuing of the epidemic, there was some short-term impacts on the overall textile industry and the sales of the Group. However, as the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company had reviewed, together with the management, the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2021. The audit committee of the Company has also met and discussed with the Group's external auditor 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 2021, 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**”) in force during the year.

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 2021.

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 2021. 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 2021, 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 <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>RMB</i>
January 2021	<u>938,000</u>	3.99	3.65	<u>2,968,000</u>
Total	<u><u>938,000</u></u>			<u><u>2,968,000</u></u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 938,000 shares were repurchased in 2021 and the repurchased shares were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of approximately HK\$9,000 (equivalent to approximately RMB8,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$3,528,000 (equivalent to approximately RMB2,960,000) 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 2021 and the subsequent period ended the date of this announcement.

SCOPE OF WORK PERFORMED BY MAZARS CPA LIMITED ("MAZARS")

The figures in respect of the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position of the Group and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, *Mazars, Certified Public Accountants*, to the amounts set out in the draft consolidated financial statements of the Group for the year ended 31 December 2021. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on 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 2021 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

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

Hong Kong, 18 March 2022

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. Zhang Shengbai as non-executive director and Mr. Yu Wai Ming, Mr. Lin Jian Ming and Mr. Shih Chun Pi as independent non-executive directors.