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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

HIGHLIGHTS

- Revenue for the first half of 2022 amounted to RMB8,103 million, representing an increase of 25.4% over the same period last year.
- Profit for the first half of 2022 amounted to RMB686 million, representing an decrease of 17.9% over the same period last year.
- Earnings per share amounted to RMB0.32.

The board of directors (the “**Board**”) of Billion Industrial Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows. The interim results have not been audited by the external auditor but they have been reviewed by the Audit Committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	2	8,102,579	6,462,928
Cost of sales		(7,035,065)	(5,170,628)
Gross profit		1,067,514	1,292,300
Other revenue	3	338,039	179,545
Other net gains and losses	4	(78,017)	48,162
Selling and distribution expenses		(121,825)	(111,964)
Administrative expenses		(310,254)	(266,197)
Profit from operations		895,457	1,141,846
Finance costs	5	(128,916)	(148,463)
Profit before tax	5	766,541	993,383
Income tax expenses	6	(80,189)	(157,643)
Profit for the period attributable to owners of the Company		686,352	835,740
Earnings per share	8		
Basic and diluted (<i>RMB</i>)		0.32	0.40

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	686,352	835,740
Other comprehensive income (loss) for the period:		
<i>Item that will not be reclassified to profit or loss</i>		
Translation of the Company's financial statements into presentation currency	6,122	(1,724)
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	84,951	(8,415)
Total other comprehensive income (loss) for the period	91,073	(10,139)
Total comprehensive income for the period attributable to owners of the Company	777,425	825,601

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		11,469,608	11,086,187
Intangible assets		8,275	7,672
Deposit and prepayments	10	623,366	374,646
		12,101,249	11,468,505
Current assets			
Inventories	9	3,525,781	2,808,935
Trade and other receivables	10	2,509,919	2,106,053
Financial assets at FVPL		368,829	611,636
Restricted bank deposits	11	7,827,545	6,394,131
Cash and cash equivalents	12	291,410	149,339
		14,523,484	12,070,094
Current liabilities			
Trade and other payables	13	13,939,119	12,582,085
Contract liabilities		209,081	208,231
Bank loans	14	1,872,487	794,074
Lease liabilities		1,061	1,040
Tax payables		115,189	153,220
		16,136,937	13,738,650
Net current liabilities		(1,613,453)	(1,668,556)
Total assets less current liabilities		10,487,796	9,799,949

		At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Bank loans	14	417,419	511,453
Lease liabilities		3,553	4,103
Deferred tax liabilities		186,060	181,054
		<u>607,032</u>	<u>696,610</u>
NET ASSETS		<u>9,880,764</u>	<u>9,103,339</u>
Capital and reserves			
Share capital		17,819	17,819
Reserves		9,862,945	9,085,520
TOTAL EQUITY		<u>9,880,764</u>	<u>9,103,339</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements have been prepared on historical cost basis except for financial assets at fair value through profit or loss (“**FVPL**”) which are stated at fair value. The Interim Financial Statements are presented in Renminbi (“**RMB**”) as the functional currency of the Group’s major operating subsidiaries is RMB and all amounts have been rounded to the nearest thousand, unless otherwise stated.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2021 (the “**2021 Annual Financial Statements**”).

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2021 Financial Statements except for the adoption of the new/revised HKFRSs, HKASs and Interpretations which are relevant to the Group (hereinafter collectively referred to as the “new/revised HKFRSs”) as detailed below which are effective for current period.

Going Concern

At 30 June 2022, the Group recorded net current liabilities of approximately RMB1,613,453,000. Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank and cash balances at 30 June 2022 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 unaudited condensed consolidated financial statements. Accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis.

Adoption of new/revised HKFRSs

In the current period, the Group has adopted for the first time, the following new/revised HKFRSs issued by the HKICPA, which are effective for the current period.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

The adoption of these new/revised HKFRSs did not result in any material changes to the Group's accounting policies and/or amounts reported for the current and prior periods.

At the date of authorisation of the Interim Financial Statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products lines</i>		
Polyester filament yarns products	4,174,488	3,752,788
Polyester products	2,963,940	2,238,967
Polyester industrial yarns products	925,699	458,629
ES fiber products	38,452	12,544
	<u>8,102,579</u>	<u>6,462,928</u>
<i>Disaggregated by geographical location of customers</i>		
The People's Republic of China (the "PRC")	5,972,023	4,843,695
Vietnam	510,199	300,305
Others	1,620,357	1,318,928
	<u>8,102,579</u>	<u>6,462,928</u>

The Group's customer base is diversified. No individual customer (*six months ended 30 June 2021: Nil*) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2022.

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

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
The PRC	9,753,619	9,139,466
Vietnam	2,306,941	2,289,507
Hong Kong	40,689	39,532
	<u>12,101,249</u>	<u>11,468,505</u>

3. OTHER REVENUE

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Bank interest income	138,985	80,928
Government grants (<i>Note</i>)	172,681	83,421
Sales of raw materials	25,209	15,175
Others	1,164	21
	<u>338,039</u>	<u>179,545</u>

Note:

For the six months ended 30 June 2022, the government grants include approximately RMB172,681,000 (*six months ended 30 June 2021: approximately RMB83,421,000*) 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 and Nil (*six months ended 30 June 2021: approximately RMB472,000*) 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 the grants recognised as revenue.

4. OTHER NET GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Donations	(187)	(133)
Exchange loss, net	(15,570)	(4,580)
Gain (Loss) on disposal of property, plant and equipment, net	1,776	(952)
Unrealised gain on financial instruments at FVPL, net		
– Other financial assets	5,506	–
– Contracts for financial instruments at FVPL	39,712	6,827
Realised gain (loss) on financial instruments at FVPL, net		
– Other financial assets	453	(5,372)
– Contracts for financial instruments at FVPL	(112,473)	33,920
Others	2,766	18,452
	<u>(78,017)</u>	<u>48,162</u>

5. PROFIT BEFORE TAX

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank loans	93,635	126,545
Interest on lease liabilities	126	144
Other interest expenses	43,475	25,848
	<u>137,236</u>	<u>152,537</u>
Less: Capitalised into construction in progress	(8,320)	(4,074)
	<u>128,916</u>	<u>148,463</u>

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salaries, wages, allowances and other benefits	227,718	195,958
Contributions to defined contribution retirement plans	7,263	5,451
	<u>234,981</u>	<u>201,409</u>

(c) Other items

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Amortisation of intangible assets (included in "Administrative expenses")	1,067	1,111
Auditors' remuneration	166	209
Cost of inventories (Note (ii))	7,035,065	5,170,628
Depreciation (included in "Cost of sales" and "Administrative expenses", as appropriate)		
– property, plant and equipment	335,588	279,401
– right-of-use assets	10,947	8,859
Loss allowance on trade receivables, net	–	9,396
Research and development costs (Note (iii))	220,351	183,366
	<u>220,351</u>	<u>183,366</u>

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.64%-3% (six months ended 30 June 2021: 2.92%-3%) per annum for the six months ended 30 June 2022.
- (ii) For the six months ended 30 June 2022, cost of inventories included approximately RMB460,057,000 (six months ended 30 June 2021: approximately RMB403,124,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iii) For the six months ended 30 June 2022, research and development costs included approximately RMB76,059,000 (six months ended 30 June 2021: approximately RMB73,295,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax (“CIT”)	75,183	131,788
Withholding tax		
Withholding tax on dividends	–	21,461
Deferred tax		
Origination and reversal of temporary differences	5,006	4,394
	<u>80,189</u>	<u>157,643</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 CIT (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.

For the six months ended 30 June 2022 and 2021, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong.

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 six months ended 30 June 2021.

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

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/ending 31 December 2021 and 2022.

7. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	<u>686,352</u>	<u>835,740</u>
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Number of shares:		
Issued ordinary shares at 1 January	2,118,986,000	2,119,924,000
Effect of shares repurchased	<u>–</u>	<u>(12,508,000)</u>
Weighted average number of ordinary shares	<u>2,118,986,000</u>	<u>2,107,416,000</u>

There were no dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. INVENTORIES

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Raw materials	742,453	572,880
Work in progress	149,514	380,249
Finished goods	2,633,814	1,855,806
	<u>3,525,781</u>	<u>2,808,935</u>

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables from third parties	1,172,781	497,706
Less: Loss allowance	<u>(9,575)</u>	<u>(9,543)</u>
	1,163,206	488,163
Bills receivables from third parties	<u>89,578</u>	<u>157,559</u>
	1,252,784	645,722
Deposits, prepayments and other receivables	<u>1,880,501</u>	<u>1,834,977</u>
	3,133,285	2,480,699
Less: Non-current portion of deposits and prepayments	<u>(623,366)</u>	<u>(374,646)</u>
	<u>2,509,919</u>	<u>2,106,053</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 30 June 2022, the Group had discounted bank acceptance bills totalling approximately RMB2,470,049,876 (31 December 2021: approximately RMB4,928,831,000) and endorsed bank acceptance bills totalling approximately RMB86,389,604 (31 December 2021: approximately RMB67,422,000), which are derecognised as financial assets. These bank acceptance bills matured within one year from date of issue. The Group considered that 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.

Non-current portion of deposits and prepayments mainly represents deposits 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 (“ECL”), is as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 month	981,845	516,789
1 to 2 months	233,769	58,290
2 to 3 months	4,740	49,199
Over 3 months	32,430	21,444
	1,252,784	645,722
	1,252,784	645,722

Trade receivables and bills receivables are due within 90 to 210 days (*31 December 2021: 90 to 210 days*) and 1 to 365 days (*31 December 2021: 1 to 365 days*), respectively, from the date of billing.

11. RESTRICTED BANK DEPOSITS

At 30 June 2022, the restricted bank deposits of approximately RMB209,690,000 (*31 December 2021: approximately RMB209,690,000*) and approximately RMB7,617,855,000 (*31 December 2021: approximately RMB6,184,441,000*) were pledged to the banks to secure certain bank loans (*Note 14*) and bills payables (*Note 13*), respectively.

12. CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Cash at bank and in hand	291,410	149,339
	291,410	149,339
	291,410	149,339

13. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	482,579	421,467
Bills payables	12,055,897	10,607,556
Other payables and accrued charges	411,065	348,093
Salaries and welfare payables	42,274	40,468
Interest payables	14,552	9,568
Equipment payables	831,084	987,348
Construction payables	101,668	167,585
	<u>13,939,119</u>	<u>12,582,085</u>

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

Certain bills payables are secured by restricted bank deposits at the end of each reporting period (*Note 11*).

The Group is normally allowed 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:

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Within 3 months	3,940,795	3,592,881
More than 3 months but within 6 months	2,895,380	3,077,446
More than 6 months but within 1 year	5,701,963	4,358,693
More than 1 year	338	3
	<u>12,538,476</u>	<u>11,029,023</u>

14. BANK LOANS

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 year or on demand	<u>1,872,487</u>	<u>794,074</u>
After 1 year but within 2 years	413,712	420,412
After 2 years but within 5 years	<u>3,707</u>	<u>91,041</u>
	<u>417,419</u>	<u>511,453</u>
	<u><u>2,289,906</u></u>	<u><u>1,305,527</u></u>

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Secured	171,058	295,808
Unsecured	<u>2,118,848</u>	<u>1,009,719</u>
	<u><u>2,289,906</u></u>	<u><u>1,305,527</u></u>

At 30 June 2022, the secured bank loans are collectively secured by:

- (i) bank deposits amounted to approximately RMB209,690,000 (31 December 2021: approximately RMB209,690,000); and
- (ii) building held for own use amounted to approximately RMB40,449,000 (31 December 2021: approximately RMB39,255,000).

The ranges of effective interest rates on the Group's bank loans are as follows:

	Six months ended 30 June 2022 % (unaudited)	Year ended 31 December 2021 % (audited)
Fixed rate bank loans	2.45 – 3.45	2.45 – 3.00
Variable rate bank loans	1.59 – 3.85	1.17 – 3.81

15. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided, net of any deposits paid, for in the Interim Financial Statements were as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Contracted for	–	3,804
Authorised but not contracted for	1,365,976	1,309,844
	1,365,976	1,313,648

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In the first half of 2022, the global trend of economic recession triggered by the outbreak of the novel coronavirus (the “COVID-19”), the important moment in the Sino-US relation, the Russia-Ukraine War and global interest rate hikes had a gradually and adversely impact on the global economic landscape. However, with improved pandemic prevention and control and the gradual ease of anti-pandemic requirements by countries, 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 pandemic. 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. 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 pandemic. 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 better controlled. As many countries implemented vaccination one after another and improved fiscal and various currency policies, global economy has gradually improved in 2022, 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 2022, 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 pandemic 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 pandemic, 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 pandemic may accelerate the adjustment of the industry. As the pandemic is better controlled, the textile industry has started to gain development as a result of the effort of the Chinese government promulgating various anti-pandemic 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.

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 pandemic, 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 pandemic. The Group’s production lines of each workshop continued to run at full speed during the critical period of the first outbreak of the pandemic 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 has placed full investment in the polymerizing synthesis project of 255,000 tons in production site G by the end of 2021, which develops effective capacity. Upon commissioning, the project adds new design capacity, including 6 polyester thin film production lines with capacity of polyester thin films of 222,000 tons per year and 4 APET sheet production lines with capacity of polyester films of 57,600 tons per year. 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.

The Group plans to invest approximately US\$320 million in the polyester synthesis project of 400,000 tons in production site H, and intends to increase 6 polyester thin film production lines with a new capacity of polyester thin films of 228,000 tons per year; and increase 4 APET sheet production lines with capacity of polyester films of 57,600 tons per year. As of June 2022, approximately RMB765 million has been invested. Polymerization device of 400,000 tons is ready for trial operation, and the installation of polyester thin film production lines No. 16 and No. 17 is also coming to an end, and it is expected that the production will be commissioned in September.

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 has 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 utilise 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, 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") have been awarded as high technology enterprises. During the period under review, the revenue from and the research and development expenses of the Group's differentiated products amounted to RMB4,717,228,000 and RMB230,351,000, representing 58.2% and 2.8% of the total revenue respectively. The Group's 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. Despite the pandemic and other external factors which to some extent affected its short-term profits, the Group remains 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

Total revenue of the Group for the period under review amounted to RMB8,102,579,000 (for the first half of 2021: RMB6,462,928,000), representing an increase of 25.4% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB4,174,488,000, accounting for 51.5% of the total revenue. Revenue attributable to the sales of polyester products* was RMB2,963,940,000, accounting for 36.6% of the total revenue. The revenue analysis of the two products is as follow:

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

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's polyester filament yarns products are positioned 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 has a clear positioning of its product solutions which targets 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. The commencement of production of the facility of Billion Vietnam, a subsidiary of the Group, and the ES fiber project has further expanded the production capacity of the polyester filament yarns.

Revenue attributable to the sales of polyester filament yarns products for the period under review was RMB4,174,488,000, representing an increase of RMB421,700,000 or 11.2% as compared to RMB3,752,788,000 in the first half of 2021. The average selling price of polyester filament yarns in the period under review was RMB8,955 per ton, representing a increase of RMB824 or 10.1% as compared to RMB8,131 per ton in the first half of 2021.

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 period under review was RMB2,963,940,000, representing an increase of RMB724,973,000 or 32.4% as compared to RMB2,238,967,000 in the first half of 2021. The average selling price of polyester products in the period under review was RMB8,018 per ton, representing an increase of RMB708 or 9.7% as compared to RMB7,310 per ton in the first half of 2021. The sales volume of the Group's polyester products during the period under review increased from 306,278 tons in the first half of 2021 to 369,654 tons during the period under review or an increase of 20.7%. The sales volume of the polyester products increased mainly due to the commencement of production of the facility of Billion Vietnam and the development of the polyester bottle chip business in Vietnam.

Breakdown of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	For the six months ended 30 June				For the six months ended 30 June			
	2022		2021		2022		2021	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	2,764,561	34.1%	2,705,336	41.9%	278,666	29.1%	298,806	35.9%
FDY	1,036,016	12.8%	783,847	12.1%	128,156	13.4%	108,721	13.1%
POY	92,263	1.1%	24,534	0.4%	12,320	1.3%	3,722	0.4%
Other polyester filament yarns products*	281,648	3.5%	239,071	3.7%	47,034	4.9%	50,312	6.0%
Sub-total	4,174,488	51.5%	3,752,788	58.1%	466,176	48.7%	461,561	55.4%
Polyester products								
BOPET thin films	1,697,931	21.0%	1,363,129	21.1%	200,955	21.0%	152,138	18.3%
Polyester bottle chips	933,192	11.5%	605,963	9.4%	115,008	12.0%	102,032	12.2%
Other polyester products**	332,817	4.1%	269,875	4.1%	53,691	5.6%	52,108	6.3%
Sub-total	2,963,940	36.6%	2,238,967	34.6%	369,654	38.6%	306,278	36.8%
ES fiber	38,452	0.5%	12,544	0.2%	4,261	0.4%	1,704	0.2%
Polyester industrial yarns	925,699	11.4%	458,629	7.1%	116,868	12.3%	63,411	7.6%
Sub-total	964,151	11.9%	471,173	7.3%	121,129	12.7%	65,115	7.8%
Total	8,102,579	100%	6,462,928	100.0%	956,959	100%	832,954	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 RMB1,619,233,000 in the first half of 2021 to RMB2,130,556,000 during the period under review or an increase of 31.6%. Consequentially, the percentage of overseas sales revenue also increased from 25.0% in the first half of 2021 to 26.3% during the period under review, representing an increase of 1.3 percentage points. The pandemic disrupted the international shipping, which affected the Group's overseas sales. Nevertheless, 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 73.7% of the Group's revenue was generated from domestic market sales, of which 47.0% was from sales to customers in Fujian Province and 12.8% 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

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Domestic sales				
Fujian Province	3,809,783	47.0%	2,597,289	40.2%
Guangdong Province	1,040,029	12.8%	1,317,251	20.4%
Other Provinces	1,122,211	13.9%	929,155	14.4%
Overseas sales				
Vietnam	510,199	6.3%	300,305	4.7%
Others*	1,620,357	20.0%	1,318,928	20.3%
Total	8,102,579	100.0%	6,462,928	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 for the period under review was RMB7,035,065,000, representing an increase of 36.1% as compared to the cost of sales of RMB5,170,628,000 in the first half of 2021. Such a change was mainly attributable to the combined effect of the increase in sales volume and raw materials prices. The cost of sales for polyester filament yarns was RMB3,616,162,000, accounting for 51.5% of the total cost of sales. The cost of sales for polyester products was RMB2,519,862,000, accounting for 35.8% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns increase from RMB6,737 per ton in the first half of 2021 to RMB7,758 per ton during the period under review, representing an increase of RMB1,021 or 15.2% per ton, which was mainly due to the effect of the fluctuations in crude oil prices. The average price of raw materials for polyester filament yarns increase from RMB4,857 per ton in the first half of 2021 to RMB5,851 per ton during the period under review, representing an increase of RMB994 or 20.5% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 75.4% of the total cost of sales of polyester filament yarns and the price of which was directly affected by the price of their raw material, i.e. crude oil.

Polyester products

Average cost of sales for polyester products increased from RMB5,454 per ton in the first half of 2021 to RMB6,817 per ton during the period under review, representing an increase of RMB1,363 or 25.0% per ton, which was mainly due to the effect of the fluctuations in crude oil prices. The average price of raw materials for polyester products increased from RMB4,665 per ton in the first half of 2021 to RMB5,860 per ton during the period under review, representing an increase of RMB1,195 or 25.6% per ton.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
Cost of raw materials				
PTA	1,926,517	27.4%	1,452,253	28.0%
MEG	640,588	9.2%	645,758	12.5%
POY and other raw materials	160,153	2.3%	144,044	2.8%
Sub-total	2,727,258	38.9%	2,242,055	43.3%
Manufacturing costs	879,054	12.5%	863,982	16.7%
Other costs	9,850	0.1%	3,699	0.1%
Sub-total	3,616,162	51.5%	3,109,736	60.1%
ES fiber				
Cost of raw materials:				
PTA	8,667	0.1%	2,274	0.1%
MEG	2,962	0.0%	1,023	0.0%
Other raw materials	22,116	0.3%	6,722	0.1%
Sub-total	33,745	0.4%	10,019	0.2%
Manufacturing costs	12,670	0.2%	7,427	0.1%
Other costs	105	0.0%	15	0.0%
Sub-total	46,520	0.6%	17,461	0.3%

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Industrial yarns				
Cost of raw materials:				
PTA	487,976	7.0%	195,718	3.8%
MEG	168,456	2.4%	90,185	1.7%
Oil and other raw materials	23,484	0.3%	14,220	0.3%
Sub-total	679,916	9.7%	300,123	5.8%
Manufacturing costs	169,710	2.4%	72,324	1.4%
Other costs	2,895	0.0%	562	0.0%
Sub-total	852,521	12.1%	373,009	7.2%
Polyester products				
Cost of raw materials				
PTA	1,589,349	22.6%	939,592	18.2%
MEG	507,059	7.2%	417,707	8.1%
Chips and other raw materials	69,422	1.0%	71,303	1.4%
Sub-total	2,165,830	30.8%	1,428,602	27.7%
Manufacturing costs	352,864	5.0%	241,793	4.7%
Other costs	1,168	0.0%	27	0.0%
Sub-total	2,519,862	35.8%	1,670,422	32.4%
Total	7,035,065	100.0%	5,170,628	100.0%

3. *Gross Profit*

Gross profit of the Group for the period under review was RMB1,067,514,000, which decreased by RMB224,786,000, representing an decrease of 17.4% as compared to RMB1,292,300,000 in the first half of 2021. Sales volume of the Group during the period under review increased by 124,005 tons, representing an increase of 14.9% as compared to that in the first half of 2021. Average selling price of products per ton increase by an average of RMB708 per ton, representing a increase of 9.1% from RMB7,759 per ton in the first half of 2021 to RMB8,467 per ton during the period under review, while average cost of products per ton also increase by an average of RMB1,143 per ton, representing a increase of 18.4% from RMB6,208 per ton in the first half of 2021 to RMB7,351 per ton during the period under review. Therefore, the average gross profit of products per ton decreased from RMB1,551 in the first half of 2021 to RMB1,116 during the period under review. Gross profit margin decreased by 6.8 percentage points from 20.0% in the first half of 2021 to 13.2% during the period under review.

Polyester filament yarns

Average selling price of polyester filament yarns products increased by an average of RMB824 per ton, representing a increase of 10.1% from RMB8,131 in the first half of 2021 to RMB8,955 during the period under review. The average gross profit of polyester filament yarns products per ton decreased from RMB1,394 in the first half of 2021 to RMB1,197 during the period under review. The gross profit margin decreased by 3.7 percentage points from 17.1% in the first half of 2021 to 13.4% during the period under review.

Polyester products

Average selling price of polyester products per ton increased by an average of RMB708 per ton, representing an increase of 9.7% from RMB7,310 per ton in the first half of 2021 to RMB8,018 per ton during the period under review. The average gross profit of polyester products per ton decreased from RMB1,856 in the first half of 2021 to RMB1,201 during the period under review. The gross profit margin decrease by 10.4 percentage points from 25.4% in the first half of 2021 to 15.0% during the period under review.

During the period under review, the gross profit and gross profit margin of the Group's polyester filament yarns decreased as compared to the same period last year, mainly due to the impact of market conditions. The gross profit and gross profit margin of polyester products also decreased as compared to the same period last year, mainly due to the higher growth of the average price of raw materials as compared to the same period last year.

Analysis of gross profit by product

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Polyester filament yarns				
DTY	422,969	39.6%	523,208	40.6%
FDY	119,520	11.2%	98,444	7.6%
POY	(1,999)	(0.2%)	613	0.0%
Other polyester filament yarns products*	17,836	1.7%	20,786	1.6%
Sub-total	558,326	52.3%	643,051	49.8%
ES fiber	(8,079)	(0.8%)	(4,713)	(0.4%)
Others	11	0.0%	(203)	0.0%
Sub-total	(8,068)	(0.8%)	(4,916)	(0.4%)
Polyester industrial yarns	59,119	5.6%	85,087	6.6%
Others	14,059	1.3%	533	0.0%
Sub-total	73,178	6.9%	85,620	6.6%
Polyester products				
BOPET thin films	274,441	25.7%	469,645	36.3%
Polyester bottle chips	122,673	11.5%	89,729	7.0%
Other polyester products**	46,964	4.4%	9,171	0.7%
Sub-total	444,078	41.6%	568,545	44.0%
Total	1,067,514	100.0%	1,292,300	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 wasted filament generated during the production process.

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

	For the six months	
	ended 30 June	
	2022	2021
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	8,955	8,131
Average cost of sales per ton	<u>7,758</u>	<u>6,737</u>
Average gross profit per ton	<u>1,197</u>	<u>1,394</u>
Average gross profit margin	<u>13.4%</u>	<u>17.1%</u>
ES fiber		
Average selling price per ton	9,024	7,362
Average cost of sales per ton	<u>10,917</u>	<u>10,247</u>
Average gross loss per ton	<u>(1,893)</u>	<u>(2,885)</u>
Average gross loss margin	<u>(21.0%)</u>	<u>(39.2%)</u>
Industrial yarns		
Average selling price per ton	7,921	7,233
Average cost of sales per ton	<u>7,295</u>	<u>5,883</u>
Average gross profit per ton	<u>626</u>	<u>1,350</u>
Average gross profit margin	<u>7.9%</u>	<u>18.7%</u>
Polyester products		
Average selling price per ton	8,018	7,310
Average cost of sales per ton	<u>6,817</u>	<u>5,454</u>
Average gross profit per ton	<u>1,201</u>	<u>1,856</u>
Average gross profit margin	<u>15.0%</u>	<u>25.4%</u>

4. *Other revenue*

Other revenue of the Group for the period under review amounted to RMB338,039,000 representing an increase of 88.3% as compared to RMB179,545,000 in the first half of 2021. 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 gains on sales of raw materials, and a increase in government grants as compared to those of the same period last year.

5. *Other net gains and losses*

Other net losses of the Group during the period under review amounted to RMB78,017,000 as compared to other net gains of RMB48,162,000 in the first half of 2021. Other net gains and losses mainly comprised the realised gains and losses on other financial assets, donation expenses and net exchange gain and loss. Such change was mainly attributable to the combined effect of the increase in realised losses on other financial assets and donation expenses.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group for the period under review amounted to RMB121,825,000, representing an increase of 8.8% as compared to RMB111,964,000 in the first half of 2021. 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 City.

7. *Administrative expenses*

Administrative expenses of the Group for the period under review amounted to RMB310,254,000, representing an increase by 16.6% as compared to RMB266,197,000 in the first half of 2021. 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 during the period under review.

8. *Finance costs*

Finance costs of the Group for the period under review amounted to RMB128,916,000, representing a decrease by 13.2% as compared to RMB148,463,000 in the first half of 2021. Such change was mainly due to the decrease in related interests as a result of the decrease in the weighted average interest rate of bank loan during the period under review.

9. *Income tax*

Income tax of the Group for the period under review amounted to RMB80,189,000, representing a decrease by 49.1% as compared to RMB157,643,000 in the first half of 2021. Such change was mainly due to a decrease in profit before income tax.

10. *Profit for the period*

Profit of the Group for the period under review amounted to RMB686,352,000, representing a decrease by RMB149,388,000 or 17.9% as compared to RMB835,740,000 in the first half of 2021, which was mainly attributable to the decrease in the overall sales volume of the Group caused by the new wave of Covid-19.

Financial position

1. *Liquidity and capital resources*

As at 30 June 2022, cash and cash equivalent of the Group amounted to RMB291,410,000, representing an increase by RMB142,071,000 or 95.1% as compared to RMB149,339,000 as at 31 December 2021.

During the period under review, net cash inflow from operating activities amounted to RMB1,462,669,000. Net cash outflow from investing activities amounted to RMB2,168,046,000, which mainly comprised the capital expenditure of RMB1,066,561,000 and the net increase of restricted bank deposit placement of RMB1,433,414,000. Net cash inflow from financing activities amounted to RMB827,469,000, which mainly comprised repayment of bank loans of RMB532,273,000 during the period.

During the period under review, inventory turnover days were 81.5 days (for the first half of 2021: 75.9 days), an increase of 5.6 days as compared to the same period last year, which was mainly due to the decreased speed of inventory being realised as a result of optimizing inventory management by the Group under the new wave of Covid-19. The trade receivable turnover days were 21.2 days (for the first half of 2021: 13.8 days), representing an increase of 7.4 days as compared to the same period last year, which was mainly due to the decrease in the discounting of bills receivables during the period. The trade payable turnover days were 386.0 days (for the first half of 2021: 432.1 days), representing a decrease of 46.1 days as compared to the same period last year mainly due to the sound relationship the Group maintains with the suppliers.

As at 30 June 2022, the Group had capital commitments of RMB1,365,976,000, which were mainly used for the expansion of domestic production capacity as well as development of the Vietnam production business.

2. Capital Structure

As at 30 June 2022, the total liabilities of the Group amounted to RMB16,743,969,000, whereas capital and reserves amounted to RMB9,880,764,000. The gearing ratio (total liabilities divided by total equity) was 169.5%. Total assets amounted to RMB26,624,733,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.6 times. Bank loans of the Group amounted to RMB2,289,906,000, of which RMB1,872,487,000 were repayable within one year, and RMB417,419,000 were repayable after one year. RMB171,058,000 of the bank borrowings 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 report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

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

Charges on assets

Save as disclosed in the paragraph headed "Financial position – 2. Capital Structure" above, there was no other charge on Group's assets as of 30 June 2022.

Contingent liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (2021: 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.

Certain financial assets and financial liabilities of the Group are denominated in RMB, which is different from the 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. At 30 June 2022, the Group had entered certain foreign currency forward contracts. No significant realised and unrealised fair value gain or loss has been arising for the foreign currency forward contracts.

Employees and remuneration

As at 30 June 2022, the Group had a total of 8,727 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 pandemic 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 pandemic. As countries continue to implement vaccines and fiscal and various 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 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 invested 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 commenced commercial production on 17 July 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 pandemic, 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.

INTERIM DIVIDEND

The board ("**Board**") of directors ("**Directors**") of the Company resolved not to declare an interim dividend for the six months ended 30 June 2022.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2022, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Group. The audit committee comprises three members: Mr. Yu Wai Ming, Mr. Lin Jian Ming and Mr. Shih Chun Pi. All of them are independent nonexecutive Directors. The chairman of the audit committee is Mr. Yu Wai Ming. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

By Order of the Board
Billion Industrial Holdings Limited
Sze Tin Yau
Co-chairman

Hong Kong, 19 August 2022

As at the date of this announcement, the Board 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.