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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 2022

HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to RMB15,565.0 million, representing an increase of 9.3% compared to the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 amounted to RMB655.8 million, representing a decrease of 62.7% compared to the year ended 31 December 2021.
- Earnings per share for the year ended 31 December 2022 amounted to RMB0.31 (2021: RMB0.83).

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 2022 of the Company and its subsidiaries (collectively the “Group”), together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Revenue | 2 | 15,564,988 | 14,241,565 |
| Cost of sales | | <u>(14,141,043)</u> | <u>(11,493,748)</u> |
| Gross profit | | 1,423,945 | 2,747,817 |
| Other revenue | 3 | 540,200 | 358,499 |
| Other net gains and losses | 4 | (106,831) | 73,767 |
| Selling and distribution expenses | | (264,177) | (205,432) |
| Administrative expenses | | <u>(632,026)</u> | <u>(614,242)</u> |
| Profit from operations | | 961,111 | 2,360,409 |
| Finance costs | 5 | <u>(216,310)</u> | <u>(268,933)</u> |
| Profit before tax | 5 | 744,801 | 2,091,476 |
| Income tax expenses | 6 | <u>(88,983)</u> | <u>(331,745)</u> |
| Profit for the year attributable to owners of the Company | | <u>655,818</u> | <u>1,759,731</u> |
| Earnings per share | 8 | | |
| Basic and diluted (<i>RMB</i>) | | <u>0.31</u> | <u>0.83</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2022 | 2021 |
|--|----------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year attributable to owners of the Company | 655,818 | 1,759,731 |
| Other comprehensive income (loss): | | |
| <i>Item that will not be reclassified to profit or loss</i> | | |
| Translation of the Company's financial statements into presentation currency | 12,401 | (4,206) |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | |
| Exchange difference on consolidation | 55,319 | (24,061) |
| Total other comprehensive income (loss) for the year | 67,720 | (28,267) |
| Total comprehensive income for the year attributable to owners of the Company | 723,538 | 1,731,464 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 2022 | 2021 |
|--|-------------|--------------------|--------------------|
| | <i>Note</i> | RMB'000 | <i>RMB'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 12,322,233 | 11,086,187 |
| Intangible assets | | 7,378 | 7,672 |
| Deposits and prepayments | 10 | <u>402,055</u> | <u>374,646</u> |
| | | <u>12,731,666</u> | <u>11,468,505</u> |
| Current assets | | | |
| Inventories | 9 | 4,011,391 | 2,808,935 |
| Trade and other receivables | 10 | 2,886,168 | 2,106,053 |
| Financial assets at FVPL | 11 | 96,065 | 611,636 |
| Restricted bank deposits | 12 | 6,517,348 | 6,394,131 |
| Cash and cash equivalents | 13 | <u>231,620</u> | <u>149,339</u> |
| | | <u>13,742,592</u> | <u>12,070,094</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 15,386,124 | 12,582,085 |
| Contract liabilities | | 153,162 | 208,231 |
| Bank loans | 15 | 758,870 | 794,074 |
| Lease liabilities | | 1,082 | 1,040 |
| Tax payable | | <u>57,734</u> | <u>153,220</u> |
| | | <u>16,356,972</u> | <u>13,738,650</u> |
| Net current liabilities | | <u>(2,614,380)</u> | <u>(1,668,556)</u> |
| Total assets less current liabilities | | <u>10,117,286</u> | <u>9,799,949</u> |

| | <i>Note</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--------------------------------|-------------|-------------------------------|------------------------|
| Non-current liabilities | | | |
| Bank loans | <i>15</i> | 101,567 | 511,453 |
| Lease liabilities | | 3,156 | 4,103 |
| Deferred tax liabilities | | 185,686 | <u>181,054</u> |
| | | 290,409 | <u>696,610</u> |
| NET ASSETS | | 9,826,877 | <u>9,103,339</u> |
| Capital and reserves | | | |
| Share capital | | 17,819 | 17,819 |
| Reserves | | 9,809,058 | <u>9,085,520</u> |
| TOTAL EQUITY | | 9,826,877 | <u>9,103,339</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.

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for financial assets 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 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current financial reporting period as detailed below.

Going concern

At 31 December 2022, the Group recorded net current liabilities of approximately RMB2,614,380,000 (2021: approximately RMB1,668,556,000). Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank and cash balances at 31 December 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 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 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 |

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Annual Improvements Project – 2018–2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

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:

| | 2022 <i>RMB'000</i> | 2021 <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 | 8,022,664 | 8,012,531 |
| Polyester products* | 5,636,081 | 4,973,212 |
| Polyester industrial yarns products | 1,812,110 | 1,221,114 |
| ES fiber products | <u>94,133</u> | <u>34,708</u> |
| | <u>15,564,988</u> | <u>14,241,565</u> |
| <u>Disaggregated by geographical location of customers</u> | | |
| The PRC | 11,787,250 | 11,332,759 |
| Vietnam | 995,747 | 542,397 |
| Others | <u>2,781,991</u> | <u>2,366,409</u> |
| | <u>15,564,988</u> | <u>14,241,565</u> |

* Polyester products represent biaxially-oriented polyethylene terephthalate 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 2022 and 2021.

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-----------|--------------------------|--------------------------|
| The PRC | 10,041,892 | 9,139,466 |
| Vietnam | 2,647,913 | 2,289,507 |
| Hong Kong | <u>41,861</u> | <u>39,532</u> |
| | <u>12,731,666</u> | <u>11,468,505</u> |

3. OTHER REVENUE

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| Bank interest income | 277,161 | 193,735 |
| Government grants (<i>Note</i>) | 212,340 | 111,060 |
| Sales of raw materials | 46,733 | 51,929 |
| Others | <u>3,966</u> | <u>1,775</u> |
| | <u>540,200</u> | <u>358,499</u> |

Note:

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Donation | (164) | (192) |
| Exchange (loss) gain, net | (26,834) | 4,426 |
| Gain (Loss) on disposal of property, plant and equipment, net | 2,673 | (1,316) |
| Unrealised (loss) gain on financial instruments at FVPL, net | | |
| – Other financial assets | (4,496) | 4,496 |
| – Contracts for financial instruments at FVPL | 7,000 | 7,140 |
| Realised (loss) gain on financial instruments at FVPL, net | | |
| – Contracts for financial instruments at FVPL | (86,227) | 69,124 |
| Others | 1,217 | (9,911) |
| | <u>(106,831)</u> | <u>73,767</u> |

5. PROFIT BEFORE TAX

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

(a) Finance costs

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Interest on bank loans | 45,925 | 71,704 |
| Interest on lease liabilities | 250 | 285 |
| Other interest expenses | 201,662 | 220,415 |
| | <u>247,837</u> | <u>292,404</u> |
| Total finance costs | 247,837 | 292,404 |
| Less: Capitalised into construction in progress (<i>Note (i)</i>) | (31,527) | (23,471) |
| | <u>216,310</u> | <u>268,933</u> |

(b) Staff costs (including directors' emoluments)

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Salaries, wages, allowances, bonus and other benefits | 529,315 | 457,095 |
| Contributions to defined contribution retirement plan (<i>Note (ii)</i>) | 15,290 | 12,719 |
| | <u>544,605</u> | <u>469,814</u> |

(c) **Other items**

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Amortisation of intangible assets (included in “Administrative expenses”) | 1,964 | 2,273 |
| Auditor’s remuneration | | |
| – audit services | 1,697 | 1,494 |
| – non-audit services | 179 | 208 |
| Cost of inventories (<i>Note (iii)</i>) | 14,141,043 | 11,493,748 |
| Depreciation (included in “Cost of sales” and “Administrative expenses”, as appropriate) | | |
| – property, plant and equipment | 691,993 | 615,112 |
| – right-of-use assets | 23,931 | 19,433 |
| Loss allowance on trade receivables, net | 9,447 | 1,363 |
| Research and development costs (<i>Note (iv)</i>) | <u>435,055</u> | <u>446,384</u> |

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.75% (2021: 3.22%) per annum for the year ended 31 December 2022.
- (ii) For the years ended 31 December 2022 and 2021, 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.
- (iii) For the year ended 31 December 2022, cost of inventories included approximately RMB939,374,000 (2021: approximately RMB827,116,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iv) For the year ended 31 December 2022, research and development costs included approximately RMB159,684,000 (2021: approximately RMB143,319,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

6. INCOME TAX EXPENSES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax | | |
| PRC Corporate Income Tax (“CIT”) | | |
| Current year | 84,100 | 285,816 |
| Withholding tax | | |
| Withholding tax on dividends | 251 | 41,342 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>4,632</u> | <u>4,587</u> |
| | <u>88,983</u> | <u>331,745</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.

Hong Kong Profits Tax has not been provided for the years ended 31 December 2022 and 2021 as the Group incurred a loss for taxation purpose in Hong Kong.

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

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 2022 and 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. 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 2022, Vietnam CIT has not been provided as Billion Vietnam incurred a loss for taxation purpose.

7. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: 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:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Profit: | | |
| Profit attributable to owners of the Company used for the purpose of basic earnings per share | <u>655,818</u> | <u>1,759,731</u> |
| | 2022 | 2021 |
| Number of shares: | | |
| Issued ordinary shares at 1 January | 2,118,986,000 | 2,119,924,000 |
| Effect of shares repurchased | <u>–</u> | <u>(897,704)</u> |
| Weighted average number of ordinary shares | <u>2,118,986,000</u> | <u>2,119,026,296</u> |

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. INVENTORIES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------|------------------------|------------------------|
| Raw materials | 672,260 | 572,880 |
| Work in progress | 106,923 | 380,249 |
| Finished goods | <u>3,232,208</u> | <u>1,855,806</u> |
| | <u>4,011,391</u> | <u>2,808,935</u> |

10. TRADE AND OTHER RECEIVABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables from third parties | 963,060 | 497,706 |
| Less: Loss allowance | <u>(19,033)</u> | <u>(9,543)</u> |
| | 944,027 | 488,163 |
| Bills receivables from third parties | <u>319,002</u> | <u>157,559</u> |
| | 1,263,029 | 645,722 |
| Deposits and prepayments for acquisition of interests in leasehold land and property, plant and equipment | 401,847 | 374,420 |
| Prepayments on raw materials | 749,830 | 1,007,874 |
| Interest receivables | 298,623 | 176,554 |
| Value-added tax recoverable | 479,232 | 226,875 |
| Deposits, prepayments and other receivables | <u>95,662</u> | <u>49,254</u> |
| | 2,025,194 | 1,834,977 |
| Less: Non-current portion of deposits and prepayments | <u>(402,055)</u> | <u>(374,646)</u> |
| | <u>1,623,139</u> | <u>1,460,331</u> |
| | <u>2,886,168</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 31 December 2022, the Group had discounted bank acceptance bills totalling approximately RMB5,652,298,000 (2021: approximately RMB4,928,831,000) and endorsed bank acceptance bills totalling approximately RMB92,169,000 (2021: approximately RMB67,422,000), 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 2022, the loss arising from the Derecognition was approximately RMB9,854,000 (2021: approximately RMB3,940,000).

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 ECL, is as follows:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Within 1 month | 1,262,348 | 516,789 |
| 1 to 2 months | 681 | 58,290 |
| 2 to 3 months | – | 49,199 |
| Over 3 months | – | 21,444 |
| | <u>1,263,029</u> | <u>645,722</u> |

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

11. FINANCIAL ASSETS AT FVPL

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Unlisted wealth management products (<i>Note (i)</i>) | 50,000 | 300,025 |
| Structured deposits (<i>Note (ii)</i>) | – | 304,471 |
| Contracts for financial instruments at FVPL (<i>Note (iii)</i>) | <u>46,065</u> | <u>7,140</u> |
| | <u><u>96,065</u></u> | <u><u>611,636</u></u> |

Notes:

- (i) At 31 December 2022, the Group invested in unlisted wealth management products issued by a bank in the PRC with the aggregate principal amounts of RMB50,000,000 (*2021: 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 1.80% per annum and floating rate of 1.85% per annum which are indexed to the exchange rates of certain foreign currencies. During the year ended 31 December 2022, the structured deposits were fully recovered.
- (iii) At 31 December 2022, the Group had outstanding commodity futures contracts with underlying nominal values of approximately RMB480,219,000 (*2021: approximately RMB79,464,000*).

12. RESTRICTED BANK DEPOSITS

The restricted bank deposits of approximately RMB582,690,000 (*2021: approximately RMB209,690,000*) and approximately RMB5,934,658,000 (*2021: approximately RMB6,184,441,000*) were pledged to the banks to secure certain bank loans (*Note 15*) and bills payables (*Note 14*), respectively.

13. CASH AND CASH EQUIVALENTS

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------|------------------------|------------------------|
| Bank balances and cash | <u><u>231,620</u></u> | <u><u>149,339</u></u> |

At 31 December 2022, cash at bank balances were placed with banks in the PRC amounted to approximately RMB171,890,000 (*2021: approximately RMB95,182,000*). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

14. TRADE AND OTHER PAYABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Trade payables | 1,907,623 | 421,467 |
| Bills payables | 12,748,674 | 10,607,556 |
| Other payables and accrued charges | 223,792 | 162,552 |
| Salaries and welfare payables | 43,765 | 40,468 |
| Interest payables | 15,600 | 9,568 |
| Equipment payables | 88,231 | 987,348 |
| Construction payables | 92,054 | 167,585 |
| Accrued land cost | 64,211 | 4,093 |
| Other tax payables | 202,174 | 181,448 |
| | <u>15,386,124</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.

At 31 December 2022, bills payables carry interest rate at 0.99% to 2.48% (2021: 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:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Within 3 months | 4,189,117 | 3,592,881 |
| More than 3 months but within 6 months | 3,803,830 | 3,077,446 |
| More than 6 months but within 1 year | 6,662,854 | 4,358,693 |
| More than 1 year | 496 | 3 |
| | <u>14,656,297</u> | <u>11,029,023</u> |

15. BANK LOANS

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

| | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|----------------------------------|-------------------------------|------------------------|
| Within 1 year or on demand | <u>758,870</u> | <u>794,074</u> |
| After 1 year but within 2 years | 98,588 | 420,412 |
| After 2 years but within 5 years | <u>2,979</u> | <u>91,041</u> |
| | <u>101,567</u> | <u>511,453</u> |
| | <u>860,437</u> | <u>1,305,527</u> |

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

| | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|-------------|-------------------------------|------------------------|
| Bank loans | | |
| – secured | 860,437 | 295,808 |
| – unsecured | <u>–</u> | <u>1,009,719</u> |
| | <u>860,437</u> | <u>1,305,527</u> |

At 31 December 2022, the secured bank loans are collectively secured by:

- (i) bank deposits amounted to approximately RMB582,690,000 (2021: approximately RMB209,690,000);
- (ii) building held for own use amounted to approximately RMB41,611,000 (2021: approximately RMB39,255,000); and
- (iii) corporate guarantee given by the Company and Billion High-tech (2021: Billion High-tech).

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

| | 2022 | 2021 |
|--------------------------|-------------------------|------------------|
| | <i>%</i> | <i>%</i> |
| Fixed rate bank loans | 2.35–2.45 | 2.45–3.00 |
| Variable rate bank loans | <u>1.10–4.79</u> | <u>1.17–3.81</u> |

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2022 and 2021 not provided, net of any deposits paid, for in the consolidated financial statements were as follows:

| | 2022 | 2021 |
|-----------------------------------|-----------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Authorised but not contracted for | – | 3,804 |
| Contracted for | <u>563,898</u> | <u>1,309,844</u> |
| | <u>563,898</u> | <u>1,313,648</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In 2022, the global trend of economic recession triggered by the outbreak of the novel coronavirus (the “COVID-19”), Russia-Ukraine war and global interest rate hikes, and the delicate moment in the Sino-US relation have an impact on the global economic landscape. However, with improved and relaxed 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. From January 2022 to December 2022, the profit of industrial enterprises of larger scale exceeded RMB8.4 trillion, representing a year-on-year decrease by approximately 4%. In face of the adversely affected business activities in global trade, many countries around the world have been proposing or enhancing their economic stimulus policies to cope with economic downturn and rising unemployment brought by the epidemic. The progress of global stable 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 and drugs have been approved for marketing, bringing people great hope that COVID-19 will be eliminated completely. As many countries implemented vaccination one after another and improved fiscal and currency policy, global economy is expected to improve gradually by 2023, and China is striving for the stable economic development, 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 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 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 production 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 2022, the total operating revenue and profit of the industrial enterprises of larger scale in the textile industry are approximately RMB2,615.8 billion and RMB100 billion respectively.

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 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 2022 to December 2022 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.

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons. It is expected to be put into commercial production gradually from June 2023. In addition, the production line for polyester thin films established by the Group with a planned investment of US\$320 million over a period of four years from 2020 to 2023 is being brought into production successively. At present, the polymerization equipment project, No. 16 and No.17 production lines for thin films have been put into operation. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

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 2022. 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 Province, 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 RMB9,106,941,000 and RMB435,055,000, representing 58.5% and 2.8% 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 131 national patents registered in China and had applied for 156 national patents. Among all of the Group’s patented products, 123 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 2022 amounted to RMB15,564,988,000, representing an increase of 9.3% as compared to RMB14,241,565,000 in 2021. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB8,022,664,000 accounting for 51.5% of the total revenue. Revenue attributable to the sales of polyester products* was RMB5,636,081,000, accounting for 36.2% of the total revenue. The revenue of the new products ES fiber and polyester industrial yarns of the Group was RMB94,133,000 and RMB1,812,110,000, respectively, accounting for 0.6% and 11.6% of the total revenue, respectively. The revenue analysis of the various products is as follows:

* Polyester products represent biaxially-oriented polyethylene terephthalate ("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 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.

Revenue attributable to the sales of polyester filament yarns products for the year under review was RMB8,022,664,000, representing an increase of RMB10,133,000 or 0.13% as compared to RMB8,012,531,000 in 2021. The average selling price of polyester filament yarns in the year under review was RMB8,937 per ton, representing an increase of RMB392 or 4.6% as compared to RMB8,545 per ton in 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 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 RMB5,636,081,000, representing an increase of RMB662,869,000 or 13.3% as compared to RMB4,973,212,000 in 2021. The average selling price of polyester products in the year under review was RMB7,807 per ton, representing an increase of RMB58 or 0.7% as compared to RMB7,749 in 2021. The sales volume of the Group's polyester products increased by 12.5% from 641,818 tons in 2021 to 721,968 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 RMB94,133,000, and the average selling price of the products was RMB8,891 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 RMB1,812,110,000, and the average selling price of the products was RMB8,018 per ton.

Analysis of Revenue and Sales Volume (By Product)

| | Revenue | | | | Sales volume | | | |
|--|----------------|-------------------|----------------|-------------------|--------------|-------------------|-------------|-------------------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | <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 | 5,486,280 | 35.2% | 5,787,420 | 40.6% | 566,860 | 30.5% | 610,331 | 34.9% |
| FDY | 1,860,596 | 12.0% | 1,651,462 | 11.6% | 225,035 | 12.1% | 220,918 | 12.6% |
| POY | 148,145 | 1.0% | 107,243 | 0.8% | 20,051 | 1.1% | 15,806 | 0.9% |
| Other polyester filament yarns products* | 527,643 | 3.4% | 466,406 | 3.3% | 85,772 | 4.6% | 90,602 | 5.1% |
| Sub-total | 8,022,664 | 51.6% | 8,012,531 | 56.3% | 897,718 | 48.3% | 937,657 | 53.5% |
| Polyester products | | | | | | | | |
| BOPET thin films | 3,253,204 | 20.9% | 3,342,281 | 23.5% | 402,005 | 21.7% | 366,217 | 20.9% |
| Polyester bottle chips | 1,603,784 | 10.3% | 1,028,102 | 7.2% | 194,975 | 10.5% | 164,318 | 9.4% |
| Other polyester products** | 779,093 | 5.0% | 602,829 | 4.2% | 124,988 | 6.7% | 111,283 | 6.4% |
| Sub-total | 5,636,081 | 36.2% | 4,973,212 | 34.9% | 721,968 | 38.9% | 641,818 | 36.7% |
| ES fiber | 94,133 | 0.6% | 34,708 | 0.2% | 10,587 | 0.6% | 4,445 | 0.3% |
| Polyester industrial yarns | | | | | | | | |
| | 1,812,110 | 11.6% | 1,221,114 | 8.6% | 226,014 | 12.2% | 167,149 | 9.5% |
| Total | 15,564,988 | 100.0% | 14,241,565 | 100.0% | 1,856,287 | 100.0% | 1,751,069 | 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 RMB2,908,806,000 in 2021 to RMB3,777,738,000 during the year under review or an increase of 29.9%. Consequentially, the percentage of overseas sales revenue slightly increased from 20.4% in 2021 to 24.3% during the year under review, representing an increase of 3.9 percentage points. 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 75.7% of the Group's revenue was generated from domestic market sales, of which 49.1% was from sales to customers in Fujian Province and 13.2% 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

| | 2022 | | 2021 | |
|--------------------|--------------------------|----------------------|--------------------------|----------------------|
| | <i>RMB'000</i> | <i>Percentage</i> | <i>RMB'000</i> | <i>Percentage</i> |
| Domestic sales | | | | |
| Fujian Province | 7,647,783 | 49.1% | 6,872,981 | 48.3% |
| Guangdong Province | 2,061,107 | 13.2% | 2,254,072 | 15.8% |
| Other Provinces | 2,078,360 | 13.4% | 2,205,706 | 15.5% |
| Overseas sales | | | | |
| Vietnam | 995,747 | 6.4% | 542,397 | 3.8% |
| Others* | 2,781,991 | 17.9% | 2,366,409 | 16.6% |
| Total | <u>15,564,988</u> | <u>100.0%</u> | <u>14,241,565</u> | <u>100.0%</u> |

* 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 2022 was RMB14,141,043,000, representing an increase of 23.0% as compared to RMB11,493,748,000 in 2021. 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 RMB7,296,362,000, accounting for 51.6% of the total cost of sales. The cost of sales for polyester products was RMB5,059,791,000, accounting for 35.8% of total cost of sales. The cost of sales for ES fiber and polyester industrial yarns products was RMB109,291,000 and RMB1,675,599,000 accounting for 0.8% and 11.8% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns increased from RMB7,030 per ton in 2021 to RMB8,128 per ton during the year under review, representing an increase of RMB1,098 or 15.6% per ton, which was mainly due to the impact of the 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 RMB5,146 per ton in 2021 to RMB6,127 per ton during the year under review, representing an increase of RMB981 or 19.1% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 70.6% 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 RMB5,874 per ton in 2021 to RMB7,009 per ton during the year under review, representing an increase of RMB1,135 or 19.3% 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 RMB5,033 per ton in 2021 to RMB5,995 per ton during the year under review, representing an increase of RMB962 or 19.1% per ton.

ES fiber and polyester industrial yarns

Average cost of sales for ES fiber was RMB10,323 per ton, while the average price of raw materials for ES fiber was RMB8,132 per ton.

Average cost of sales for polyester industrial yarns was RMB7,414 per ton, while the average price of raw materials for polyester industrial yarns was RMB5,918 per ton.

Analysis of Cost of Sales

| | 2022 | | 2021 | |
|-------------------------------|------------|------------|------------|------------|
| | RMB'000 | Percentage | RMB'000 | Percentage |
| Polyester filament yarns | | | | |
| Cost of raw materials | | | | |
| PTA | 3,980,245 | 28.2% | 3,165,257 | 27.5% |
| MEG | 1,170,402 | 8.3% | 1,350,770 | 11.8% |
| POY and other raw materials | 349,063 | 2.5% | 308,782 | 2.7% |
| Sub-total | 5,499,710 | 39.0% | 4,824,809 | 42.0% |
| Manufacturing costs | 1,780,150 | 12.6% | 1,755,988 | 15.3% |
| Other costs | 16,502 | 0.1% | 10,831 | 0.1% |
| Sub-total | 7,296,362 | 51.7% | 6,591,628 | 57.4% |
| Polyester products | | | | |
| Cost of raw materials | | | | |
| PTA | 3,290,905 | 23.3% | 2,169,625 | 18.9% |
| MEG | 936,617 | 6.6% | 918,878 | 8.0% |
| Chips and other raw materials | 101,379 | 0.7% | 141,265 | 1.2% |
| Sub-total | 4,328,901 | 30.6% | 3,229,768 | 28.1% |
| Manufacturing costs | 727,767 | 5.1% | 539,400 | 4.7% |
| Other costs | 3,123 | 0.0% | 511 | 0.0% |
| Sub-total | 5,059,791 | 35.7% | 3,769,679 | 32.8% |
| ES fiber | | | | |
| Cost of raw materials | | | | |
| PTA | 30,690 | 0.2% | 7,792 | 0.1% |
| MEG | 9,256 | 0.1% | 3,374 | 0.0% |
| Other raw materials | 46,145 | 0.3% | 17,560 | 0.2% |
| Sub-total | 86,091 | 0.6% | 28,726 | 0.3% |
| Manufacturing costs | 22,974 | 0.2% | 15,486 | 0.1% |
| Other costs | 226 | 0.0% | 56 | 0.0% |
| Sub-total | 109,291 | 0.8% | 44,268 | 0.4% |
| Polyester industrial yarns | | | | |
| Cost of raw materials | | | | |
| PTA | 993,389 | 7.0% | 575,302 | 5.0% |
| MEG | 303,618 | 2.1% | 253,802 | 2.2% |
| Other raw materials | 40,603 | 0.3% | 36,239 | 0.3% |
| Sub-total | 1,337,610 | 9.4% | 865,343 | 7.5% |
| Manufacturing costs | 333,167 | 2.4% | 220,723 | 1.9% |
| Other costs | 4,822 | 0.0% | 2,107 | 0.0% |
| Sub-total | 1,675,599 | 11.8% | 1,088,173 | 9.4% |
| Total | 14,141,043 | 100.0% | 11,493,748 | 100.0% |

Analysis of Average Cost of Sales of Products Per Ton

| | 2022 | | 2021 | |
|-------------------------------|------------------|---------------|------------------|---------------|
| | RMB (per ton) | Percentage | RMB (per ton) | Percentage |
| Polyester filament yarns | | | | |
| Cost of raw materials | | | | |
| PTA | 4,434 | 54.6% | 3,375 | 48.0% |
| MEG | 1,304 | 16.0% | 1,442 | 20.5% |
| POY and other raw materials | 389 | 4.8% | 329 | 4.7% |
| Sub-total | 6,127 | 75.4% | 5,146 | 73.2% |
| Manufacturing costs | 1,983 | 24.4% | 1,872 | 26.6% |
| Other costs | 18 | 0.2% | 12 | 0.2% |
| Sub-total | <u>8,128</u> | <u>100.0%</u> | <u>7,030</u> | <u>100.0%</u> |
| Polyester products | | | | |
| Cost of raw materials | | | | |
| PTA | 4,559 | 65.1% | 3,381 | 57.6% |
| MEG | 1,298 | 18.5% | 1,432 | 24.4% |
| Chips and other raw materials | 140 | 2.0% | 220 | 3.7% |
| Sub-total | 5,997 | 85.6% | 5,033 | 85.7% |
| Manufacturing costs | 1,008 | 14.4% | 840 | 14.3% |
| Other costs | 4 | 0.0% | 1 | 0.0% |
| Sub-total | <u>7,009</u> | <u>100.0%</u> | <u>5,874</u> | <u>100.0%</u> |
| ES fiber | | | | |
| Cost of raw materials | | | | |
| PTA | 2,899 | 28.1% | 1,753 | 17.6% |
| MEG | 874 | 8.5% | 759 | 7.6% |
| Other raw materials | 4,359 | 42.2% | 3,951 | 39.7% |
| Sub-total | 8,132 | 78.8% | 6,463 | 64.9% |
| Manufacturing costs | 2,170 | 21.0% | 3,483 | 35.0% |
| Other costs | 21 | 0.2% | 13 | 0.1% |
| Sub-total | <u>10,323</u> | <u>100.0%</u> | <u>9,959</u> | <u>100.0%</u> |
| Polyester industrial yarns | | | | |
| Cost of raw materials | | | | |
| PTA | 4,395 | 59.3% | 3,442 | 52.9% |
| MEG | 1,343 | 18.1% | 1,518 | 23.3% |
| Other raw materials | 180 | 2.4% | 217 | 3.3% |
| Sub-total | 5,918 | 79.8% | 5,177 | 79.5% |
| Manufacturing costs | 1,475 | 19.9% | 1,321 | 20.3% |
| Other costs | 21 | 0.3% | 13 | 0.2% |
| Sub-total | <u>7,414</u> | <u>100.0%</u> | <u>6,511</u> | <u>100.0%</u> |
| Total | <u>7,618</u> | | <u>6,564</u> | |

3. *Gross Profit*

Gross profit of the Group in 2022 was RMB1,423,945,000, representing a decrease of RMB1,323,872,000 or 48.2% as compared to RMB2,747,817,000 in 2021. Average selling price of products increased by RMB252 per ton or 3.1% from RMB8,133 per ton in 2021 to RMB8,385 per ton during the year under review, while average cost of products also increased by RMB1,054 per ton or 16.1% from RMB6,564 per ton in 2021 to RMB7,618 per ton during the year under review. The average gross profit of products per ton decreased from RMB1,569 in 2021 to RMB767 during the year under review. Gross profit margin decreased by 10.1 percentage point from 19.3% in 2021 to 9.2% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarns increased by RMB392 per ton or 4.6% from RMB8,545 in 2021 to RMB8,937 during the year under review. The average gross profit of polyester filament yarns per ton decreased from RMB1,515 in 2021 to RMB809 during the year under review. The gross profit margin decreased by 8.6 percentage points from 17.7% in 2021 to 9.1% during the year under review.

Polyester products

Average selling price of polyester products increased by RMB58 per ton or 0.7% from RMB7,749 per ton in 2021 to RMB7,807 per ton during the year under review. The average gross profit of polyester products per ton decreased from RMB1,875 in 2021 to RMB798 during the year under review. The gross profit margin decreased by 14.0 percentage points from 24.2% in 2021 to 10.2% 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 RMB8,891 and RMB8,018, 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 RMB604.

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 2022. 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 2022. 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

| | 2022 | | 2021 | |
|---|-------------------------|----------------------|------------------|-------------------|
| | <i>RMB'000</i> | <i>Percentage</i> | <i>RMB'000</i> | <i>Percentage</i> |
| Polyester filament yarns | | | | |
| DTY | 532,022 | 37.4% | 1,161,478 | 42.3% |
| FDY | 180,437 | 12.7% | 220,420 | 8.0% |
| POY and other polyester filament yarns products* | <u>13,843</u> | <u>1.0%</u> | <u>39,005</u> | <u>1.4%</u> |
| Sub-total | <u>726,302</u> | <u>51.1%</u> | <u>1,420,903</u> | <u>51.7%</u> |
| Polyester products | | | | |
| BOPET thin films | 347,492 | 24.4% | 1,045,114 | 38.0% |
| Polyester bottle chips | 148,458 | 10.4% | 133,142 | 4.9% |
| Other polyester products** | <u>80,340</u> | <u>5.6%</u> | <u>25,278</u> | <u>0.9%</u> |
| Sub-total | <u>576,290</u> | <u>40.4%</u> | <u>1,203,534</u> | <u>43.8%</u> |
| ES fiber | <u>(15,158)</u> | <u>(1.1%)</u> | <u>(9,560)</u> | <u>(0.3%)</u> |
| Polyester industrial yarns | <u>136,511</u> | <u>9.6%</u> | <u>132,940</u> | <u>4.8%</u> |
| Total | <u>1,423,945</u> | <u>100.0%</u> | <u>2,747,817</u> | <u>100.0%</u> |

* 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)

| | 2022 | 2021 |
|-----------------------------|-----------------------|----------------|
| | RMB | RMB |
| Polyester filament yarns | | |
| Average selling price | 8,937 | 8,545 |
| Average cost of sales | <u>8,128</u> | <u>7,030</u> |
| Average gross profit | <u>809</u> | <u>1,515</u> |
| Average gross profit margin | <u>9.1%</u> | <u>17.7%</u> |
| Polyester products | | |
| Average selling price | 7,807 | 7,749 |
| Average cost of sales | <u>7,009</u> | <u>5,874</u> |
| Average gross profit | <u>798</u> | <u>1,875</u> |
| Average gross profit margin | <u>10.2%</u> | <u>24.2%</u> |
| ES fiber | | |
| Average selling price | 8,891 | 7,808 |
| Average cost of sales | <u>10,323</u> | <u>9,959</u> |
| Average gross loss | <u>(1,432)</u> | <u>(2,151)</u> |
| Average gross loss margin | <u>(16.1%)</u> | <u>(27.5%)</u> |
| Polyester industrial yarns | | |
| Average selling price | 8,018 | 7,306 |
| Average cost of sales | <u>7,414</u> | <u>6,511</u> |
| Average gross profit | <u>604</u> | <u>795</u> |
| Average gross profit margin | <u>7.5%</u> | <u>10.9%</u> |

4. Other revenue

Other revenue of the Group in 2022 amounted to RMB540,200,000, representing an increase of 50.7% as compared to RMB358,499,000 in 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, increase in Government grants, and sales of raw materials.

5. Other net gains and losses

Other net losses of the Group in 2022 amounted to RMB106,831,000, representing a decrease of 244.8% as compared to RMB73,767,000 in 2021. 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 loss on financial instruments at FVPL and the increase in net exchange loss.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2022 amounted to RMB264,177,000, representing an increase of 28.6% as compared to RMB205,432,000 in the 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.

7. Administrative expenses

Administrative expenses of the Group in 2022 amounted to RMB632,026,000, increased by 2.9% as compared to RMB614,242,000 in 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 professional and legal fees during the period under review.

8. Finance costs

Finance costs of the Group in 2022 amounted to RMB216,310,000, decrease by 19.6% as compared to RMB268,933,000 in 2021. Such change was mainly due to the decrease in the interest on the bank loan.

9. Income tax

Income tax of the Group in 2022 amounted to RMB88,983,000, decreased by 73.2% as compared to RMB331,745,000 in 2021. Such change was mainly due to the decreased in profit before income tax of the Group and the decreased 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 2022.

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 2022 amounted to RMB655,818,000, decreased by RMB1,103,913,000 or 62.7% as compared to RMB1,759,731,000 in 2021, while the net profit margin of 4.2% represented a decrease of 8.2 percentage point as compared to 12.4% in 2021. Such decline was primarily attributable to a decrease in gross profit owing to the combined effect of (i) the decrease in sales unit price and (ii) the increase in the cost of sales.

Financial position

1. Liquidity and capital resources

As at 31 December 2022, cash and cash equivalent of the Group amounted to RMB231,620,000, increased by RMB82,281,000 or 55.1% as compared to RMB149,339,000 as at 31 December 2021. Such increase was mainly due to the combined effect of the decrease in bank wealth management products held and decrease in procurement of production facility during the year under review.

During the year under review, net cash inflow from operating activities amounted to RMB2,908,858,000, net cash outflow used in investing activities amounted to RMB2,132,758,000 and net cash outflow from financing activities amounted to RMB691,233,000.

The Group satisfies its working capital needs mainly with cash inflows from operating activities. During the period under review, inventory turnover days were 88.0 days (2021: 74.9 days), an increase of 13.1 days as compared to the same period last year, which was mainly due to insufficient orders affected by the market situation in 2022. The trade and bills receivable turnover days were 22.6 days (2021: 14.0 days), representing an increase of 8.6 days as compared to the same period last year, which was mainly due to the longer credit days and larger credit facility granted to the major customers who have long term good relationship with the Group in the year. The trade and bills payable turnover days were 450.8 days (2021: 481.2 days), representing a decrease of 30.4 days as compared to the same period last year mainly due to the sound relationship the Group maintains with the supplies.

As at 31 December 2022, the Group had capital commitments of RMB563,898,000, 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 2022, the total liabilities of the Group amounted to RMB16,647,381,000 whereas capital and reserves amounted to RMB9,826,877,000. The gearing ratio (total liabilities divided by total equity) was 169.4%. Total assets amounted to RMB26,474,258,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.6 times. Bank loans of the Group amounted to RMB860,437,000, of which RMB758,870,000 were repayable within one year, and RMB101,567,000 were repayable after one year. RMB860,437,000 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 announcement, there was no other charge on Group's assets as of 31 December 2022.

Contingent liabilities

As at 31 December 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.

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 2022, the Group had no significant outstanding foreign currency forward contracts (2021: Nil).

Employees and remuneration

As at 31 December 2022, the Group had a total of 8,197 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 that, 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. As a number of Coronavirus Vaccines and drugs have been approved for marketing, giving people greater hope a complete recovery from the epidemic. As many countries implemented vaccination one after another and improved fiscal and currency policy, the global economy is expected to continue to rebound in 2023, and China is striving for the stable economic development, which is more conducive to people's access to services and commodities to stimulate consumption in this way.

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 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 had been gradually commenced commercial production.

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons. It is expected to be put into commercial production gradually from June 2023.

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 a planned investment of US\$320 million over a period of four years from 2020 to 2023 is being brought into production successively. At present, the polymerization equipment project, No. 16 and No. 17 production lines for thin films have been put into operation. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 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 2022.

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 2022. 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.

Corporate Governance Practice of the Company

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

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 2022.

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 2022. 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.

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 2022 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 2022 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 2022. 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 2022 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, 23 March 2023

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.