百宏實業控股有限公司
BILLION INDUSTRIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2299

Annual Report 2014

Contents

Company Profile

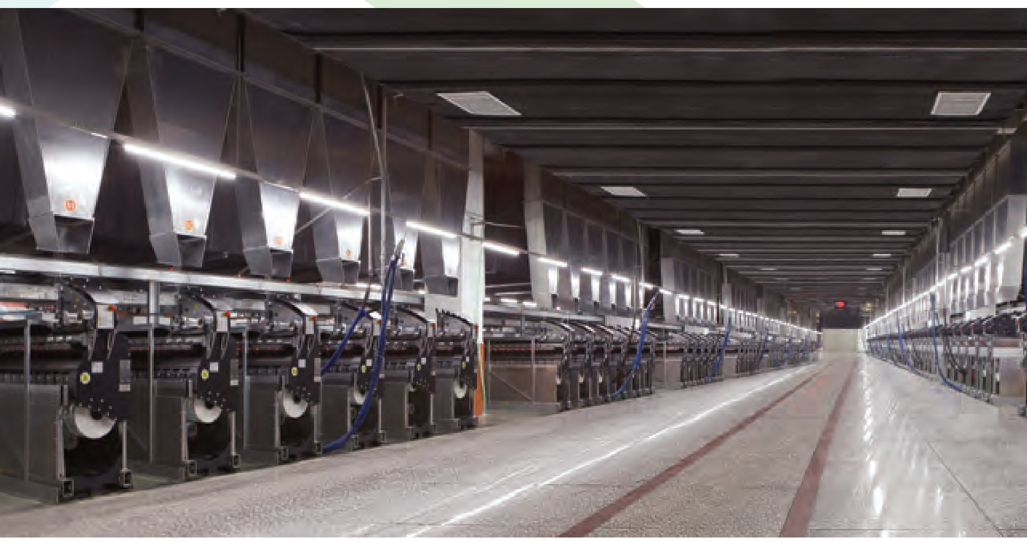
Mission

We aspire to be the world's premier supplier of raw materials for consumer products, providing eco-friendly products for people.

Billion Industrial Holdings Limited (the "Company" or "Billion"), together with its subsidiaries, (the "Group"), is the holding company of one of the largest developers and manufacturers of polyester filament yarns in China. The main products of the Group are drawn textured yarn ("DTY"), fully drawn yarn ("FDY"), and partially oriented yarn ("POY"), a majority of which have special physical features and functionalities such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. The products are widely used in the production of high-end fabrics and textiles for various consumer products, including apparel, footwear and home furnishings. Billion was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2011.

As at 31 December 2014, the designed capacity of FDY and POY of the Group was 785,000 tons per year, while that of DTY was 493,000 tons per year. The combined designed capacity of DTY, FDY and POY was 1,278,000 tons per year.

In August 2011, Billion started to expand into the production of polyester thin films, which has gradually commenced operation since 2012. As at 31 December 2014, the designed capacity of polyester thin films of the Group was 36,500 tons per year, which is expected to reach 255,000 tons per year in 2015.



Billion's Journey

2003

- Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") was established in the People's Republic of China (the "PRC") by Billion Wise Industrial Limited ("Billion H.K.") as a wholly foreign-owned enterprise

2005

- Commencement of commercial production of polyester filament yarns in Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC
- First production line of polyester filament yarns with designed capacity of approximately 200,000 tons per year commenced production

2008

- Second production line of polyester filament yarns with designed capacity of approximately 260,000 tons per year commenced production

2011

- Successfully listed on the Stock Exchange (Stock code: 2299) on 18 May 2011
- Continued with the expansion of new production site in Jinnan Industrial Zone, Jinjiang City. The new production site commenced production in November 2011, and had reached full production operation by the end of 2013
- Establishment of Fujian Billion High-tech Material Industrial Co., Ltd.*（福建百宏高新材料實業有限公司）("Billion High-tech") to develop polyester thin film business. In November 2011, the Company announced further investment of RMB1.587 billion in polyester thin film business, and the investment in polyester thin film business reached RMB1.937 billion
- Awarded as a "State-Accredited Enterprise Technology Centre"

2012

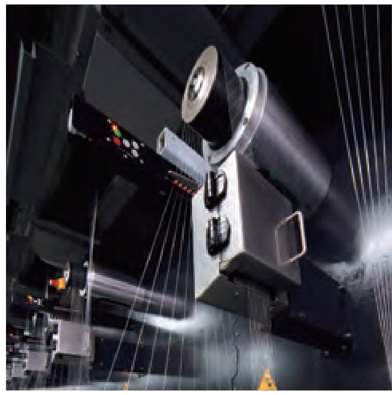
- CECEP Chongqing Industry Co., Ltd*（重慶中節能實業有限公司）("CECEP Chongqing"), a subsidiary of China Energy Conservation and Environmental Protection Group*（中國節能環保集團公司）("CECEP"), became the largest shareholder of the Company in September 2012
- Completion of phase I of polyester thin film plant, with designed capacity of 36,500 tons per year
- Commenced sales of polyester thin film products

2013

- Commenced construction of the second to fifth production lines of polyester thin films
- Billion Fujian was been awarded as one of the "China's top 500 private enterprises in the manufacturing sector"

2014

- Billion Fujian was enlisted in the "2014 China Brand Evaluation"
- Billion Fujian was recognised as a "Key High-Tech Enterprise of the State Torch Program"



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

Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Yu Heping
Mr. Xue Mangmang

Non-executive Directors

Mr. Yang Yihua *(Co-chairman)*
(appointed on 19 March 2014)
Mr. Chen Jinen *(Co-chairman)*
(resigned on 19 March 2014)
Mr. Wu Zhongqin (appointed on 19 March 2014)
Mr. Yang Donghui (resigned on 19 March 2014)
Mr. Yang Jun (resigned on 19 March 2014)
Mr. Ding Guoqiang (resigned on 19 March 2014)
Ms. Ma Yun (resigned on 19 March 2014)
Mr. Chen Bo (resigned on 19 March 2014)

Independent Non-executive Directors

Mr. Chan Shek Chi (appointed on 26 May 2014)
Mr. Yeung Chi Tat (retired on 21 May 2014)
Mr. Ma Yuliang
Mr. Lin Jian Ming
Ms. Zhu Meifang (resigned on 19 March 2014)
Mr. Li Zhi Xian (resigned on 19 March 2014)

Board Committees

Audit committee

Mr. Chan Shek Chi *(Chairman)*
(appointed on 26 May 2014)
Mr. Yeung Chi Tat *(Chairman)*
(retired on 21 May 2014)
Mr. Ma Yuliang
Mr. Lin Jian Ming (appointed on 19 March 2014)
Ms. Zhu Meifang (resigned on 19 March 2014)

Remuneration Committee

Mr. Chan Shek Chi *(Chairman)*
(appointed on 26 May 2014)
Mr. Yeung Chi Tat *(Chairman)*
(retired on 21 May 2014)
Mr. Sze Tin Yau
Mr. Ma Yuliang

Nomination Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Chan Shek Chi (appointed on 26 May 2014)
Mr. Lin Jian Ming (appointed on 19 March 2014)
Mr. Yeung Chi Tat (retired on 21 May 2014)
Ms. Zhu Meifang (resigned on 19 March 2014)

Corporate Governance Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao
Mr. Yu Heping
Mr. Xue Mangmang

Company Secretary

Mr. Lai Wai Leuk

Authorised Representatives

Mr. Sze Tin Yau
Mr. Lai Wai Leuk

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Hong Kong:

Unit 1501, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

PRC:

Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian
PRC

Legal Advisers

As to Hong Kong Law:

Orrick, Herrington & Sutcliffe

As to PRC Law:

Tian Yuan Law Firm

Auditors

KPMG

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank Corporation
Industrial Bank Co., Ltd.
Agricultural Bank of China Holdings Limited

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

	For the year ended 31 December		
	2014	2013	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**6,301,466**	6,152,700	2.4%
Gross profit	**585,925**	726,782	-19.4%
Profit from operations	**329,532**	479,443	-31.3%
Profit for the year	**203,545**	358,341	-43.2%

	As at 31 December		
	2014	2013	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**5,737,324**	5,594,724	2.5%
Non-current liabilities	**117,137**	101,122	15.8%
Current assets	**4,080,620**	3,005,752	35.8%
Current liabilities	**4,461,792**	3,323,980	34.2%
Net current liabilities	**381,172**	318,228	19.8%
Total equity	**5,239,015**	5,175,374	1.2%
Earnings per Share (RMB)	**0.09**	0.16	
Interim dividend (HK cent) (Note 1)	**3.00**	7.00	
Final dividend (HK cent) (Note 2)	**3.00**	3.10	
Key Ratio Analysis			
Gross profit margin	**9.3%**	11.8%	
Operating profit margin	**5.2%**	7.8%	
Net profit margin	**3.2%**	5.8%	
Returns on equity (Note 3)	**3.9%**	6.9%	
Current ratio (Note 4)	**0.91**	0.90	
Gearing ratio (Note 5)	**87.4%**	66.2%	

Notes:

1: The interim dividend of HK3.0 cents per share in cash was paid on 3 October 2014

2: The final dividend of HK3.0 cents per share in cash will be paid on 4 June 2015

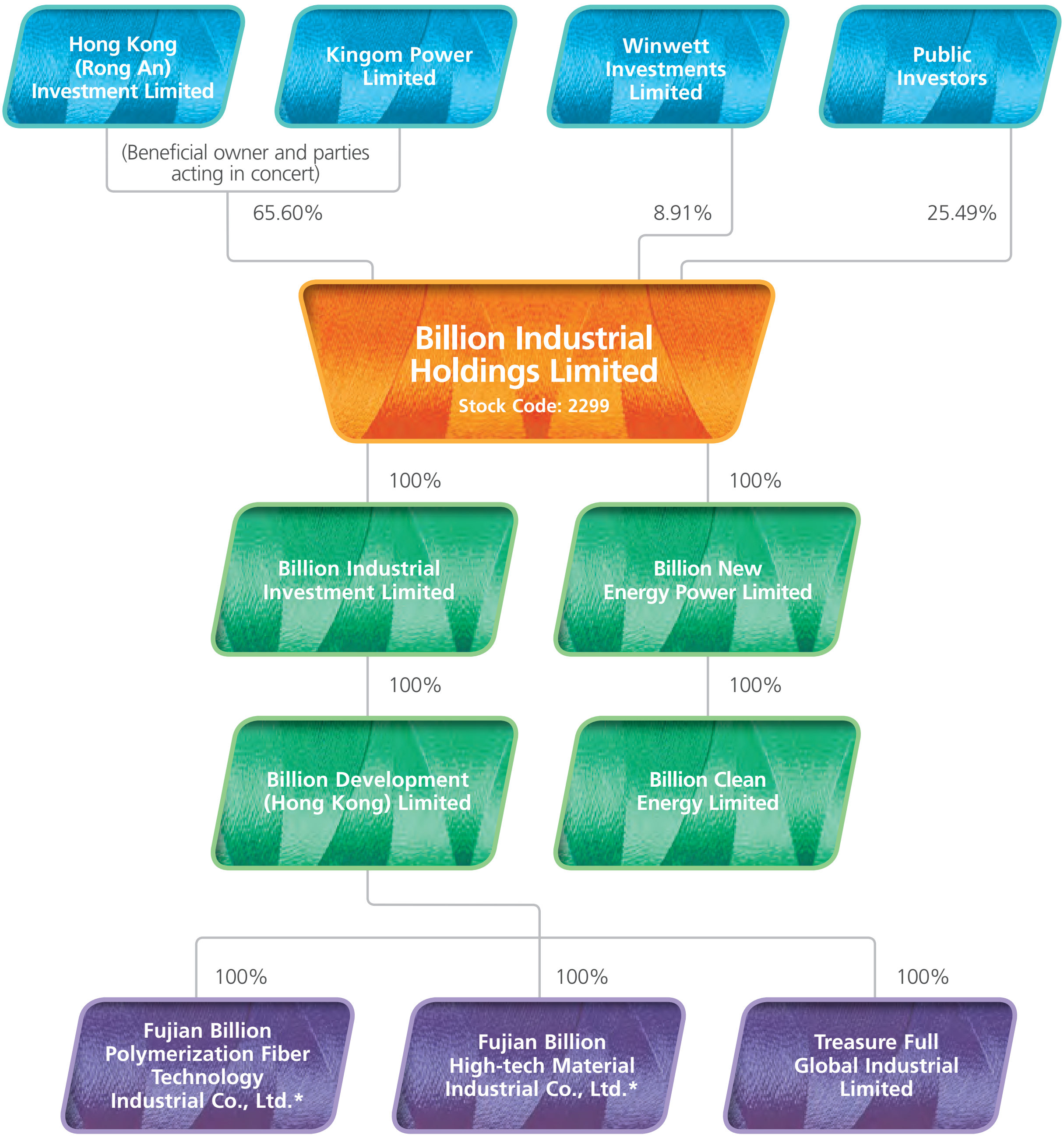
3: Returns on equity: Profit for the year divided by total equity

4: Current ratio: Current assets divided by current liabilities

5: Gearing ratio: Total liabilities divided by total equity

Company Structure

as at 31 December 2014



		Place of incorporation	Place of operation
Note:	Billion Industrial Holdings Limited	: Cayman Islands	Hong Kong
	Billion Industrial Investment Limited	: British Virgin Islands	Hong Kong
	Billion New Energy Power Limited	: British Virgin Islands	Hong Kong
	Billion Development (Hong Kong) Limited	: Hong Kong	Hong Kong
	Billion Clean Energy Limited	: Hong Kong	Hong Kong
	Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*	: PRC	Fujian, PRC
	Fujian Billion High-tech Material Industrial Co., Ltd.*	: PRC	Fujian, PRC
	Treasure Full Global Industrial Limited	: British Virgin Islands	Hong Kong

* *For identification purposes only*

Chairman's Statement

The Group will further enhance its production efficiency and product quality, increase the investment on brand building and continue to increase the added values of our products and brands in order to develop and establish enterprise soft power.

Sze Tin Yau
Co-chairman of the Board

To all shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the results of the Group for the year ended 31 December 2014.

2014 was also a challenging year for the chemical fiber industry. Amid global economy's slow recovery, decelerating PRC economic growth and chemical fiber industry downturn, the Group has always adhered to the vision of "aspiring to be the world's premier supplier of consumer products, providing eco-friendly products for the public" and continued to enhance the development of differentiated chemical fiber and functional environmentally-friendly polyester thin film products. Following the proposal of an unconditional mandatory cash offer to acquire the shares of the Company on 13 January 2014 by Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"), a substantial shareholder of the Company and a wholly-owned subsidiary of CECEP Chongqing, which is in turn a subsidiary of CECEP, the largest state-owned enterprise in the PRC specializing in energy-saving and environmental protection projects, the relationship between the Group and our strategic partner, CECEP has become closer in terms of co-operation opportunities and synergy effects. By integrating our clear position and under our management's far-reaching vision and close cooperation, the Group has maintained a stable development despite a downturn in the chemical fiber industry.

Chairman's Statement

Looking back into the past year, the profitability of the chemical fiber industry stayed at a historically low level. During the year, market prices of our major raw materials, namely, purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), went down significantly as a result of the significant decrease in crude oil price, and this had directly affected our product price trend. The prices of chemical fiber products gradually became stable since the rebound of crude oil price started in late January 2015. Furthermore, as the challenges faced by China's export industry remained and the global economy has been recovering in a slow pace, China's textile products export remained weak in 2014, while domestic sales of apparel, footwear and home textile products remained stable overall. However, as consumer confidence and income growth rate in general remained low and had limited room for growth, coupled with the frequent fluctuations in the market prices of bulky commodities, the price and profitability of our products declined to different extents despite there having been a strong market demand for our products, and the fact that the Group's sales volume and sales amount still maintained a steady growth during the year.

The Group is the largest polyester filament yarns enterprise in southern China. The Group's significant investments in production facilities and other aspects have been among the top in the industry. Apart from pursuing the economies of scale, the Group will further enhance its production efficiency and product quality, increase the investment on brand building and continue to increase the added values of our products and brands in order to develop and establish enterprise soft power. The Group will continue to enhance new market expansion to realize business growth, and integrate with national planning and policies for the chemical fiber industry and polyester thin film industry. Meanwhile, the Group will monitor upstream resources, track and reserve technologies for upstream raw materials, such as renewable materials, bio-based materials, etc, as well as raising the proportion of recyclable products. In 2014, the Group's self-developed project of "melt-direct spinning oil-free wasted filament line-adding and its high quality functional manufacturing technology development"（熔體直紡無油廢絲線上添加及其高品質功能化製備技術開發）was regarded as the 2014 regional major projects of science and technology in Fujian Province（福建省二零一四年區域重大科技項目）. The project is of significance to the large-scale utilisation of polyester oil-free wasted filament, enhancement of renewable fiber quality and establishment of "fiber to fiber" recycle development model in the chemical fiber industry. In order to ensure its long-term growth, the Group will further intensify its research and development, continue to explore new application sectors, and strengthen the utilisation of modern technologies, thereby realising our product innovation.

The Group will continue to invest more in research and development to enhance our research and development capability, and continue to adopt more advanced equipments to produce differentiated chemical fiber products and polyester thin film products which can attract a strong demand, have special performance and functions and are environmental-friendly. The Group will also reduce waste products and enhance product quality. The Group has been paying high attention to marketing channel expansion and customer services. To fully meet our customers' differentiated demands, we constantly adjust our product structure, optimize our product mix and provide individualized product development services. We constantly improve our service standards and closely track market technology innovation and product trends in the market. We expect that the synergy effect of our cooperation with CECEP in new products as well as in the research and development area will progressively increase. On this basis, the Group will launch more quality products conducive to both consumers' health and ecology in the future, while strengthening the efforts in promoting the application of the five key elements, namely, ecology, fashion, function, environmental protection, as well as science and technology to our products.

In 2014, the Group's export sales grew by 30.2% and was selected as the "China Export Leading Indicator（中國外貿出口先導指數(ELI)）" published by the General Administration of Customs of the People's Republic of China ("PRC"), demonstrating that the Group's brands have won further recognition in overseas markets. The Group had cemented its market presence in Fujian Province and Guangdong Province by leveraging on its advantages of having the largest polyester fiber production base in southern China, and continued to expand its overseas market shares, improved service quality and brand recognition during the year under review. The Group sold its products to a number of overseas countries, including Turkey, Italy, Belgium, United States and Spain. At the same time, the Group further expanded its overseas emerging markets, such as Russia, Poland and Brazil.

Chairman's Statement

With the arrival of polyester melt polymerization equipment（聚酯熔體聚合設備）one after another, their installation are underway. As at 31 December 2014, our designed production capacity of polyester thin films was 36,500 tons per year. The installation of our second and third polyester thin film production lines were completed in December 2014 and the machines are currently at the commissioning stage, while our fourth and fifth production lines are still under construction. Pending the installation and commissioning of the second to fifth production lines which are expected to complete in 2015, our total production capacity of polyester thin films will reach 255,000 tons per year, and the Group will become the largest polyester thin film production enterprise in southern China based in Fujian Province. The Group positioned its polyester thin film products at the domestic high-end functional polyester thin film market. Such products were applied on soft packaging, composite printing, electronic appliances, clothing and apparel, safety energy-saving and other sectors. Our production workshops have implemented purification workshop management, meeting the stringent environmental requirements for the production of various thin films, and have been vigorously developing new environmental-friendly polyester thin film products which can be applied in various sectors. Due to its wide application, polyester thin film enjoys a strong market demand, and the management believes that the Group's polyester thin film business will become one of the drivers of the Group's sales volume growth and will better balance the Group's product mix and reduce the risk brought by industry concentration.

The Group will continue to improve our product quality and develop high value-added differentiated products. During the year under review, the Group's product differentiation rate reached 65.0%. Such a high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales volume and sales value. The Group is currently a national high-tech enterprise and a national research and development base for polyester fiber products with functional differentiation. The Group owns laboratories with national certifications and national enterprise technology centers. The Group has a first-class technology research and development team with various products and technologies development efforts reaching both domestic and the world's leading standards, and owns certain patents. At the same time, most of our key equipments are imported from Germany and Japan which are of international first-class equipment standards. High quality equipments provide the Group with strong guarantee of product innovation and technology innovation.

During the year under review, expenditures involved in our investing activities amounted to RMB718 million, resulting in net current liabilities of RMB381 million as at 31 December 2014. Such investments in the plants and equipment of the Group will further expand our corporate scale and generate a larger net cash flow from our future operation, which in turn will bring better returns for our shareholders in the long run. In addition, the Group's debt-to-equity ratio (calculated by dividing total assets by total liabilities) was 2.1 times, and the overall liabilities remained at a stable level.

On 13 January 2014, Hong Kong Rong An made an unconditional mandatory cash offer to acquire the shares of the Company. Such move has fully demonstrated the confidence of Hong Kong Rong An and its holding companies in the chemical fiber industry, as well as the business prospect of the Group.

From July to December 2014, the Company repurchased 14,508,000 of its shares from the secondary market, representing approximately 0.7% of the total issued share capital of the Company prior to the repurchases. Given the overall market downturn and the reduction in holding industrial capital in general, such move has fully demonstrated the confidence of the Company's management in the operations and future prospect of the Group.

China's economy has entered into a "new normal state" the growth rate of which has changed from being high to medium to high. Looking forward into 2015, as China's economic growth will lead to stable employment and with domestic demand and net export showing signs of recovery, this will create a macro environment for steady operations of the chemical fiber industry. In addition, following the recovery of crude oil price, the industry's profitability will gradually become stable. In order to strengthen risk management and maintain stability of operations, the Group will endeavour to improve internal control management. Moreover, with its excellent management team, the Group can timely grasp market development trend, understand market demand, and actively launch new products to meet the market demand. Armed with strong technical strengths and financial resources, our management will capture the development opportunities to further expand the Group's scale.

Finally, on behalf of the Board, I hereby wish to thank all our shareholders and business partners for their trust on us and for investing in the future of the Group. The management of the Group and I will continue to lead the Group to move forward and work diligently to further create value for our shareholders, customers, and employees, and strive to bring better returns for all shareholders.

Sze Tin Yau
Co-chairman of the Board

31 March 2015

- Sales volume recorded a year-on-year increase of 22.3% to 642,706 tons
- Revenue recorded a year-on-year increase of 2.4% to RMB6,301,466,000
- Gross profit recorded a year-on-year decrease of 19.4% to RMB585,925,000
- Profit for the year recorded a year-on-year decrease of 43.2% to RMB203,545,000

Existing production site

Situated in the Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, PRC
Construction Area: Approximately 410,000 square meters
Site Area: Approximately 275,400 square meters

New production site under construction

Located at Jinnan Industrial Zone, approximately two kilometers away from the existing production site
Construction Area: Approximately 532,500 square meters
Site Area: Approximately 500,000 square meters

Designed Capacity:

As at 31 December 2011	As at 31 December 2012	As at 31 December 2013 and 2014
FDY+POY : 475,000 tons per year	FDY+POY : 580,000 tons per year	FDY+POY : 785,000 tons per year
DTY : 350,000 tons per year	DTY : 415,000 tons per year	DTY : 493,000 tons per year
	BOPET : 36,500 tons per year	BOPET : 36,500 tons per year

Designed Capacity will be:

By the end of 2015

FDY+POY : 785,000 tons per year
DTY : 493,000 tons per year
BOPET : 182,500 tons per year
BOPET Chips : 72,500 tons per year

Production Processes of Polyester Filament Yarns & Polyester Thin Films

PTA

MEG

Polymerizing Process

Mixes PTA and MEG together under high temperature and high pressure to produce polyester melt

Polyester Melt

By applying various methods during the production process of our polyester filament yarns, we can achieve special features and functionalities of differentiated polyester filament yarns

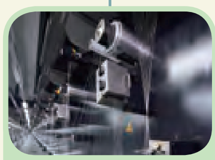
- Add special chemical additives during the polymerizing process to achieve special features such as ultraviolet resistant and ultra-white
- Change the number, size and shape of spinning holes on the spinneret to create various shapes of cross-sections of filaments in order to achieve special features such as water-absorbing, sweat-discharging and ultra-soft
- Adjust the various parameters and processing measures in the spinning and texturing processes to achieve different textures and feels

BOPET Chips

BOPET

Polyester melt is first biaxially stretched

Polyester melt is first pushed through the spinning holes on the spinneret into polyester filaments which are then drawn and combined into polyester filament yarns



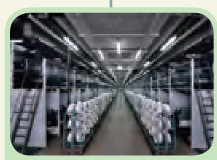
POY/FDY Spinning

PET Chips

After polymerizing process, polyester melt is cooled, dried, cut into small pieces

FDY

FDY is fully drawn through a heated drawing process



POY

POY is partially drawn processed through a pre-orientation process

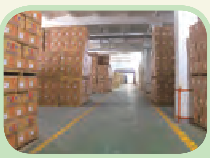
We use a technologically advanced polyester melt direct spinning method to produce polyester filament yarns, which enables us to improve production efficiency and reduce cost.

DTY

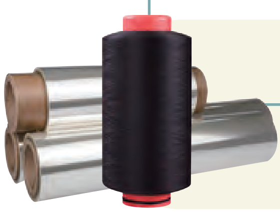
POY is processed through a texturing process to become DTY

Quality Control

Packaging



Warehouse



Note: PTA represents purified terephthalic acid
MEG represents mono ethylene glycol
PET represents polyethylene terephthalate
BOPET represents biaxially-oriented polyethylene terephthalate

Management Discussion and Analysis

Changes in marco-economic environment

In 2014, the overall global economy was in a slow recovery momentum. However, as the negative impact resulted from the reduced government spending in Europe and United States is gradual diminishing and the labour markets have seen improvements, the suppressed demand has started to release. The economic growth rates of oil-rich regions in the United States have showed signs of a slowdown due to a significant drop in crude oil price, but the U.S. economy still remained its continuing expansion in late 2014. Despite the overall growth of emerging economies being relatively fast, the downward pressure is increasing, and the complexity and uncertainty in global economic development has also been further increasing, which have caused the competition in international markets to become more and more intense. In 2014, China's economic growth had entered into a "new normal state" with a growth rate changing from being high to medium to high, and with stable consumption and export growth. In 2014, China's gross domestic product ("GDP") grew by 7.4% and was in line with its year-on-year growth objective in 2014, showing a good trend of stable economic growth, structural optimization and quality improvement.

In 2014, the ultimate consumption contributed to 51.2% of China's GDP growth, which is 1.2 percentage points higher than that of 2013 which was 50.0%. According to the National Bureau of Statistics of the PRC, retail sales of apparel, footwear and textile products amounted to RMB1,256.3 billion in 2014, representing a year-on-year growth of 10.9%, among which, the sales in December 2014 was RMB146.7 billion, representing a year-on-year increase of 10.6%. With the PRC economy continuing to progress in accordance with its master economic guideline of "making progress while maintaining stability", the domestic economy is expected to further stabilise and recover, thereby vigorously improving the environment for the development of the textile industry and boosting both domestic investments and consumption demands.

Industry review

Average selling prices of polyester filament yarns in 2014 were lower than those in 2013, which was mainly due to the fluctuation of raw materials prices. The market prices of both purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the principal raw materials of the Group's products, dropped due to a significant decrease in crude oil price in 2014, especially since September 2014 when the price of West Texas Intermediate Crude Oil dropped to US$55 per barrel, representing a decrease of almost 50% as compared with the annual high in June 2014. It was not until late January 2015 when crude oil price began to rebound that the price of chemical fiber products gradually stabilised. As regards to cotton, the Group's products are substitutes of cotton to a certain extent. In 2014, cotton price dropped significantly due to a reduction in the size of cotton plantation area and the impact of domestic cotton policies adjustment. We will continue to monitor closely any updated changes of raw material prices that may affect the Group's operation and the trend of PTA production capacity.

Management Discussion and Analysis

As the challenges faced by China's export industry remained and the global economy had been recovering at a slow pace, China's textile products export continued to record a weak recovery in 2014, while domestic sales of apparel, footwear and home textile products remained stable overall. However, the growth potential may be limited as consumer confidence and people's income growth rate remained relatively low in general. As such, certain apparel, footwear and house textile brands have focused their business expansion in the second and third-tier cities of China. Looking forward into 2015, as China's economic growth will lead to stable employment and crude oil price is continuously recovering, there will exist a macro environment for steady operations of the chemical fiber industry, and a stable growth in the textile industry which in turn will increase the demand for chemical fiber, which hopefully will improve the profit capacity of the chemical fiber industry.

The downstream industry of polyester thin films represents mainly plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. In southern China, there are relatively few companies which produce polyester thin films. The polyester thin film market showed a rapid growing trend in recent years. Following the scale accumulation stage, manufacturers have begun to differentiate their products with high added values which indicate that there is an expected growth in demand for such products. In recent years, the emergence of the food packaging and pharmaceutical industries in China has pushed up the momentum of polyester thin film market there. The demand for polyester thin films in future is expected to increase continuously. The Group will complete the installation of the fourth and fifth production lines for polyester thin films in 2015, and with the commissioning and production work of the second to fifth production lines of polyester thin films, the competitive edge of the Group will be enhanced by innovation and developing more value-added and differentiated products. Our management is confident in the growth potential and profitability of the Group's polyester thin film business.

Business review

Stable growth in the Group's sales

The Group had continued to strive for product quality improvement and development of differentiated products during the year under review, therefore, despite a retarding economic growth in the PRC and the downturn of the chemical fiber industry during the year, market demand for the Group's products remained strong and sales volume and sales value of the Group had maintained a stable growth during the year. According to the National Bureau of Statistics of the PRC, retail sales of apparel, footwear and hats and textile products, being the downstream products of the Group, amounted to RMB1,256.3 billion in 2014, representing a year-on-year increase of 10.9%. As the market price of PTA and MEG, the principal materials of the Group's products, dropped during the year, the price of polyester filament yarns had recorded a decrease which had pushed up the market demand for polyester filament yarns. However, due to fierce market competition, the Group's overall profit margin was lower than that for the year ended 31 December 2013.

As research and development plays an important role in the improvement of product quality, the Group has stressed great importance on and adhered to the technology innovation approach of "Production, Learning, Research and Application". Through our strong research and development team, the Group continued to: (i) co-operate with colleges and institutions, contribute more funds and resources in research and development to form a multi-disciplinary project research and development chain; (ii) obtain patent and proprietary technology results; (iii) vigorously support the implementation of the differentiated operating philosophy; and (iv) ensure the on-going launching of new products which served as guidance to the market. The outstanding research and development and innovation capacity is the foundation of the Group to achieve sustainable development. During the year under review, the Group's research and development expenses amounted to RMB202,015,000, representing 3.2% of its total revenue. Our research and development efforts mainly focus on improving product quality and production efficiency. Owing to our long-term investments in research and development and marketing efforts in promoting differentiated products, the Group's overall business volume maintained a solid growth in 2014. During the year under review, the Group's product differentiation rate reached 65.0%. Such a high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales volume and sales value.

The Group has all along been paying high attention to marketing channel expansion and customer services and we constantly adjust our product structure and provide customised product development services in order to fully meet our customers' differentiated demands. By taking the advantage of having the biggest polyester fiber production base in southern China, while consolidating our market share in Fujian and Guangdong Provinces, we have also strived to develop international markets. The Group's export sales for the year ended 31 December 2014 were RMB964,072,000, representing an increase of RMB223,519,000, or 30.2% compared to that in the year ended 31 December 2013, indicating a significant improvement in its brand recognition in the overseas market. In addition to further strengthening our presence in the domestic market steadily and continuously, the Group will continue to expand its overseas market share, strengthen its expansion in emerging markets, provide quality service and promote its brand value, awareness and recognition to increase the sales proportion to end-customers.

As at 31 December 2014, the designed annual production capacity of the Group's polyester thin films was 36,500 tons per year. The installation of the second and third production lines was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this report. Upon completion of installation and commissioning of these production lines, the production capacity of polyester thin films will be further enlarged. The expected designed annual production capacity of polyester thin films will reach 255,000 tons per year in 2015, and its sales and proportion of the Group's total revenue will increase accordingly. The Group positioned its polyester thin film products at the domestic high-end functional polyester thin film market. Such products were applied on soft packaging, composite printing, electronic appliances, clothing and apparel, safety energy-saving and other sectors. Our production workshops have implemented purification workshop management, meeting the stringent environmental requirements for the production of various thin films, and have been vigorously developing new environmental-friendly polyester thin film products which can be applied in various sectors. Due to its wide application, polyester thin film enjoys a strong market demand, and the management believes that the Group's polyester thin film business will better balance the Group's product mix.

Production capacity expansion

As of 31 December 2014, the Group's designed capacity for FDY and POY was 785,000 tons per year, that for DTY was 493,000 tons per year, and that for polyester thin films was 36,500 tons per year. The installation of the second and third production lines was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this annual report. Upon completion of installation and commissioning of the second to fifth production lines, the production capacity of polyester thin films will be further expanded. The expected designed annual production capacity of polyester thin films will reach 255,000 tons per year in 2015.

Product research and development

As of 31 December 2014, the Company owned 65 national patents registered in China and had applied for 84 national patents. Among all of the Company's patented products, 44 of them have already been applied to our products sold to customers. Our research and development activities relied on our experienced research and development team. Our research and development expenditure was RMB202,015,000, representing 3.2% of our revenue in 2014.

For the year ended 31 December 2014, revenue generated from the Group's differentiated products amounted to RMB4,098,325,000, accounted for 65.0% of its total revenue for the year. The Group believes that its products, protected by national patents, will be well recognised in both domestic and international markets and will provide the Group with a strong competitive edge.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for 2014 was RMB6,301,466,000, representing an increase of 2.4% as compared to RMB6,152,700,000 for 2013. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB6,071,382,000, accounting for 96.3% of the total revenue. Revenue attributable to the sales of polyester thin films, our new product, was RMB230,084,000, accounting for 3.7% of the total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

Revenue attributable to the sales of polyester filament yarn products for the year was RMB6,071,382,000, representing an increase of RMB162,399,000 or 2.7% as compared to RMB5,908,983,000 in 2013. The average selling price of polyester filament yarns in the year was RMB9,787 per ton, representing a decrease of RMB1,940 or 16.5% as compared to RMB11,727 per ton in 2013. The continuous softened economic growth in China has exerted a negative impact on the Group's customers such as apparel and footwear enterprises despite the fact that market demand for the Group's products remained strong and the sales volume of polyester filament yarns of the Group for the year increased to 620,348 tons (representing 96.5% of total sales volume) during the year from 503,889 tons in 2013 (representing an increase of 116,459 tons or 23.1%). However, the selling price of the polyester filament yarns was continuously under pressure, leading to a drop of average selling price.

The drop in PTA and MEG prices, the key raw materials of the Group, led to a decrease in price of our polyester filament yarns, and thus further increased the market demand for our polyester filament yarns. Along with increasing brand recognition overseas, market demand for the Group's products went up continuously, and became the supporting driver of our increased sale volume.

Polyester thin films

Revenue attributable to the sales of polyester thin film products for the year was RMB230,084,000, representing a decrease of RMB13,633,000 or 5.6% as compared to RMB243,717,000 in 2013. The average selling price of polyester thin films in the year was RMB10,291 per ton, representing a decrease of RMB1,084 or 9.5% as compared to RMB11,375 per ton in 2013. The installation of the second and third production lines for polyester thin films was completed in December 2014 and the machines are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this annual report. As a result, despite there having been a strong market demand for the Group's products, sales volume during the year did not increase substantially due to a decrease in the average selling price, causing a decrease in the revenue of polyester thin film products. As a new growth driver for the Group's business, it is expected that revenue attributable to the sales of polyester thin film products will increase substantially after the plan for an expansion of the Group's production capacity of polyester thin films is fully implemented in 2015 (as the annual production capacity of polyester thin films will reach 255,000 tons per year).

Sales by geographic region

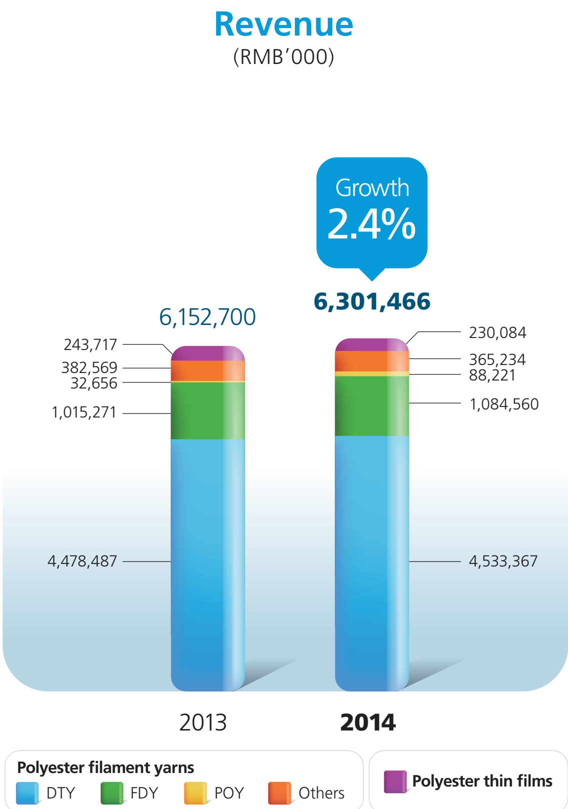
The Group continued to expand its market share in overseas markets. By improving our service quality and increasing our brand recognition, we have further expanded our market share in the emerging overseas markets like Russia, Poland and Brazil. Hence, in the year under review, the percentage of export sales revenue of the Group increased to 15.3% from 12.0% in 2013. About 84.7% of the Group's revenue was generated from domestic market sales, of which 64.3% were to customers in Fujian Province and 16.7% to Guangdong Province, our neighbouring province. The textile manufacturing industries in both provinces are booming, resulting in a strong demand for the Group's products. Whilst maintaining its market share and position in Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets to provide customised product development services to our customers.

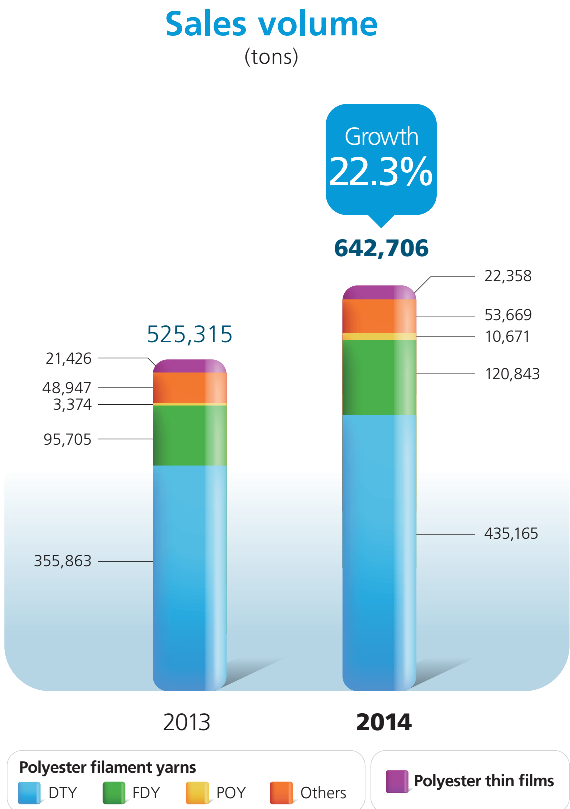
Management Discussion and Analysis

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2014		2013		**2014**		2013	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**4,533,367**	**71.9%**	4,478,487	72.8%	**435,165**	**67.7%**	355,863	67.8%
FDY	**1,084,560**	**17.2%**	1,015,271	16.5%	**120,843**	**18.8%**	95,705	18.2%
POY	**88,221**	**1.4%**	32,656	0.5%	**10,671**	**1.7%**	3,374	0.6%
Others*	**365,234**	**5.8%**	382,569	6.2%	**53,669**	**8.3%**	48,947	9.3%
Sub-total	**6,071,382**	**96.3%**	5,908,983	96.0%	**620,348**	**96.5%**	503,889	95.9%
Polyester thin films	**230,084**	**3.7%**	243,717	4.0%	**22,358**	**3.5%**	21,426	4.1%
Total	**6,301,466**	**100.0%**	6,152,700	100.0%	**642,706**	**100.0%**	525,315	100.0%

* Others represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process





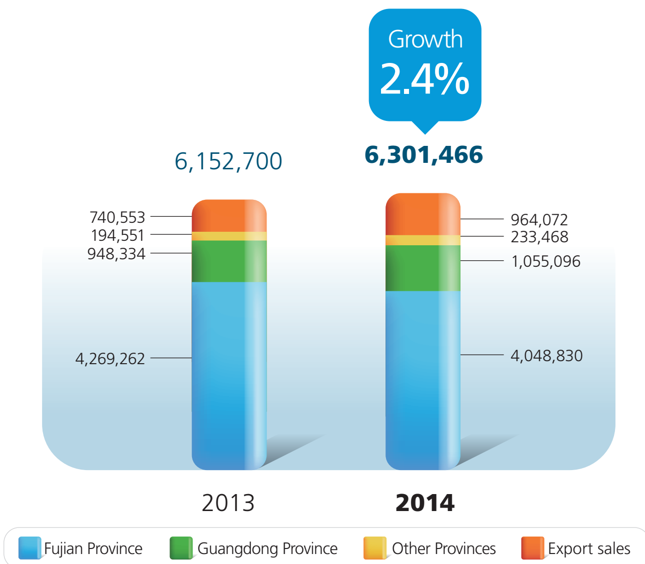
Geographic Breakdown of Sales

	2014		2013	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**4,048,830**	**64.3%**	4,269,262	69.4%
Guangdong Province	**1,055,096**	**16.7%**	948,334	15.4%
Other provinces	**233,468**	**3.7%**	194,551	3.2%
Export sales*	**964,072**	**15.3%**	740,553	12.0%
Total	**6,301,466**	**100.0%**	6,152,700	100.0%

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

Geographic breakdown of sales

(RMB'000)



2. *Cost of Sales*

The cost of sales of the Group in 2014 was RMB5,715,541,000, representing an increase of 5.3% as compared to RMB5,425,918,000 in 2013. Such increase was primarily attributable to a combined impact of an increase in sales volume, a drop of raw materials prices and rising manufacturing costs.

The cost of sales for polyester filament yarns and polyester thin films was RMB5,509,277,000 and RMB206,264,000, accounting for 96.4% and 3.6% of the total cost of sales, respectively. The percentages of costs of sales of these two types of products were generally consistent with their respective sales volumes.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB10,339 per ton in 2013 to RMB8,881 per ton for the year under review, representing a decrease of RMB1,458 or 14.1%, among which, the average price of raw materials for polyester filament yarns dropped from RMB8,411 per ton in 2013 to RMB7,132 per ton for the year, representing a decrease of RMB1,279 per ton or 15.2%. The Group's key raw materials, namely PTA and MEG, accounted for 73.6% of the total cost of sales, the prices of which were in turn directly affected by the crude oil price, a key raw material of PTA and MEG, which had dropped continuously since September 2014 after experiencing a slight increase in mid-May 2014.

Polyester thin films

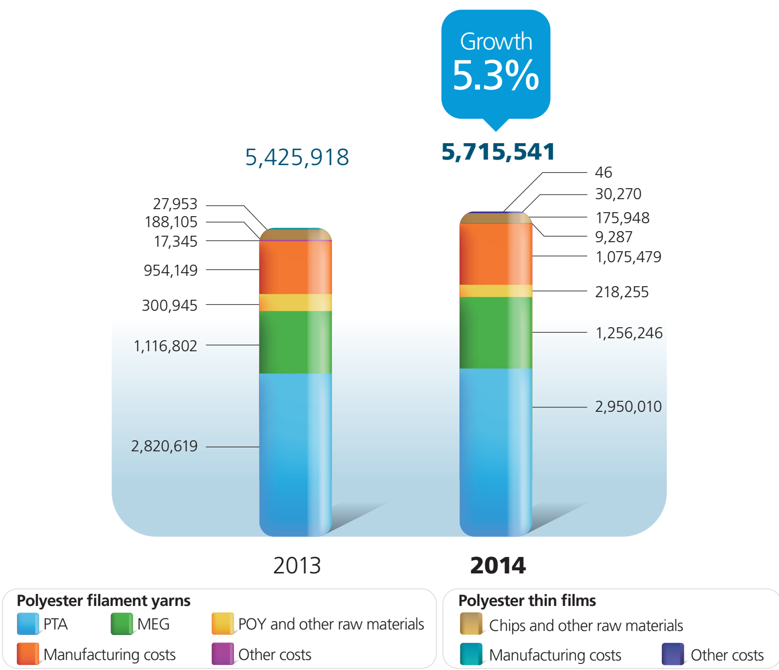
The average cost of sales for polyester thin films dropped from RMB10,084 per ton in 2013 to RMB9,225 per ton for the year under review, representing a decrease of RMB859 or 8.5%, among which, the average price of raw materials for polyester thin films dropped from RMB8,779 per ton in 2013 to RMB7,869 per ton for the year, representing a decrease of RMB910 per ton or 10.4%.

Analysis of cost of sales

	2014 RMB'000	2014 Percentage	2013 RMB'000	2013 Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**2,950,010**	**51.6%**	2,820,619	52.0%
MEG	**1,256,246**	**22.0%**	1,116,802	20.6%
POY and other raw materials	**218,255**	**3.8%**	300,945	5.5%
Sub-total	**4,424,511**	**77.4%**	4,238,366	78.1%
Manufacturing costs	**1,075,479**	**18.8%**	954,149	17.6%
Other costs	**9,287**	**0.2%**	17,345	0.3%
Sub-total	**5,509,277**	**96.4%**	5,209,860	96.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**175,948**	**3.1%**	188,105	3.5%
Manufacturing costs	**30,270**	**0.5%**	27,953	0.5%
Other costs	**46**	**0.0%**	–	–
Sub-total	**206,264**	**3.6%**	216,058	4.0%
Total	**5,715,541**	**100.0%**	5,425,918	100.0%

Analysis of cost of sales

(RMB'000)



Analysis of product sales cost (Average per ton)

	2014 RMB (Per ton)	2014 Percentage	2013 RMB (Per ton)	2013 Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**4,755**	**53.5%**	5,598	54.2%
MEG	**2,025**	**22.8%**	2,216	21.4%
POY and other raw materials	**352**	**4.0%**	597	5.8%
Sub-total	**7,132**	**80.3%**	8,411	81.4%
Manufacturing costs	**1,734**	**19.5%**	1,894	18.3%
Other costs	**15**	**0.2%**	34	0.3%
Sub-total	**8,881**	**100.0%**	10,339	100.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	**7,869**	**85.3%**	8,779	87.1%
Manufacturing costs	**1,354**	**14.7%**	1,305	12.9%
Other costs	**2**	**0.0%**	–	–
Sub-total	**9,225**	**100.0%**	10,084	100.0%
Total	**8,893**		10,329	

3. *Gross Profit*

The gross profit of the Group in 2014 was RMB585,925,000, which had decreased by RMB140,857,000, or 19.4% as compared to RMB726,782,000 in 2013. Although sales volume of the Group during the year increased by 117,391 tons, representing an increase of 22.3% as compared to 2013, the average selling price of the products decreased by RMB1,907 per ton, representing a decrease of 16.3% from the RMB11,712 per ton in 2013 to RMB9,805 per ton during the year, and the average cost of the products only decreased by RMB1,436 per ton, representing a decrease of 13.9% from RMB10,329 per ton in 2013 to RMB8,893 per ton during the year. Therefore, the average gross profit per ton of the products decreased from RMB1,384 in 2013 to RMB912 during the year. The gross profit margin decreased by 2.5 percentage points from 11.8% in 2013 to 9.3% during the year.

Polyester filament yarns

The average selling price of polyester filament yarns per ton decreased by RMB1,940 per ton, representing a decrease of 16.5% from RMB11,727 per ton in 2013 to RMB9,787 per ton during the year. The average gross profit of polyester filament yarns per ton decreased from RMB1,388 in 2013 to RMB906 during the year. The gross profit margin decreased by 2.5 percentage points from 11.8% in 2013 to 9.3% during the year.

Polyester thin films

The average selling price of polyester thin films per ton decreased by RMB1,084 per ton, representing a decrease of 9.5% from RMB11,375 per ton in 2013 to RMB10,291 per ton during the year. The average gross profit of polyester thin films per ton decreased from RMB1,291 in 2013 to RMB1,066 during the year. The gross profit margin decreased by 0.9 percentage point from 11.3% in 2013 to 10.4% during the year.

During the year, the decrease in the gross profit and gross profit margin of the Group was primarily attributable to the impact of the following three factors:

(i) The price of PTA and MEG, the key raw materials, had decreased due to a significant drop in crude oil price, which led to a decrease in the product selling prices of the entire industry;

(ii) During the year under review, the chemical fiber industry was in its downturn period, market competition of downstream products was intense and operation of textile manufacturers remained tough, thus the pressure on the costs of downstream products also exerted negative impact on the selling prices of polyester filament yarns, which recorded a greater decrease than that of the raw materials and led to the decrease in the gross profit margin;

(iii) During the year, the production volume of the Group had increased, and then led to an increase in the sales volume and revenue. As the effect of an increase in sales volume is less than that of a decrease in the average selling price, both gross profit and gross profit margin for the year ended 31 December 2014 decreased as compared to the same for the year ended 31 December 2013.

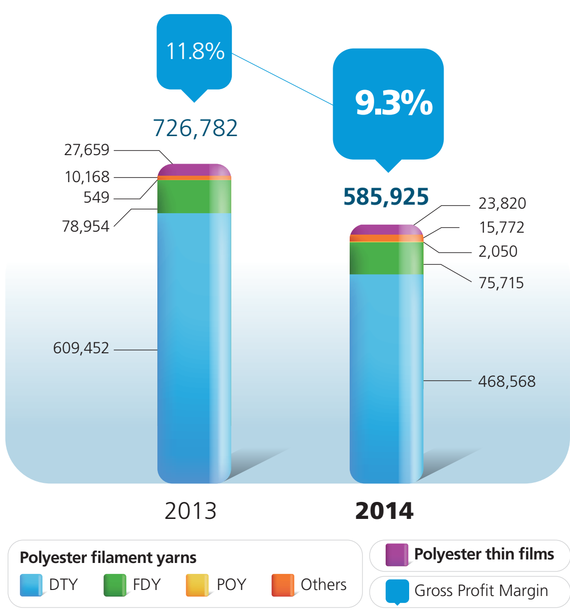
Analysis of gross profit by product

	2014		2013	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	**468,568**	**80.0%**	609,452	83.8%
FDY	**75,715**	**12.9%**	78,954	10.9%
POY	**2,050**	**0.3%**	549	0.1%
Others*	**15,772**	**2.7%**	10,168	1.4%
Sub-total	**562,105**	**95.9%**	699,123	96.2%
Polyester thin films	**23,820**	**4.1%**	27,659	3.8%
Total	**585,925**	**100.0%**	726,782	100.0%

* Others represent PET chips and wasted filament produced in the process of production.

Gross Profit and Gross Profit Margin

(RMB'000)



Breakdown of average product selling price, cost and gross profit (per ton)

	2014 RMB	2013 RMB
Polyester filament yarns		
Average selling price	**9,787**	11,727
Average cost of sales	**8,881**	10,339
Average gross profit	**906**	1,388
Average gross profit margin	**9.3%**	11.8%
Polyester thin films		
Average selling price	**10,291**	11,375
Average cost of sales	**9,225**	10,084
Average gross profit	**1,066**	1,291
Average gross profit margin	**10.4%**	11.3%

4. *Other revenue*

Other revenue of the Group in 2014 amounted to RMB110,598,000, representing an increase of 20.0% as compared to RMB92,160,000 in 2013. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such an increase was attributable to an increase in bank interest income, government grants and gains on disposal of raw materials during the year. Government grants mainly included taxation rewards for key enterprises, key enterprise reward, encouraging and supporting reward for economic development, specific fund for provincial-level enterprise technology improvement and increase in capacity and efficiency of electricity usage reward, to name a few.

5. *Other net (loss)/gain*

Other net losses of the Group in 2014 amounted to RMB2,762,000 (2013: other net gains of RMB16,878,000). Other net losses mainly comprised net exchange gain and net loss on financial assets and liabilities at fair value through profit or loss. Such losses were mainly due to the combined effect of net loss on financial liabilities at fair value through profit or loss and the increase in exchange gain during the year.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2014 amounted to RMB49,110,000, representing an increase of 3.5% as compared to RMB47,438,000 in 2013. Selling and distribution expenses mainly included transportation cost, insurance premium, wages of our sales staff and promotion expenses. Such increase was mainly due to an increase in sales volume during the year, which led to an increase in relevant selling and distribution expenses, such as transportation costs.

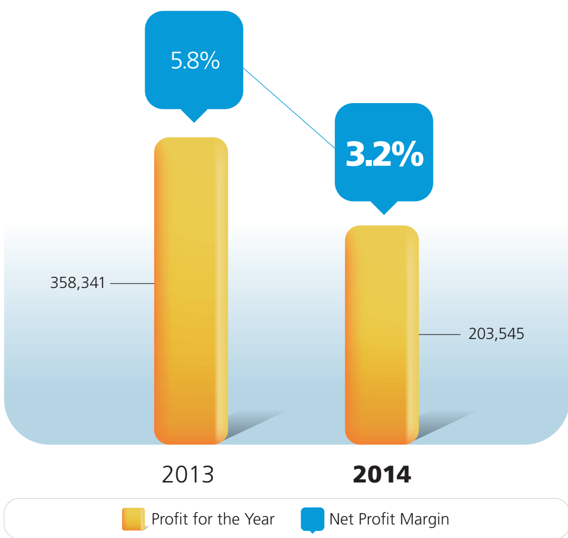
7. *Administrative expenses*

Administrative expenses of the Group in 2014 amounted to RMB315,119,000, which had increased by 2.0% as compared to RMB308,939,000 in 2013. Administrative expenses mainly included research and development costs, depreciation of office equipment, staff wages, general office expenses, professional and legal fees. The change was primarily attributable to the combined effect of an increase in research and development costs of the Group, the advisory service fee incurred as a result of the general offer of the shares of the Company during the year and a decrease in property tax provision during the year.

8. *Finance costs*

Finance costs of the Group in 2014 amounted to RMB75,603,000, which had increased by 68.2% as compared to RMB44,939,000 in 2013. It was mainly due to an increase in bank loans, resulting in an increase in the interest of bank advances and other borrowings.

Profit for the Year and Net Profit Margin
(RMB'000)



9. Income tax

Income tax of the Group in 2014 amounted to RMB50,384,000, which had decreased by 33.8% as compared to RMB76,163,000 in 2013. It was mainly due to a decrease in profit before taxation. Billion Fujian, a principal subsidiary of the Group which has been awarded as a high technology enterprise, was able to enjoy corporate income tax at the concessionary rate of 15% in 2014. Billion High-tech, another principal subsidiary of the Group, is subject to a corporate income tax rate of 25%.

10. Profit for the year

Profit of the Group for the year 2014 amounted to RMB203,545,000, which had decreased by RMB154,796,000 or 43.2% as compared to RMB358,341,000 in 2013. Net profit margin was 3.2%, which had decreased by 2.6 percentage points as compared to 5.8% in 2013. The decrease was mainly due to a decrease of RMB140,857,000 in gross profit during the year.

Financial Position

1. Liquidity and capital resources

As at 31 December 2014, cash and cash equivalent of the Group amounted to RMB882,236,000, which had increased by RMB662,390,000 or three times as compared to RMB219,846,000 as at 31 December 2013. Such increase was mainly due to the combined effect of the expansion of plants and the purchase of production equipment and an increase of cash inflow generated from the Group's financing activities during the year.

During the year, net cash inflow generated from operating activities amounted to RMB477,938,000; net cash outflow used in investing activities amounted to RMB717,829,000 and net cash inflow generated from financing activities amounted to RMB884,838,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year, inventory turnover day was 34.9 days (2013: 37.7 days), which had decreased by 2.8 days as compared with 2013. Accounts receivable turnover days was 33.8 days (2013: 33.8 days) and accounts payable turnover days was 60.8 days (2013: 62.5 days). Both had no significant change as compared with 2013.

As at 31 December 2014, the Group had capital commitments of RMB310,538,000, which was mainly used in the expansion of production capacity of polyester filament yarn and the development of functional environmental-friendly polyester thin film business.

2. *Capital Structure*

As at 31 December 2014, the total liabilities of the Group amounted to RMB4,578,929,000, and the capital and reserve amounted to RMB5,239,015,000. The gearing ratio (total liabilities divided by total equity) was 87.4%. The total assets amounted to RMB9,817,944,000. The asset liability ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,081,331,000, of which RMB3,064,501,000 were repayable within one year and RMB16,830,000 were repayable after one year. Among the bank borrowings, 49.8% were secured by properties, trade receivables 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 year under review.

The Company's future plan in the coming year for material investments and additions of capital assets are primarily related to the development of the functional environmental-friendly polyester thin film business. The Company intends to finance such plan through internally generated funds and bank loans.

Charges on Assets

Save as disclosed in this report, there was no other charge on Group's assets as of 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group did not have any contingent liabilities (2013: nil).

Foreign Currency Risk

As most of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 31 December 2014, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB1,288,868,000, the net liabilities exposure denominated in Hong Kong Dollars of RMB27,500,000 and the net liabilities exposure denominated in Euro of RMB6,022,000.

Employees and Remuneration

As at 31 December 2014, the Group had a total of 3,722 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 management believes that the global economy will continue to maintain a slow and weak recovery, and it has entered into an intensified structural adjustment period. The United States will facilitate its economic growth as benefiting from the integrated impact of cheap oil price and low interest rate, and the Eurozone economies will continue to recover slowly. In contrast to developed countries, growth rate of emerging and developing economies will continue to slow down due to the potential impact of a decrease in commodity prices in commodity export nations and the challenges brought by the exit of quantitative easing policies in developed countries. However, the PRC economy has entered a "new normal state", meaning that despite its economic growth rate having declined year by year, with domestic demand and net export having showed signs of recovery, it will maintain its leading position among the emerging economies.

The Group will continue to enhance new market expansion to realize business growth, integrate with national planning and policies for the chemical fiber industry and polyester thin film industry. We will further increase our production efficiency and product quality, increase brand building investments, and continue to increase our brand added values. Meanwhile, the Group will monitor upstream resources, track and reserve technologies for upstream raw materials, such as renewable materials, bio-based materials, as well as raise the proportion of recyclable products. We will enhance our research and development capability, and continue to adopt more advanced technology equipment to produce differentiated chemical fiber products with special performance and functions which can attract a strong demand and functional environmental-friendly polyester thin film products. The Group will endeavor to reduce wastes and enhance product quality. We will actively expand our sales to emerging overseas markets in addition to further strengthening our presence in the domestic market steadily and continuously. With the recovery of the external economic environment and crude oil price, we are hoping that the profit capacity of polyester filament yarns and polyester thin film products will improve. In 2015, our production capacity of polyester thin films will further expand. As a new growth driver for the Group, the polyester thin film business will better balance the product portfolio of the Group, and enable us to diversify our risk resulted from high industry concentration. The management team of the Group has many years of industry experience and stronger technical ability, which can timely grasp the market development trend, understand market demand, and actively launch new products to meet the market demand. Armed with strong technical strengths and financial resources, the management will capture development opportunities to further expand our scale, and improve returns to our shareholders.

Corporate Governance Report

The Company believes that corporate governance is essential to its success and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board is committed to upholding a high standard of good corporate governance practices and procedures with a view to enhancing investors' confidence and the Company's accountability and transparency. Save as disclosed below, the Company complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2014.

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 2014.

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 2014. 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.

Board of Directors

Composition and role

As at 31 December 2014, the Board comprised four executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible for corporate strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, directors' appointments, risk management, major acquisitions, disposals and capital transactions. The Board is also responsible for the establishment of the internal control system of the Company and discusses with the management regularly to ensure that internal control system is operating effectively. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Independent non-executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Company had at least three non-executive Directors, therefore, it had satisfied the requirement under Rule 3.10(1) of the Listing Rules. One of the independent non-executive Directors, Mr. Chan Shek Chi, possesses appropriate professional accounting qualifications and financial management expertise, which is in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board. During the period from 21 May 2014 to 25 May 2014, the Board comprised four executive Directors, two non-executive Directors and two independent non-executive Directors; therefore, the Company failed to comply with the requirement of Rule 3.10A. On 26 May 2014, an independent non-executive Director was appointed to the Board, which brought the Board composition to four executive Directors, two non-executive Directors and three independent non-executive Directors, and the Company re-complied with Rule 3.10A of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time, and notice of at least 14 days were given to Directors before the meetings. Directors may participate either in person or through electronic means of communications.

The individual attendance record of each Director for the meetings of the Board and the general meetings held during the year ended 31 December 2014 is set out below:

	Attendance/ Number of Meetings	
Name of Director	**Board Meetings**	**Shareholders Meetings**
Executive Directors		
Mr. Sze Tin Yau *(Co-chairman)*	4/4	1/1
Mr. Wu Jinbiao *(Chief executive officer)*	4/4	1/1
Mr. Yu Heping	4/4	1/1
Mr. Xue Mangmang	4/4	1/1
Non-executive Directors		
Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)	0/0	0/0
Mr. Yang Donghui (resigned on 19 March 2014)	0/0	0/0
Mr. Yang Jun (resigned on 19 March 2014)	0/0	0/0
Mr. Ding Guoqiang (resigned on 19 March 2014)	0/0	0/0
Ms. Ma Yun (resigned on 19 March 2014)	0/0	0/0
Mr. Chen Bo (resigned on 19 March 2014)	0/0	0/0
Mr. Yang Yihua *(Co-chairman)* (appointed on 19 March 2014)	1/4	0/1
Mr. Wu Zhongqin (appointed on 19 March 2014)	4/4	1/1
Independent non-executive Directors		
Ms. Zhu Meifang (resigned on 19 March 2014)	0/0	0/0
Mr. Li Zhi Xian (resigned on 19 March 2014)	0/0	0/0
Mr. Yeung Chi Tat (retired on 21 May 2014)	1/1	1/1
Mr. Ma Yuliang	4/4	0/1
Mr. Lin Jian Ming	4/4	1/1
Mr. Chan Shek Chi (appointed on 26 May 2014)	3/3	0/0

All Directors were provided with relevant materials relating to the matters brought before the meetings. They had separate and independent access to the senior management and the secretary of the Company at all time and might seek independent professional advice at the Company's expense. Where queries were raised by Directors, steps were taken to respond as promptly and fully as possible. All Directors had the opportunity to include matters in the agenda for Board meetings.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the non-executive Directors and one of the independent non-executive Directors did not attended the annual general meeting held on 21 May 2014 due to other work commitments. The Company will improve its general meeting planning process so that all Directors can get sufficient time to arrange their work in advance and obtain all necessary support for attending general meetings of the Company in the future.

Chairman and chief executive officer

From 1 January 2014 to 19 March 2014, the co-chairmen of the Board were Mr. Sze Tin Yau and Mr. Chen Jinen. Mr Yang Yihua was appointed as a co-chairman on 19 March 2014 following the resignation of Mr. Chen Jinen on the same date. For the year ended 31 December 2014, the chief executive officer of the Company was Mr. Wu Jinbiao. The Company has complied with code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Relationships between members of the Board

Details of the relationships between members of the Board are set out in the section headed "Directors and Senior Management" in this annual report.

Continuous professional development

The Directors have been informed of the requirement under code provision A.6.5 of the CG Code regarding continuous professional development. Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Details of attendance record of professional training by each Director during the year ended 31 December 2014 is set out below. The Directors as at 31 December 2014 confirmed that they had complied with such requirement for the period under review.

Name of Director	**Professional Training attended**
Executive Directors	
Mr. Sze Tin Yau *(Co-chairman)*	Yes
Mr. Wu Jinbiao *(Chief executive officer)*	Yes
Mr. Yu Heping	Yes
Mr. Xue Mangmang	Yes
Non-executive Directors	
Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)	–
Mr. Yang Donghui (resigned on 19 March 2014)	–
Mr. Yang Jun (resigned on 19 March 2014)	–
Mr. Ding Guoqiang (resigned on 19 March 2014)	–
Ms. Ma Yun (resigned on 19 March 2014)	–
Mr. Chen Bo (resigned on 19 March 2014)	–
Mr. Yang Yihua *(Co-chairman)* (appointed on 19 March 2014)	Yes
Mr. Wu Zhongqin (appointed on 19 March 2014)	Yes
Independent non-executive Directors	
Ms. Zhu Meifang (resigned on 19 March 2014)	–
Mr. Li Zhi Xian (resigned on 19 March 2014)	–
Mr. Yeung Chi Tat (retired on 21 May 2014)	–
Mr. Ma Yuliang	Yes
Mr. Lin Jian Ming	Yes
Mr. Chan Shek Chi (appointed on 26 May 2014)	Yes

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board diversity policy

The Company adopted a board diversity policy (the "Board Diversity Policy") on 29 November 2013. A summary of the Board Diversity Policy together with the measurable objectives for implementing such policy and the progress on achieving such objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognises the importance of diversity in board members to corporate governance and the board effectiveness. The purposes of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will be made on merit basis based on its business needs from time to time while taking into account diversity.

Measurable objectives

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

Monitoring and reporting

The nomination committee of the Board (the "Nomination Committee") is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the Board Diversity Policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review this policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Appointment, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, subject to retirement and re-election in accordance with the articles and associations of the Company.

According to code provision A.4.1 of the CG Code, all non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement and re-election in accordance with the articles and associations of the Company.

Each of the non-executive Directors and independent non-executive Directors may terminate his/her appointment by giving a one-month prior written notice to the Company or in accordance with the terms set out in the respective letters of appointment.

The articles of association of the Company provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Remuneration Committee

From 1 January 2014 to 21 May 2014, members of the remuneration committee of the Board (the "Remuneration Committee") comprised one executive Director who is also a co-chairman of the Board, namely Mr. Sze Tin Yau, and two independent non-executive Directors, namely Mr. Yeung Chi Tat and Mr. Ma Yuliang. Pursuant to a resolution of the Board passed on 26 May 2014, members of the Remuneration Committee currently comprise Mr. Chan Shek Chi (chairman), Mr. Sze Tin Yau and Mr. Ma Yuliang. The majority of the Remuneration Committee members are independent non-executive Directors. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of Directors and senior management. The composition and written terms of reference of the Remuneration Committee are in line with the CG Code provisions.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group.

During the year ended 31 December 2014, the Remuneration Committee mainly performed the following duties:

– recommended the remuneration of Mr. Yeung Chi Tat, Mr. Ma Yuliang, Mr. Yang Yihua, Mr. Wu Zhongqin and Mr. Chan Shek Chi to the Board; and

– reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2015.

During the year ended 31 December 2014, one meeting was held by the Remuneration Committee to review and approve the remuneration package for Directors and senior management. The individual attendance record of each member for the meeting(s) of the Remuneration Committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Yeung Chi Tat *(Chairman)* (retired on 21 May 2014)	0/0
Mr. Chan Shek Chi *(Chairman)* (appointed on 26 May 2014)	1/1
Mr. Sze Tin Yau	1/1
Mr. Ma Yuliang	1/1

Nomination Committee

During the year ended 31 December 2014, members of the Nomination Committee initially comprised one executive Director who is also a co-chairman of the Board, namely Mr. Sze Tin Yau, and two independent non-executive Directors, namely Mr. Yeung Chi Tat and Ms. Zhu Meifang. Mr. Lin Jian Ming was appointed on 19 March 2014 and Mr. Chan Shek Chi was appointed on 26 May 2014, as members of the Nomination Committee, to fill the vacancies following the resignation and retirement of Ms. Zhu Meifang and Mr. Yeung Chi Fat, respectively. The majority of the Nomination Committee members are independent non-executive Directors.

The primary duties of the Nomination Committee are to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and as appropriate, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive directors of the Company; (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairmen and the chief executive; and (v) review the Board Diversity Policy, and develop and review measurable objectives for implementing such policy at least annually, as well as monitor the progress on achieving such objectives and make disclosure of its review results in the Corporate Governance Report annually. The composition and written terms of reference of the Nomination Committee are in line with the CG Code provisions.

During the year ended 31 December 2014, the Nomination Committee mainly performed the following duties:

– reviewed the qualifications of Mr. Yeung Chi Tat and Mr. Ma Yuliang and recommended their re-appointment to the Board;

– reviewed the qualifications of Mr. Yang Yihua, Mr. Wu Zhongqin and Mr. Chan Shek Chi and recommended their appointments to the Board;

– reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and

– reviewed the structure, size and composition of the Board, and whether the composition of the Board complied with the requirements of the board diversity policy during the year of 2014.

During the year ended 31 December 2014, one meeting was held by the nomination committee. The individual attendance record of each member for the meeting(s) of the nomination committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meeting**
Mr. Sze Tin Yau *(Chairman)*	1/1
Ms. Zhu Meifang (resigned on 19 March 2014)	0/0
Mr. Yeung Chi Tat (retired on 21 May 2014)	0/0
Mr. Lin Jian Ming	1/1
Mr. Chan Shek Chi (appointed on 26 May 2014)	1/1

Audit Committee

During the year ended 31 December 2014, members of the audit committee of the Board (the "Audit Committee") initially comprised Mr. Yeung Chi Tat (chairman), Ms. Zhu Meifang and Mr. Ma Yuliang, all being independent non-executive Directors. Mr. Lin Jian Ming was appointed on 19 March 2014 and Mr. Chan Shek Chi was appointed on 26 May 2014, as member and chairman of the Audit Committee, respectively, to fill the vacancies following the resignation and retirement of Ms. Zhu Meifang and Mr. Yeung Chi Tat, respectively. The primary duties of the audit committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and supervise the financial reporting process and internal control system of the Group. The composition and written terms of reference of the Audit Committee are in line with the CG Code provisions.

During the year ended 31 December 2014, the audit committee mainly performed following duties:

– reviewed the Group's audited annual results for the year ended 31 December 2013 and the unaudited interim results for the six months ended 30 June 2014, met with the external auditors to discuss such annual results and interim results, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management, including meeting with the management of the Company and internal control review department regarding the internal control of the Group and review the capabilities and scope of review of the internal control assessment team of the Group.

During the year ended 31 December 2014, four meetings were held by the Audit Committee. The individual attendance record of each member for the meeting(s) of the Audit Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meeting**
Mr. Yeung Chi Tat *(Chairman)* (retired on 21 May 2014)	1/1
Mr. Chan Shek Chi *(Chairman)* (appointed on 26 May 2014)	3/3
Ms. Zhu Meifang (resigned on 19 March 2014)	0/0
Mr. Ma Yuliang	4/4
Mr. Lin Jian Ming	4/4

Corporate Governance Committee

The Company's corporate governance function is carried out by the corporate governance committee of the Board (the"Corporate Governance Committee"). During the year ended 31 December 2014, members of the Corporate Governance Committee comprised four executive Directors, namely Mr. Sze Tin Yau (chairman), Mr. Wu Jinbiao, Mr. Yu Heping and Mr. Xue Mangmang. The primary duties of the Corporate Governance Committee are to: (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2014, the Corporate Governance Committee mainly performed following duties:

– reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group; and

– reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2014, one meeting was held by the Corporate Governance Committee. The individual attendance record of each member at the meeting(s) of the Corporate Governance Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meeting**
Mr. Sze Tin Yau *(Chairman)*	1/1
Mr. Wu Jinbiao	1/1
Mr. Yu Heping	1/1
Mr. Xue Mangmang	1/1

Accountability and Audit

The Directors acknowledge their responsibility for the preparation of the financial statements for the year ended 31 December 2014, which give a true and fair view of the state of affairs of the Group as at that date and of the Group's results and cash flows for the year then ended. In preparing the accounts for the year ended 31 December 2014, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards (HKFRS) and Hong Kong Accounting Standards (HKAS) which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The statement of KPMG, the external auditors of the Company, about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages KPMG as its external auditors. During the year ended 31 December 2014, the Group was required to pay an aggregate of approximately RMB1,970,000 (2013: RMB2,063,000) to the external auditors for their audit services relating to financial information and approximately RMB630,000 (2013: RMB630,000) for their non-audit services, which mainly includes review of financial statements.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2014 and up to the date of this report. The day-to-day operation is entrusted to a separate department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Group's independent internal audit department was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

Company Secretary

The secretary of the Company is Mr. Lai Wai Leuk, whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Lai has been informed of the requirement under Rule 3.29 of the Listing Rules and has taken not less than 15 hours of relevant professional training for the year ended 31 December 2014.

Shareholders' Rights

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposals as shareholders' meetings

Pursuant to the Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail to Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail to Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. The secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Relationship with investors and shareholders

The Board recognises the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors of the Company and the shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.baihong.com.

Members of the Board and chairmen of various Board committees will attend the forthcoming annual general meeting of the Company to be held on 20 May 2015 (the "AGM") to answer questions raised by the shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results are announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote their understanding on the strategy, business and development of the Group through mutual and efficient communications. Such discussion shall be limited to explanation on previous published materials and general discussion of non-price sensitive information.

Constitutional Documents

During the year ended 31 December 2014, there had not been any change in the Company's memorandum and articles of association.

Directors and Senior Management

Executive Directors

Mr. Sze Tin Yau, aged 45, is an executive Director, a co-chairman of the Board, a co-founder of the Group, an authorized representative of the Company and a director of Billion Fujian and Billion High-tech. Mr. Sze is also the chairmen of the nomination committee and the corporate governance committee of the Board, and a member of the remuneration committee of the Board. Mr. Sze has approximately 24 years of experience in the polyester filament yarn industry and is primarily responsible for the overall corporate strategies, planning and business development of the Group. Prior to establishing the Group in 2003, he was the general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.*（福建晉江裕華服裝實業有限公司）from March 1990 to April 2000 and was the chairman of the board of directors of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd*（福建百凱紡織化纖實業有限公司）from May 2000 to October 2003. He is a founder and shareholder of Billion H.K. and has been the chairman of the board of directors of Billion H.K. since its incorporation in 1996. Mr. Sze was elected and appointed as a member of the 9th and 10th sessions of the Chinese People's Political Consultative Conference of Fujian Province*（福建省政協委員）in 2007 and 2012. He has also been appointed as an executive member of the 8th session of the Standing Committee of Business Association of Fujian Province*（福建省工商業聯合會總商會第八屆執行委員會執行委員）in July 2002. His other social undertakings include acting as the vice-chairman of the Chamber of International Commerce of Fujian Province*（中國國際商會福建商會副會長）and lifelong honorary president of Jinjiang City Charity Federation*（晉江市慈善總會永遠榮譽會長）. He is currently studying Executive Master of Business Administration ("EMBA") program in Peking University（北京大學）. Mr. Sze joined the Company in November 2010.

As at 31 December 2014, Mr. Sze was the sole shareholder and director of Kingom Power Limited ("Kingom Power"). Kingom Power and Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An") are parties acting in concert, and are companies deemed to be interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), which in aggregate were interested in 65.60% of the issued shares capital of the Company as at 31 December 2014. Mr. Sze is also a director of both Billion Fujian and Billion High-tech. Mr. Sze is a brother-in-law of Mr. Wu Jinbiao, an executive Director and the chief executive officer of the Company. Mr. Sze is also an uncle of Mr. Wu Zhongqin, a non-executive Director, and a brother-in-law of Mr. He Wenyao, a vice president of the Company. Save as disclosed above, Mr. Sze does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wu Jinbiao, aged 52, is an executive Director, the chief executive officer of the Company, a co-founder of the Group and a director of Billion Fujian and Billion High-tech. Mr. Wu is also a member of the corporate governance committee of the Board. Mr. Wu Jinbiao has approximately 29 years of experience in the differentiated polyester filament yarn industry and is primarily responsible for the daily operations of the Group. Prior to establishing the Group in 2003, Mr. Wu Jinbiao is also a founder and shareholder of Billion H.K. and has been a director of Billion H.K. since its incorporation in 1996. He was the deputy general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.*（福建晉江裕華服裝實業有限公司）from May 1985 to April 2000 and was the executive director and general manager of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd*（福建百凱紡織化纖實業有限公司）from May 2000 to October 2003. Mr. Wu Jinbiao was elected and appointed as a member of the 11th session of the Standing Committee of the Chinese People's Political Consultative Conference of Jinjiang City*（晉江市政協委員會常委）and a committee member of the Political Consultative Conference of Quanzhou City, Fujian Province*（福建省泉州市政協委員會委員）. He was recognised as an Advanced Individual of Textile Industry of Fujian Province*（福建省紡織工業先進個人）on 26 February 2007. Mr. Wu Jinbiao is also the honorary president of Jinjiang City Charity Federation*（晉江市慈善總會榮譽會長）. He is currently undertaking a Tsinghua University business administration program organised by Yangtze Delta Region Institute of Tsinghua University*（清華長三角研究院）. Mr. Wu joined the Company in November 2010.

As at 31 December 2014, Mr. Wu was the sole shareholder and director of Winwett Investments Limited, which was interested in 8.91% of the issued share capital of the Company as at 31 December 2014 and is a company deemed to be interested in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Wu is a brother-in-law of Mr. Sze Tin Yau, an executive Director and a co-chairman of the Board, and the father of Mr. Wu Zhongqin, a non-executive Director. Save as disclosed above, Mr. Wu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Directors and Senior Management

Mr. Yu Heping, aged 60, has over 36 years of experience in the industry of electrical energy resources and energy conservation. He was appointed to the Board on 17 September 2012. Mr. Yu joined CECEP Chongqing, the sole shareholder of Hong Kong Rong An, since November 1997 and has been the chairman of each session of the board of CECEP Chongqing since November 1997. Mr. Yu is also the assistant to general manager of CECEP, a PRC state-owned enterprise and the parent company of CECEP Chongqing, since December 2003. Mr. Yu has been serving as an executive director of CECEP COSTIN New Materials Group Limited ("CECEP COSTIN Group"), a company listed on the Main Board of the Stock Exchange, since 25 April 2012. From October 1977 to October 1987, Mr. Yu served as a technician, engineer and commander of the Xiao Jiang Water Power Electricity Plant of Wan County, originally in Sichuan Province*（原四川省萬縣地區小江水力發電廠）. From November 1987 to October 1989, he served as an executive deputy supervisor*（常務副主任）of Electricity Office of Wan County, originally in Sichuan Province*（原四川省萬縣地區行署三電辦）. From October 1989 to March 1994, he served as a deputy general manager and general manager of Wan County Electricity Company, originally in Sichuan Province*（原四川省萬縣地區電力公司）. From March 1994 to June 2000, he served as a deputy chairman, general manager and chairman of Chongqing Three Gorges Water Conservancy and Electric Power (Group) Co. Ltd*（重慶三峽水利電力（集團）股份有限公司）. Mr. Yu received a diploma from the Electrical Machinery Faculty of Chongqing University*（重慶大學）specializing in industrial and enterprise automation.

As at 31 December 2014, Mr. Yu was a director of Hong Kong Rong An. Hong Kong Rong An and Kingom Power are parties acting in concert and are companies deemed to be interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, which in aggregate were interested in 65.60% of the issued shares capital of the Company as at 31 December 2014. Saved as disclosed above, Mr. Yu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Xue Mangmang, aged 43, has over 9 years of experience in resources management. He was appointed to the Board on 17 September 2012. Mr. Xue joined CECEP Chongqing in January 2003 and was appointed as a general manager of CECEP Chongqing in April 2012. Mr. Xue has been serving as an executive director of CECEP COSTIN Group, a company listed on the Main Board of the Stock Exchange,since 25 April 2012.

Mr. Xue graduated from Chongqing University*（重慶大學）with a master's degree of business administration ("MBA") in 2003.

Non-executive Directors

Mr. Yang Yihua, aged 61, was appointed to the Board on 19 March 2014, Mr. Yang has extensive experience and knowledge in business management and economics. He has served as the chief economist of CECEP since May 2010. CECEP is an indirect holding company of Hong Kong Rong An, a controlling shareholder of the Company. Mr. Yang has also been serving as a non-executive director of CECEP COSTIN Group since 1 November 2013. Mr. Yang obtained a postgraduate certificate in professional studies in business administration from Economic Research Centre (經濟研究所) of Nankai University (南開大學) in the PRC in June 2004. He also obtained a master of business administration degree from City University of the United States of America in December 2003.

Mr. Wu Zhongqin, aged 28, joined the Group in April 2011 and was appointed to the Board on 19 March 2014. Mr. Wu served as the manager of the External Relations Department of Billion Fujian from April 2011 to September 2012 and was promoted to be the assistant to the chairman of the Company in October 2012. Mr. Wu was appointed as a committee member of the 12th session of the Political Consultative Conference of Jinjiang City (晉江市第十二屆政協委員) in 2012. Mr. Wu was also an officer of the sales department of Xiamen Chinese Cuisine Trading Limited* (廈門中菜貿易有限公司) from August 2009 to March 2011. He graduated from the East China University of Science and Technology (華東理工大學) with a bachelor's degree in finance in July 2009.

Mr. Wu is the son of Mr. Wu Jinbiao, an executive Director and the chief executive officer of the Company and is a nephew of Mr. Sze Tin Yau, an executive Director and a co-chairman of Board. Saved as disclosed above, Mr. Wu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Independent Non-executive Directors

Mr. Chan Shek Chi, aged 37, was appointed as an independent non-executive Director on 26 May 2014. Mr. Chan is also the chairmen of both the audit committee and the remuneration committee of the Board, and a member of the nomination committee of the Board. Mr. Chan has extensive experience and knowledge in auditing and accounting. Mr. Chan joined Cheng & Cheng Limited, CPA, in January 2004 and has been an audit partner there since January 2012. Prior to that, he worked as an accountant and assistant manager of KPMG in Hong Kong from September 1999 to January 2003.

Mr. Chan graduated from the University of Cambridge with a bachelor's degree in mathematics in June 1999. He also obtained a master of arts degree from the same university in May 2003. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a certified tax adviser of the Taxation Institute of Hong Kong.

Directors and Senior Management

Mr. Ma Yuliang, aged 76, was appointed as an independent non-executive Director on 31 March 2011. Mr. Ma is also a member of both the audit committee and the remuneration committee of the Board. Mr. Ma is currently retired. He was appointed as the division chief（處長）of No. 4 Division of the Reforming Bureau*（改革局四處）of State Economic Commission*（國家經濟委員會）in 1987, the deputy head（副司長）of Textile Industry Department Reforming Section*（紡織工業部體制改革司）in 1988 and an officer（主任）of Economic and Trade Department*（經濟貿易部）of the Textile Association of China*（中國紡織總會）in 1998. Mr. Ma was an independent director of Jilin Chemical Fiber Co., Ltd.*（吉林化纖股份有限公司）, a company listed on the Shenzhen Stock Exchange, from 2001 to 2008, and Zhejiang Furun Co., Ltd.*（浙江富潤股份有限公司）, a company listed on the Shanghai Stock Exchange, from 2002 to 2008. He obtained a bachelor's degree in management engineering from Jilin University of Technology*（吉林工業大學）currently known as Jilin University*（吉林大學）, in 1963. Mr. Ma was accredited as a senior engineer by Bureau of Personnel, State Economic and Trade Commission*（國家經委人事局）in 1988.

Mr. Lin Jian Ming, aged 53, was appointed as an independent non-executive Director on 31 March 2013 and has also been a member of both the audit committee and the nomination committee of the Board since 19 March 2014. Mr. Lin has many years of experience in education and research. He was a graduate of Huaqiao University*（華僑大學）. He was also a visiting scholar of the Chinese University of Hong Kong in 1995. He also received a doctorate degree from the Tianjin University*（天津大學）in 2002.

Mr. Lin is the Head of the Department of Materials Science and Engineering of Huaqiao University, and a director, researcher and professor of the Institute of Materials Physical Chemistry of Huaqiao University. He is also a director of the Optical Society of Fujian*（福建省光學學會）, a director of the Optical Branch of Fujian Physical Society*（福建省物理學會光學分會）, and a deputy executive director of the Chemistry and Chemical Engineering Society of Quanzhou*（泉州市化學化工學會）. He received the Youth Science and Technology Award*（青年科技獎）in Quanzhou in 2006.

Senior management

Mr. Wu Jianshe, aged 60, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu has more than 28 years of experience in the textile industry. He joined the Group upon its establishment in 2003 as a director of Billion Fujian and has been primarily responsible for sales and marketing of the Group. Prior to joining the Group, from May 1985 to April 1998, he was the general business manager of Jinjiang Longhu Henglong Zip Textile Co., Ltd*（晉江龍湖恒隆拉鍊織造有限公司）. He was also the sales manager of Fujian Jinjiang City Hengxinglong Polyester Co. Ltd.（福建省晉江市恒興隆化纖絲綸有限公司）from May 1998 to August 2003. Mr. Wu Jianshe is currently studying MBA program in Huaqiao University*（華僑大學）. Mr. Wu joined the Company in November 2010.

Mr. He Wenyao, aged 48, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He has approximately 24 years of experience in the textile industry. He joined our Group upon its establishment in 2003 and has been primarily responsible for procurement of raw materials, formulating the budget, market research, cost control management and logistics arrangement for our Group. Prior to joining our Group, he was the deputy general manager of Shishi City Yaofu Garment and Knitting Co., Ltd.*（石獅市耀富製衣織造有限公司）from June 1988 to September 2003. He is currently studying MBA program in Huaqiao University*（華僑大學）.

Mr. He is a brother-in-law of Mr. Sze Tin Yau, an executive Director and a co-chairman of the Board.

Mr. Ye Jingping, aged 56, is a vice president of the Company and a senior engineer. He has approximately 31 years of experience in polyester filament yarn industry and is primarily responsible for our overall product manufacture and research and development. He joined the Group in 2003. Prior to joining the Group, he was a technician, engineer, workshop manager and deputy general manager of Xiamen Chemical Polyester Factory*（廈門化纖廠）from August 1983 to May 2000. Mr. Ye graduated from the Faculty of Textile Chemical Engineering of East China Institute of Textile Engineering*（華東紡織工學院）, currently known as Donghua University*（東華大學）, majoring in chemical fiber, in July 1983. Mr. Ye was accredited as the Model Worker in Quanzhou*（泉州市勞動模範）in April 2006 and as the advanced worker for technology development in light industry*（輕紡技術開發先進工作者）by Fujian Province Light Industry Bureau*（福建省輕工業廳）in 1993. He achieved the second award for science and technology progress*（科學進步成果二等獎）by his program named trial-manufacture of polyester lan cable*（滌綸網絡絲新產品試製）in 1988.

Mr. Wang Jinyu, aged 37, is a vice president of the Company. He has approximately 17 years of experience in polyester filament yarn industry. He participated in the operation of Billion Fujian since its establishment in 2003 and has been an assistant to the chairman since joining. Prior to joining the Group, he worked as the assistant to the chairman of the board of directors in Fujian Baikai Textile Chemical Fiber Industrial Co., Ltd.*（福建百凱紡織化纖實業有限公司）from March 2003 to October 2003. Mr. Wang worked as the head of the Public Relations Department of Jinxing (Fujian) Fiber Textile Industry Co., Ltd.*（錦興（福建）化纖紡織實業有限公司）from February 1998 to February 2003. Mr. Wang is currently studying MBA program in Peking University HSBC Business School*（北京大學滙豐商學院）.

Directors and Senior Management

Mr. Lai Wai Leuk, aged 38, joined the Group in October 2013 and is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Mr. Lai has more than 14 years of experience in auditing and accounting. Prior to joining the Group, he served as the chief financial officer of Aujet Industry Limited from May 2012 to August 2013. He also served successively as accountant, assistant manager and manager of KPMG from January 2004 to October 2009. Mr. Lai was transferred to KPMG Advisory (China) Limited from November 2009 to May 2012 and was a senior manager at the time of leaving. From May 2000 to January 2004, Mr. Lai worked at Fung, Yu & Co., Certified Public Accountants. Mr. Lai received his bachelor's degree of commerce majoring in accountancy from the University of Wollongong in Australia in December 1999. Mr. Lai is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Lv Zhiwei, aged 34, joined the Group in August 2007 and is the sales director*（銷售總監）. Mr. Lv is primarily responsible for sales and marketing. Prior to joining the Group, he was a business specialist of Xiamen Xianglu Chemical Fiber Stock Corp., Ltd.*（廈門翔鷺化纖股份有限公司）from September 2003 to July 2006. From July 2006 to June 2007, he was an assistant general manager of Dragon Aromatics (Zhangzhou) Co., Ltd.*（騰龍芳烴（漳州）有限公司）. Mr. Lv obtained his bachelor's degree in international economics and trade in July 2003 from Xi'an Communication University*（西安交通大學）.

Mr. Xu Xiaofeng, aged 39, joined our Group in August 2004 and is the finance manager. Mr. Xu is primarily responsible for the daily finance-related work of our Group. Prior to joining the Group, he worked at the Finance Department of Fujian Jinjiang Hongyu Coating Knitting Co., Ltd.*（福建晉江鴻裕塗層織物有限公司）from October 1997 to June 2004. Mr. Xu obtained his diploma in banking accounting in June 1997 from Fuzhou University*（福州大學）. He was also qualified as a Medium Level Accountant of the PRC in December 2003.

* *For identification purposes only.*

Report of the Directors

The Directors are pleased to present the annual report of the Company together with the audited financial statements of the Group for the year ended 31 December 2014.

Principal place of business

The Company is a company incorporated in the Cayman Islands and domiciled in Hong Kong, and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. Pursuant to the reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of reorganisation are set out in the prospectus of the Company dated 5 May 2011 (the "Prospectus").

Principal activity

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in note 13 to the consolidated financial statements.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2014, and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 70 to 131.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB203,545,000 (2013: profit of RMB358,341,000) has been transferred to reserves.

An interim dividend of HK3.0 cents per share (2013: HK7.0 cents per share) was paid on 3 October 2014.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2014 are set out in the consolidated statement of changes in equity and note 21 to the financial statement, respectively.

Distributable reserves

As at 31 December 2014, the Company's reserves, including the share premium account but after offsetting the accumulated losses, available for distribution and calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately HK$1,076,820,000, of which approximately HK$66,215,820 has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, plant and equipment

During the year ended 31 December 2014, the Group held property, plant, equipment and other fixed assets of approximately RMB5,619,347,000. Details of the movements in fixed assets are set out in note 12 to the financial statements.

Major suppliers and customers

During the year ended 31 December 2014, the aggregate sales attributable to the Group's five largest customers accounted for approximately 7.4% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 2.3% of the Group's total sales. During the year ended 31 December 2014, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 59.8% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 19.8% of the Group's total purchases.

So far as is known to the Directors, other than those disclosed in "Connected transactions and related party transactions" section in this report, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Charitable donations

Charitable and other donations made by the Group during the year ended 31 December 2014 amounted to approximately RMB255,000 (2013: approximately RMB106,000).

Share capital

Details of the movement in share capital of the Company during the year are set out in note 21 to the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Purchase, sale or redemption of the Company's shares

During the year ended 31 December 2014, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
July 2014	500,000	3.57	3.24	1,342
September 2014	1,006,000	3.50	3.12	2,652
October 2014	1,826,000	3.49	3.12	4,705
November 2014	2,790,000	4.00	3.29	7,778
December 2014	8,386,000	4.10	3.69	26,507
	14,508,000			42,984

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 14,508,000 shares were repurchased in 2014 and the repurchased shares were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB122,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$54,203,000 (equivalent to RMB42,862,000) was charged to share premium.

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

Results and dividends

The results of the Group for the year ended 31 December 2014 are set out in the financial statements.

The Directors propose to recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on 29 May 2015, and the payment of final dividends will be in cash.

The final dividend of HK3.0 cents per share is subject to approval by the shareholders at the AGM. Such dividend will be distributed from the share premium of the Company. In the opinion of the Directors, such distribution is in compliance with the articles of association adopted by the Company, which states that dividend may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of a special resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law; subject to the provisions of its memorandum of association or articles of association and provided that immediately following the distribution or paying of dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 132 of this annual report. Such summary does not form part of the audited financial statements.

Directors

The Directors during the year ended 31 December 2014 and up to the date of this annual report are as follows:

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao *(Chief executive officer)*
Mr. Yu Heping
Mr. Xue Mangmang

Non-executive Directors

Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)
Mr. Yang Donghui (resigned on 19 March 2014)
Mr. Yang Jun (resigned on 19 March 2014)
Mr. Ding Guoqiang (resigned on 19 March 2014)
Ms. Ma Yun (resigned on 19 March 2014)
Mr. Chen Bo (resigned on 19 March 2014)
Mr. Yang Yihua *(Co-chairman)* (appointed on 19 March 2014)
Mr. Wu Zhongqin (appointed on 19 March 2014)

Independent non-executive Directors

Ms. Zhu Meifang (resigned on 19 March 2014)
Mr. Li Zhi Xian (resigned on 19 March 2014)
Mr. Yeung Chi Tat (retired on 21 May 2014)
Mr. Ma Yuliang
Mr. Lin Jian Ming
Mr. Chan Shek Chi (appointed on 26 May 2014)

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically upon expiration until terminated by either party giving to the other not less than three months' notice in writing or in accordance with the terms set out in the respective service contracts. The service contracts of Mr. Sze Tin Yau and Mr. Wu Jinbiao commenced on 18 May 2011 and that of Mr. Yu Heping and Mr. Xue Mangmang commenced on 17 September 2012.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment for a term of three years. The letter of appointment of Mr. Ma Yuliang commenced on 18 May 2011 and was renewed on 18 May 2014, the letter of appointment of Mr. Lin Jian Ming commenced on 31 March 2013, the letters of appointment of Mr. Yang Yihua and Mr. Wu Zhongqin commenced on 19 March 2014 and the letter of appointment of Mr. Chan Shek Chi commenced on 26 May 2014. The letters of appointment may be terminated by one month's notice in writing served by the non-executive Directors or the independent non-executive Directors on the Company or in accordance with the terms set out in the respective letters of appointment.

No Director who is proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Remuneration of Directors and senior management

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The remuneration of all the Directors and the senior management is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of persons
HK$nil to HK$500,000	7
HK$500,000 to HK$1,000,000	2

Details of the Directors' remuneration are set out in note 8 to the financial statements.

Directors' and senior management's biographical details

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report.

Directors' interests in competing business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

Directors' rights to purchase shares or debentures

At no time during the year ended 31 December 2014 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, nor were there any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations

As at 31 December 2014, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of ordinary shares Interested	Percentage of the Company's issued share capital [(3)]
Mr. Sze Tin Yau [(1)]	Interest in controlled corporation	1,448,732,808	65.60%
Mr. Wu Jinbiao [(2)]	Interest in controlled corporation	196,820,000	8.91%

Notes:

(1) Mr. Sze Tin Yau owned 100% of the issued shares of Kingom Power Limited ("Kingom Power"), which directly owned 643,720,000 shares of the Company. In addition, pursuant to a shareholders' deed dated 13 January 2014 (the "Shareholders' Deed") entered into by and among others, Kingom Power and Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"), Kingom Power was deemed to be interested in the 805,012,808 shares of the Company owned by Hong Kong Rong An pursuant to the SFO. Accordingly, Mr. Sze Tin Yau was deemed to be interested in 1,448,732,808 shares of the Company that Kingom Power was interested in by virtue of the SFO.

(2) Mr. Wu Jinbiao owned 100% of the issued shares of Winwett Investments Limited, which directly owned 196,820,000 shares of the Company. Accordingly, Mr. Wu Jinbiao was deemed to be interested in all the shares of the Company owned by Winwett investments Limited by virtue of the SFO.

(3) Base on a total of 2,208,492,000 issued shares of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2014, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of ordinary shares Interested	Percentage of the Company's issued share capital [(g)]
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An") [(a)]	Beneficial owner and parties acting in concert	1,448,732,808	65.60%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") [(b)]	Through controlled corporations	1,448,732,808	65.60%
China Energy Conservation and Environmental Protection Group ("CECEP") [(c)]	Through controlled corporations	1,448,732,808	65.60%
Kingom Power Limited ("Kingom Power") [(d)]	Beneficial owner and parties acting in concert	1,448,732,808	65.60%
Winwett Investments Limited	Beneficial owner	196,820,000	8.91%
Ever Luxuriant Global Trading Limited ("Ever Luxuriant")	Beneficial owner	160,846,000	7.28%
Mr. Huang Shao Rong [(e)]	Beneficial owner and through controlled corporation	179,625,000	8.13%
Haibin International Investments Limited ("Haibin International")	Beneficial owner	136,254,000	6.17%
Mr. Lin Haibin [(f)]	Beneficial owner and through controlled corporation	158,203,000	7.16%
Export-Import Bank of China	Person having a security interest in shares	300,000,000	13.58%

Notes:

(a) Hong Kong Rong An directly owned 805,012,808 shares of the Company. In addition, pursuant to the Shareholders' Deed, Hong Kong Rong An was deemed to be interested in the 643,720,000 shares of the Company owned by Kingom Power by virtue of the SFO.

(b) CECEP Chongqing owned 100% of the issued share capital of Hong Kong Rong An, and was thus deemed to be interested in all shares of the Company that Hong Kong Rong An was interested in under the SFO.

(c) CECEP Chongqing was a non-wholly-owned subsidiary of CECEP. CECEP was therefore deemed to be interested in all shares of the Company CECEP Chongqing was interested in under the SFO.

(d) Kingom Power directly owned 643,720,000 shares of the Company. In addition, pursuant to the Shareholders Deed, Kingom Power was deemed to be interested in the 805,012,808 shares of the Company owned Hong Kong Rong An by virtue of the SFO.

(e) Mr. Huang Shao Rong directly owned 18,779,000 shares of the Company. In addition, Mr. Huang Shao Rong also owned 100% of the issued shares of Ever Luxuriant. Accordingly, Mr. Huang Shao Rong was deemed to be interested in all the shares of the Company owned by Ever Luxuriant.

(f) Mr. Lin Haibin directly owned 21,949,000 shares of the Company. In addition, Mr. Lin Haibin also owned 100% of the issued shares of Haibin International. Accordingly, Mr. Lin Haibin was deemed to be interested in all the shares of the Company owned by Haibin International.

(g) Based on a total of 2,208,492,000 issued shares of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other person who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Emolument policies

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees as described in the paragraph below.

Share option scheme

The Company has a share option scheme which was adopted on 31 March 2011 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as of 18 May 2011, i.e. 229,900,000 Shares.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

No options have been granted under the Share Option Scheme since its adoption up to 31 December 2014.

Retirement scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

Employees of the subsidiaries of the Group in the PRC participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 December 2014, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB2,989,000 (2013: RMB3,185,000). Details of the Group's pension scheme are set out in note 6(b) to the financial statements.

Connected transactions and related party transactions

(A) Connected transactions – continuing connected transactions

During the year ended 31 December 2014, the Group entered into the following continuing connected transactions which are subject to the reporting and annual review requirements set out in Chapter 14A of the Listing Rules.

Details of the continuing connected transactions are set out below:

(a) Sales of DTY by Billion Fujian to Fujian Baikai Elastic Weaving Co., Ltd. (福建省百凱彈性織造有限公司) ("Baikai Elastic Weaving")*

During the year ended 31 December 2014, pursuant to a sales agreement entered into between Billion Fujian and Baikai Elastic Weaving on 10 February 2012 ("Sales Agreement I"), Billion Fujian sold DTY, FDY and POY to Baikai Elastic Weaving at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

Baikai Elastic Weaving is a wholly foreign-owned subsidiary of Baikai (HK) Industrial Limited (百凱(香港)實業有限公司) ("Baikai H.K.") which in turn is wholly-owned by Mr. Lin Jinjing ("Mr. Lin") who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Elastic Weaving and is the sole director of Baikai Elastic Weaving. Accordingly, Baikai Elastic Weaving is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB182,873,000, which is within the approved cap of RMB199,800,000 as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

(b) *Sales of DTY and FDY by Billion Fujian to Fujian Baikai Wrap Knitting Industry Co., Ltd.*（福建省百凱經編實業有限公司）("Baikai Wrap Knitting")*

During the year ended 31 December 2014, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Wrap Knitting on 10 February 2012 ("Sales Agreement II"), Billion Fujian sold DTY and FDY to Baikai Wrap Knitting at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Wrap Knitting and is the sole director of Baikai Wrap Knitting. Accordingly, Baikai Wrap Knitting is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB205,763,000, which is within the approved cap of RMB255,600,000 as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

(c) *Sales of semidull PET chips, POY and spin finish oil by Billion Fujian to Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.*（福建百凱紡織化纖實業有限公司）("Baikai Textile")*

During the year ended 31 December 2014, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Textile on 10 February 2012 ("Sales Agreement III"), Billion Fujian sold semidull PET chips, POY to Baikai Textile at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

Baikai Textile is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Textile and is the sole director of Baikai Textile. Accordingly, Baikai Textile is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, sales to Baikai Textile by Billion Fujian amounted to approximately RMB111,157,000, which is within the approved cap of RMB245,000,000 million as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

(d) Sales of DTY by Billion Fujian to Fujian Baikai Zipper Dress Co., Ltd.（福建省百凱拉鏈服飾有限公司）("Baikai Zipper")*

During the year ended 31 December 2014, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Zipper on 10 February 2012 ("Sales Agreement IV"), Billion Fujian sold DTY to Baikai Zipper at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

Baikai Zipper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Zipper and is the sole director of Baikai Zipper. Accordingly, Baikai Zipper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, sales to Baikai Zipper by Billion Fujian amounted to approximately RMB5,143,000, which is within the approved cap of RMB10,300,000 as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

(e) Provision of paper boxes and rolls and related processing services by Fujian Baikai Paper Co., Ltd.（福建百凱紙品有限公司）("Baikai Paper") to Billion Fujian and Billion High-tech*

During the year ended 31 December 2014, pursuant to a revised purchase agreement and a revised processing agreement both entered into between Billion Fujian and Baikai Paper on 10 February 2012 (collectively, "Purchase and Processing Agreements I"), Baikai Paper provided paper boxes and rolls and related processing services to Billion Fujian at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion Fujian paid to other independent suppliers. Pursuant to a purchase agreement and a processing agreement both entered into between Billion High-tech and Baikai Paper on 10 February 2012 (collectively, "Purchase and Processing Agreements II"), Baikai Paper agreed to provide paper boxes and rolls and related processing services to Billion High-tech at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion High-tech paid to other independent suppliers.

Baikai Paper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Paper and is a director of Baikai Paper. Accordingly, Baikai Paper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB196,174,000 and RMB2,182,000 respectively, which are within the approved cap of RMB465,900,000 and RMB86,200,000 respectively as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

(f) *Sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to Xinhua Share Co., Ltd. Fujian*（福建鑫華股份有限公司）, Gerfalcon Trade Co., Ltd. Jinjiang*（晉江海東青貿易有限公司）and Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.*（海東青非織工業（福建）有限公司）(collectively, the "Subsidiaries of CECEP COSTIN Group") and purchase of non-woven materials by Billion Fujian from the Subsidiaries of CECEP COSTIN Group*

On 5 July 2013, Billion Fujian entered into a framework agreement with the Subsidiaries of CECEP COSTIN Group with respect to the sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to CECEP COSTIN Group and purchase of non-woven materials by Billion Fujian from the Subsidiaries of CECEP COSTIN Group. The framework agreement is valid with retrospective effect from 1 January 2013 to 31 December 2015. The product price shall be determined based on the then market price.

CECEP Chongqing is a substantial shareholder of the Company which was deemed to be interested in 65.60% of the Company's issued share capital as at 31 December 2014, thus also a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing controls the composition of a majority of the board of directors of CECEP COSTIN Group and owns 67.72% of interests in CECEP COSTIN Group which in turn owns 100% of the shares of each of the Subsidiaries of CECEP COSTIN Group. Therefore, each of the Subsidiaries of CECEP COSTIN Group is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules.

For the year ended 31 December 2014, aggregate sales to, and aggregate purchases from, the Subsidiaries of CECEP COSTIN Group by Billion Fujian pursuant to the framework agreement amounted to approximately RMB38,523,000 and RMB59,000, respectively, which were within the approved cap of RMB73,000,000 and RMB500,000, respectively, as disclosed in the Company's announcement dated 5 July 2013.

Confirmations from independent non-executive Directors and auditors of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company, KPMG, to perform certain agreed-upon procedures on the continuing connected transactions. Based on the work performed, the auditors of the Company provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual caps for the year ended 31 December 2014.

Renewal of continuing connected transactions

On 28 November 2014, Billion Fujian and Billion High-tech (as the case may be), entered into new agreements with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper (as the case may be) to renew each of the Sales Agreement I, Sales Agreement II, Sales Agreement III, Sales Agreement IV, Purchase and Processing Agreements I and Purchase and Processing Agreements II, all of which had expired on 31 December 2014, for a term of three years from 1 January 2015 to 31 December 2017. Please refer to the announcement dated 28 November 2014 and circular dated 15 January 2015 of the Company for more details of the aforesaid transactions.

(B) Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 24 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described above in the paragraphs headed "(A) Connected transactions – continuing connected transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Directors' interests in contracts of significance

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2014.

Contracts with controlling shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2014.

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. On 13 January 2014, an unconditional mandatory cash offer was made by CCB International Capital Limited for and on behalf of Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An") to acquire all the issued shares of the Company (other than those already owned by Hong Kong Rong An and parties acting in concert with it) (the "Share Offer"). The Share Offer was available for acceptance from 29 January 2014 to 26 February 2014. Upon the close of the Share Offer, there were 417,447,192 shares of the Company, representing approximately 18.78% of the total issued share capital of the Company held by the public. Accordingly, following the close of the Share Offer, the Company did not satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange granted a waiver to the Company from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of four months starting from 26 February 2014. The Company restored the prescribed minimum public float of not less than 25% of the Company's issued shares under the Listing Rules on 25 June 2014. Save as disclosed above, 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 2014 and the subsequent period ended the date of this report.

Bank loans

Details of bank loans of the Company and the Group as at 31 December 2014 are set out in note 19 to the financial statements.

Audit committee

The audit committee of the Board had reviewed, together with the management and external auditors of the Company, KPMG, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2014. The financial statements had been agreed by the external auditors of the Company.

Auditors

The consolidated financial statements for the year ended 31 December 2014 have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution for the reappointment of KPMG as the auditors of the Company is to be proposed at the annual general meeting.

Dividend

The Board has recommended the payment of a final dividend of HK3.0 cents per share of the Company for the year ended 31 December 2014. The proposed final dividend, if approved by the shareholders at the annual general meeting, will be paid to the shareholders whose names appear on the register of members of the Company on 29 May 2015.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 26 May 2015.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Thursday, 4 June 2015, to shareholders whose names appear on the register of members of the Company on Friday, 29 May 2015.

On behalf of the Board

Sze Tin Yau
Co-chairman

Hong Kong, 31 March 2015

* *For identification purposes only*

Independent Auditor's Report

Independent auditor's report to the shareholders of Billion Industrial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Billion Industrial Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 70 to 131, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2015

Consolidated Income Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014 RMB'000**	2013 RMB'000
Revenue	3	**6,301,466**	6,152,700
Cost of sales		**(5,715,541)**	(5,425,918)
Gross profit		**585,925**	726,782
Other revenue	4	**110,598**	92,160
Other net (loss)/gain	5	**(2,762)**	16,878
Selling and distribution expenses		**(49,110)**	(47,438)
Administrative expenses		**(315,119)**	(308,939)
Profit from operations		**329,532**	479,443
Finance costs	6(a)	**(75,603)**	(44,939)
Profit before taxation	6	**253,929**	434,504
Income tax	7	**(50,384)**	(76,163)
Profit for the year attributable to equity shareholders of the Company		**203,545**	358,341
Earnings per share			
Basic and diluted (RMB)	11	**0.09**	0.16

The notes on pages 77 to 131 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
Profit for the year attributable to equity shareholders of the Company	**203,545**	358,341
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside mainland China	**10,766**	12,505
Total comprehensive income for the year attributable to equity shareholders of the Company	**214,311**	370,846

The notes on pages 77 to 131 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		**4,432,372**	4,110,624
– Construction in progress		**745,545**	614,305
– Interests in leasehold land held for own use under operating leases		**441,430**	372,708
		5,619,347	5,097,637
Deposits and prepayments	15	**117,977**	497,087
		5,737,324	5,594,724
Current assets			
Inventories	14	**415,702**	675,755
Trade and other receivables	15	**1,025,432**	839,335
Restricted bank deposits	16	**1,757,250**	1,270,816
Cash and cash equivalents	17	**882,236**	219,846
		4,080,620	3,005,752
Current liabilities			
Trade and other payables	18	**1,350,636**	1,308,901
Bank loans	19	**3,064,501**	1,972,514
Current taxation	20(a)	**46,655**	42,565
		4,461,792	3,323,980
Net current liabilities		**(381,172)**	(318,228)
Total assets less current liabilities		**5,356,152**	5,276,496

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	**2014 RMB'000**	2013 RMB'000
Non-current liabilities			
Bank loans	19	**16,830**	18,362
Deferred tax liabilities	20(b)	**100,307**	82,760
		117,137	101,122
NET ASSETS		**5,239,015**	5,175,374
CAPITAL AND RESERVES	21		
Capital		**18,572**	18,694
Reserves		**5,220,443**	5,156,680
TOTAL EQUITY		**5,239,015**	5,175,374

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 77 to 131 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	13	**–**	–
Current assets			
Trade and other receivables	15	**851,036**	1,023,809
Cash and cash equivalents	17	**18,793**	89
		869,829	1,023,898
Current liabilities			
Trade and other payables	18	**2,222**	1,110
		2,222	1,110
Total assets less current liabilities		**867,607**	1,022,788
NET ASSETS		**867,607**	1,022,788
CAPITAL AND RESERVES	21(a)		
Capital		**18,572**	18,694
Reserves		**849,035**	1,004,094
TOTAL EQUITY		**867,607**	1,022,788

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 77 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	Share capital note 21(c)(i) RMB'000	Share premium note 21(d)(i) RMB'000	Capital redemption reserve note 21(d)(ii) RMB'000	Statutory reserve note 21(d)(iii) RMB'000	Capital reserve note 21(d)(iv) RMB'000	Exchange reserve note 21(d)(v) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2013		19,333	1,780,892	–	239,402	1,805,631	(57,260)	1,639,923	5,427,921
Changes in equity for 2013:									
Profit for the year		–	–	–	–	–	–	358,341	358,341
Other comprehensive income		–	–	–	–	–	12,505	–	12,505
Total comprehensive income		–	–	–	–	–	12,505	358,341	370,846
Dividends approved in respect of the previous year	21(b)	–	(177,658)	–	–	–	–	–	(177,658)
Purchase of own shares	21(c)(ii)								
– par value paid		(639)	–	–	–	–	–	–	(639)
– premium paid		–	(321,336)	–	–	–	–	–	(321,336)
– transfer between reserves		–	(639)	639	–	–	–	–	–
Dividends declared in respect of the current year	21(b)	–	(123,760)	–	–	–	–	–	(123,760)
Appropriation to statutory reserve		–	–	–	37,114	–	–	(37,114)	–
Balance at 31 December 2013 and 1 January 2014		**18,694**	**1,157,499**	**639**	**276,516**	**1,805,631**	**(44,755)**	**1,961,150**	**5,175,374**
Changes in equity for 2014:									
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**203,545**	**203,545**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**10,766**	**–**	**10,766**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**10,766**	**203,545**	**214,311**
Dividends approved in respect of the previous year	21(b)	**–**	**(54,850)**	**–**	**–**	**–**	**–**	**–**	**(54,850)**
Purchase of own shares	21(c)(ii)								
– par value paid		**(122)**	**–**	**–**	**–**	**–**	**–**	**–**	**(122)**
– premium paid		**–**	**(42,862)**	**–**	**–**	**–**	**–**	**–**	**(42,862)**
– transfer between reserves		**–**	**(122)**	**122**	**–**	**–**	**–**	**–**	**–**
Dividends declared in respect of the current year	21(b)	**–**	**(52,836)**	**–**	**–**	**–**	**–**	**–**	**(52,836)**
Appropriation to statutory reserve		**–**	**–**	**–**	**24,762**	**–**	**–**	**(24,762)**	**–**
Balance at 31 December 2014		**18,572**	**1,006,829**	**761**	**301,278**	**1,805,631**	**(33,989)**	**2,139,933**	**5,239,015**

The notes on pages 77 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014 RMB'000**	2013 RMB'000
Operating activities			
Cash generated from operations	17(b)	**506,685**	675,677
Income tax paid		**(28,747)**	(64,455)
Net cash generated from operating activities		**477,938**	611,222
Investing activities			
Payment for purchase of property, plant and equipment		**(19,599)**	(25,737)
Expenditure on construction in progress		**(165,530)**	(690,159)
Payment for interests in leasehold land held for own use under operating lease		**(83,375)**	(74,513)
Proceeds from disposal of property, plant and equipment		**83**	–
Interest received		**38,928**	33,692
Increase in restricted bank deposits		**(488,336)**	(492,545)
Net cash used in investing activities		**(717,829)**	(1,249,262)
Financing activities			
Payments of repurchase of shares	21(c)(ii)	**(42,984)**	(321,975)
Proceeds from new bank loans		**3,178,327**	2,468,662
Repayment of bank loans		**(2,087,383)**	(1,610,127)
Interest paid		**(55,436)**	(50,648)
Dividend paid to equity shareholders of the Company		**(107,686)**	(301,418)
Net cash generated from financing activities		**884,838**	184,494
Net increase/(decrease) in cash and cash equivalents		**644,947**	(453,546)
Cash and cash equivalents at 1 January		**219,846**	644,049
Effect of foreign exchange rate changes		**17,443**	29,343
Cash and cash equivalents at 31 December	17(a)	**882,236**	219,846

The notes on pages 77 to 131 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

Billion Industrial Holdings Limited ("the Company") was incorporated in Cayman Islands on 25 November 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 18 May 2011.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

1 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "the Group").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except the derivative financial instruments (see note 1(e)) that are stated at their fair value.

The functional currency of the Company is Hong Kong Dollars ("HK$"). These consolidated financial statements are presented in Renminbi ("RMB") as the functional currency of the Group's operating subsidiaries is RMB. These consolidated financial statements presented in RMB have been rounded to the nearest thousand.

The preparation of these consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to use the undrawn banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the reporting date of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 Significant accounting policies (Continued)

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion except the commercial building situated in Hong Kong with useful life of 40 years.

– Plant and machinery	18 years
– Office and other equipment	3 – 18 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (Continued)

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the statement of financial position at cost less impairment losses (see note 1(i)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (see note 1(t)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of receivables (Continued)

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– construction in progress; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to recognise in the consolidated statement of financial position.

1 Significant accounting policies (Continued)

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

1 Significant accounting policies (Continued)

(r) Revenue recognition (Continued)

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with a financial currency other than RMB, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 Significant accounting policies (Continued)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Research and development expenditure

Research and development expenditure comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(v) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No segment information is presented for the Group's business segment as the Group is principally engaged in manufacture and sale of polyester filament yarn products. The Group's main operation is located in the PRC. An analysis on the Group's turnover by product category is set out in note 3.

2 Significant accounting judgement and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(b) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period.

(d) Bank acceptance bills

As set out in note 22(a)(i), the Group considers that the credit risk associated with bank acceptance bills issued by major banks in the PRC to be insignificant. The Group monitors the credit risk of issuing banks. The judgement to derecognise bank acceptance bills upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

3 Revenue

The principal activities of the Group are manufacturing and sales of polyester filament yarn products and polyester thin film products.

Revenue represents the sales value of goods supplied to customers (net of VAT, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2014 **RMB'000**	2013 RMB'000
Polyester filament yarn products	**6,071,382**	5,908,983
Polyester thin film products	**230,084**	243,717
	6,301,466	6,152,700

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's revenue during the years ended 31 December 2014 and 2013.

4 Other revenue

	2014 **RMB'000**	2013 RMB'000
Bank interest income	**57,349**	44,971
Government grants	**40,863**	38,572
Sales of raw materials	**12,322**	8,530
Others	**64**	87
	110,598	92,160

During the year, government grants of RMB40,863,000 (2013: RMB38,572,000) 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.

5 Other net (loss)/gain

	2014 RMB'000	2013 RMB'000
Net gain on sale of property, plant and equipment	**14**	–
Donation	**(255)**	(106)
Net exchange gain	**9,521**	9,932
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	**(11,388)**	4,758
Others	**(654)**	2,294
	(2,762)	16,878

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2014 RMB'000	2013 RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**66,898**	37,463
Other interest expenses	**8,705**	7,476
	75,603	44,939

* No borrowing costs have been capitalised in 2014 (2013: nil).

	2014 RMB'000	2013 RMB'000
(b) Staff costs (including directors' remuneration in note 8):		
Contributions to defined contribution retirement plan	**2,989**	3,185
Salaries, wages and other benefits	**177,167**	151,034
	180,156	154,219

6 Profit before taxation (Continued)

	2014 RMB'000	2013 RMB'000
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**14,653**	4,559
Depreciation	**261,404**	219,213
Auditors' remuneration	**2,600**	2,693
Operating lease charges in respect of properties	**360**	360
Research and development costs*	**202,015**	197,830
Cost of inventories**	**5,715,541**	5,425,918

* Research and development costs include RMB50,553,000 (2013: RMB47,761,000) relating to staff costs in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

** Cost of inventories include RMB345,677,000 (2013: RMB267,066,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2014 RMB'000	2013 RMB'000
Current tax – PRC Income Tax		
Provision for the year	**32,837**	55,431
Deferred tax (note 20(b))		
Origination and reversal of temporary differences	**17,547**	20,732
	50,384	76,163

7 Income tax in the consolidated income statement (Continued)

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	**253,929**	434,504
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**68,799**	109,992
Tax effect of non-deductible expenses	**4,869**	8,476
Tax effect of non-taxable income	**(515)**	(951)
Tax effect of unused tax losses not recognised	**6,196**	2,172
(Over)/under-provision in prior year	**(10)**	99
Tax concessions (note (iii))	**(28,955)**	(43,625)
Actual tax expenses	**50,384**	76,163

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits during the years ended 31 December 2014 and 2013.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China – Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") renewed the High and New Technology Enterprise Status in 2012 for a valid period of 3 years from 2012 to 2014 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China – Fujian Billion High-tech Material Industrial Co., Ltd.*（福建百宏高新材料實業有限公司）("Billion High-tech") is subject to PRC income tax rate at 25%.

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

8 Directors' remuneration

Directors' remuneration is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2014 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	831	–	13	844
Mr. Wu Jinbiao	–	808	–	13	821
Mr. Yu Heping	158	–	–	–	158
Mr. Xue Mangmang	158	–	–	–	158
Non-executive directors					
Mr. Chen Jinen (i)	170	–	–	–	170
Mr. Yang Donghui (i)	16	–	–	–	16
Mr. Yang Jun (i)	16	–	–	–	16
Mr. Ding Guoqiang (i)	16	–	–	–	16
Ms. Ma Yun (i)	16	–	–	–	16
Mr. Chen Bo (i)	16	–	–	–	16
Mr. Wu Zhongqin (ii)	124	–	–	–	124
Mr. Yang Yihua (ii)	622	–	–	–	622
Independent non-executive directors					
Mr. Chan Shek Chi (iv)	66	–	–	–	66
Mr. Yeung Chi Tat (iii)	59	–	–	–	59
Mr. Ma Yuliang	72	–	–	–	72
Mr. Lin Jian Ming	72	–	–	–	72
Ms. Zhu Meifang (i)	16	–	–	–	16
Mr. Li Zhi Xian (i)	16	–	–	–	16
Total	1,613	1,639	–	26	3,278

8 Directors' remuneration (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2013 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,197	–	12	1,209
Mr. Wu Jinbiao	–	1,101	–	12	1,113
Mr. Yu Heping	239	–	–	–	239
Mr. Xue Mangmang	239	–	–	–	239
Non-executive directors					
Mr. Chen Jinen	957	–	–	–	957
Mr. Yang Donghui	73	–	–	–	73
Mr. Yang Jun	73	–	–	–	73
Mr. Ding Guoqiang	73	–	–	–	73
Ms. Ma Yun	54	–	–	–	54
Mr. Chen Bo	54	–	–	–	54
Independent non-executive directors					
Mr. Yeung Chi Tat	153	–	–	–	153
Mr. Ma Yuliang	73	–	–	–	73
Mr. Lin Jian Ming	54	–	–	–	54
Ms. Zhu Meifang	73	–	–	–	73
Mr. Li Zhixian	54	–	–	–	54
Total	2,169	2,298	–	24	4,491

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(i) Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun, Mr. Ding Guoqiang, Ms. Ma Yun and Mr. Chen Bo have resigned as Non-executive directors, Ms. Zhu Meifang and Mr. Li Zhixian have resigned as Independent non-executive directors, with effect from 19 March 2014.

(ii) Mr. Wu Zhongqin and Mr. Yang Yihua have been appointed as non-executive directors, for a term of three years, with effect from 19 March 2014.

(iii) Mr. Yeung Chi Tat was not re-elected as an Independent non-executive director of the Company at the annual general meeting on 21 May 2014.

(iv) Mr. Chan Shek Chi has been appointed as an Independent non-executive director, for a term of three years, with effect from 26 May 2014.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2013: two) individuals are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other emoluments	**1,096**	1,078
Retirement scheme contributions	**13**	10
	1,109	1,088

The emoluments of the two (2013: two) individuals with the highest emoluments are with the following bands:

	2014 **Number of** **individuals**	2013 Number of individuals
Nil to HK$1,000,000	**2**	2

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB7,898,000 (2013: loss of RMB7,464,000) which has been dealt with in the financial statements of the Company set out in note 21(a).

Details of dividends paid and payable to equity shareholders of the Company are set out in note 21(b).

(Expressed in Renminbi unless otherwise indicated)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB203,545,000 (2013: RMB358,341,000) and the weighted average of 2,221,322,438 ordinary shares (2013: 2,225,298,521 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**2,223,000,000**	2,299,000,000
Effect of shares repurchased (note 21(c)(ii))	**(1,677,562)**	(73,701,479)
Weighted average number of ordinary shares	**2,221,322,438**	2,225,298,521

There were no dilutive potential ordinary shares during the years ended 31 December 2014 and 2013, and therefore, diluted earnings per share is the same as the basic earnings per share.

12 Fixed Assets

The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2013	1,279,885	2,268,700	284,622	58,569	3,891,776	1,180,302	300,064	5,372,142
Exchange adjustments	(1,504)	–	(24)	(43)	(1,571)	–	–	(1,571)
Additions	–	12,407	8,289	6,718	27,414	619,950	100,385	747,749
Transfers	546,392	621,573	16,401	1,581	1,185,947	(1,185,947)	–	–
At 31 December 2013	1,824,773	2,902,680	309,288	66,825	5,103,566	614,305	400,449	6,118,320
Accumulated depreciation and amortisation:								
At 1 January 2013	(144,686)	(510,001)	(92,489)	(26,649)	(773,825)	–	(23,182)	(797,007)
Exchange adjustments	65	–	11	20	96	–	–	96
Charge for the year	(52,732)	(137,294)	(19,130)	(10,057)	(219,213)	–	(4,559)	(223,772)
At 31 December 2013	(197,353)	(647,295)	(111,608)	(36,686)	(992,942)	–	(27,741)	(1,020,683)
Net book value:								
At 31 December 2013	1,627,420	2,255,385	197,680	30,139	4,110,624	614,305	372,708	5,097,637

12 Fixed Assets (Continued)

The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2014	1,824,773	2,902,680	309,288	66,825	5,103,566	614,305	400,449	6,118,320
Exchange adjustments	122	–	2	3	127	–	–	127
Additions	–	8,044	16,159	6,070	30,273	684,071	83,375	797,719
Transfers	646	359,496	192,689	–	552,831	(552,831)	–	–
Disposals	–	–	(17)	(295)	(312)	–	–	(312)
At 31 December 2014	1,825,541	3,270,220	518,121	72,603	5,686,485	745,545	483,824	6,915,854
Accumulated depreciation and amortisation:								
At 1 January 2014	(197,353)	(647,295)	(111,608)	(36,686)	(992,942)	–	(27,741)	(1,020,683)
Exchange adjustments	(7)	–	(1)	(2)	(10)	–	–	(10)
Charge for the year	(60,328)	(167,746)	(22,800)	(10,530)	(261,404)	–	(14,653)	(276,057)
Written back on disposals	–	–	4	239	243	–	–	243
At 31 December 2014	(257,688)	(815,041)	(134,405)	(46,979)	(1,254,113)	–	(42,394)	(1,296,507)
Net book value:								
At 31 December 2014	1,567,853	2,455,179	383,716	25,624	4,432,372	745,545	441,430	5,619,347

(a) Interests in leasehold land held for own use under operating leases represent land use rights with lease terms of 50 years in the PRC.

(b) As at 31 December 2014, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB102,182,000 (2013: RMB152,678,000) from the relevant PRC government authorities.

(c) A building held for own use, with net book value of RMB45,770,000 (2013: RMB46,783,000), was mortgaged to secure a bank loan (see note 19).

12 Fixed Assets (Continued)

The analysis of net book value of properties is as follows:

	The Group	
	2014 **RMB'000**	2013 RMB'000
In Hong Kong		
– medium-term leases (note 19)	**45,770**	46,783
Outside Hong Kong		
– medium-term leases	**1,963,513**	1,953,345
	2,009,283	2,000,128
Representing:		
Buildings held for own use	**1,567,853**	1,627,420
Interests in leasehold land held for own use under operating leases	**441,430**	372,708
	2,009,283	2,000,128

13 Investments in subsidiaries

	The Company	
	2014 **RMB'000**	2013 RMB'000
Unlisted shares, at cost	**–**	–

(Expressed in Renminbi unless otherwise indicated)

13 Investments in subsidiaries (Continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of company	Place of incorporation and operation	Particulars of issued and fully paid up capital	Proportion of equity interest attributable to the Company: Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activity
Billion Industrial Investment Limited	BVI	US$1	100%	100%	–	Investment holding
Billion Development (Hong Kong) Limited ("Billion Development")	Hong Kong Special Administrative Region of the PRC ("Hong Kong")	HK$1	100%	–	100%	Investment holding and sales of raw materials
Billion Fujian (note (i))	PRC	US$488,669,000	100%	–	100%	Manufacturing and sales of polyester filament yarns products
Billion High-tech (note (i))	PRC	US$72,532,000	100%	–	100%	Manufacturing and sales of polyester thin films products
Treasure Full Global Industrial Limited ("Treasure Full")	BVI	US$1	100%	–	100%	Investment holding

Note:

(i) These entities are wholly foreign owned enterprises established in the PRC with limited liability.

14 Inventories

	The Group	
	2014 **RMB'000**	2013 RMB'000
Raw materials	**79,145**	139,282
Work in progress	**20,158**	24,764
Finished goods	**316,399**	511,709
	415,702	675,755

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB5,715,541,000 (2013: RMB5,425,918,000).

15 Trade and other receivables

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Trade debtors	**462,453**	216,919	**–**	–
Bills receivable	**240,863**	246,974	**–**	–
Deposits, prepayments and other receivables				
– Subsidiary	**–**	–	**850,523**	1,023,517
– Others	**433,421**	858,676	**513**	292
Derivative financial assets – forward exchange contracts	**6,672**	13,853	**–**	–
	1,143,409	1,336,422	**851,036**	1,023,809
Less: Non-current portion of deposits and prepayments	**(117,977)**	(497,087)	**–**	–
	1,025,432	839,335	**851,036**	1,023,809

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

The trade receivables of RMB26,217,000 (2013: RMB10,505,000) were pledged to the banks to secure certain bank loans (see note 19).

15 Trade and other receivables (Continued)

As at 31 December 2014, the Group had discounted bank acceptance bills totalling RMB225,076,000 (2013: RMB245,553,000) and endorsed bank acceptance bills totalling RMB266,071,000 (2013: RMB534,397,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

Amount due from a subsidiary was unsecured, interest free and had no fixed repayment terms.

Non-current portion of deposits and prepayments represents deposits for purchase of property, plant and equipment, construction and construction materials.

Current portion of deposits, prepayments and other receivables mainly represents prepayments on raw materials, interest receivable from deposits with banks and VAT recoverable.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the date of billing, is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Current	**702,808**	463,639
Less than 1 month past due	**458**	247
More than 1 month but less than 3 months past due	**48**	2
More than 3 months but less than 1 year past due	**2**	5
	508	254
	703,316	463,893

Trade debtors are due within 90 to 180 days from the date of billing, except for those due from related parties which were repayable on demand. Further details on the Group's credit policy are set out in note 22(a).

15 Trade and other receivables (Continued)

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

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The trade and bills receivables as at 31 December 2014 were not impaired. Receivables that were past due but not impaired relate to the trade balance with related parties which were repayable on demand and a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 Restricted bank deposits

The restricted bank deposits of RMB1,757,250,000 (2013: RMB1,270,816,000) were pledged to the banks to secure certain bank bills payable and bank loans (see notes 18 and 19).

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks and other financial institutions	**84,401**	–	**–**	–
Cash at bank and in hand	**797,835**	219,846	**18,793**	89
Cash and cash equivalents in the statement of financial position	**882,236**	219,846	**18,793**	89

At 31 December 2014, cash at bank balances were placed with banks in the PRC amounted to RMB651,132,000 (2013: RMB130,876,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

17 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2014 RMB'000**	2013 RMB'000
Profit before taxation		**253,929**	434,504
Adjustments for:			
– Bank interest income	4	**(57,349)**	(44,971)
– Net gain on sale of property, plant and equipment	5	**(14)**	–
– Net loss/(gain) on financial assets and liabilities at fair value through profit or loss	5	**11,388**	(4,758)
– Finance costs	6(a)	**75,603**	44,939
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	**14,653**	4,559
– Depreciation	6(c)	**261,404**	219,213
– Net exchange gain	5	**(9,521)**	(9,932)
		550,093	643,554
Decrease/(increase) in inventories		**260,053**	(230,813)
(Increase)/decrease in trade and other receivables		**(171,610)**	113,895
(Decrease)/increase in trade and other payables		**(131,851)**	149,041
Cash generated from operations		**506,685**	675,677

18 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors and bills payable	**940,410**	974,802	**–**	–
Other payables and accrued charges	**188,678**	156,789	**2,222**	1,110
Equipment payables	**32,992**	42,166	**–**	–
Construction payables	**1,367**	532	**–**	–
Receipts in advance	**179,692**	134,162	**–**	–
	1,343,139	1,308,451	**2,222**	1,110
Derivative financial liabilities				
– forward exchange contracts	**6,382**	–	**–**	–
– interest rate swaps	**1,115**	450	**–**	–
	7,497	450	**–**	–
	1,350,636	1,308,901	**2,222**	1,110

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

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**589,744**	853,671
More than 3 months but within 6 months	**347,168**	118,805
More than 6 months but within 1 year	**1,282**	2,326
More than 1 year	**2,216**	–
	940,410	974,802

19 Bank loans

At 31 December 2014, the bank loans were repayable as follows:

	The Group	
	2014 **RMB'000**	2013 RMB'000
Within 1 year or on demand	**3,064,501**	1,972,514
After 1 year but within 2 years	**1,578**	1,574
After 2 years but within 5 years	**4,733**	4,721
After 5 years	**10,519**	12,067
	16,830	18,362
	3,081,331	1,990,876

At 31 December 2014, the bank loans were secured as follows:

	2014 **RMB'000**	2013 RMB'000
Bank loans		
– secured	**1,533,486**	799,228
– unsecured	**1,547,845**	1,191,648
	3,081,331	1,990,876

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

	2014 **RMB'000**	2013 RMB'000
Properties (note 12)	**45,770**	46,783
Pledged trade receivables (note 15)	**26,217**	10,505
Restricted bank deposits (note 16)	**1,519,542**	770,745
	1,591,529	828,033

Further details of the Group's interest rate risk are set out in note 22(c) and management of liquidity risk are set out in note 22(b).

20 Income tax in the consolidated statement of financial position

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

	2014 **RMB'000**	2013 RMB'000
Provision for the year	**32,837**	55,431
Tax paid	**(28,747)**	(64,455)
	4,090	(9,024)
Balance of tax provision relating to prior years	**42,565**	51,589
	46,655	42,565

(b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Pre-operating expenses RMB'000	**Depreciation and amortisation of fixed assets** RMB'000	**Others** RMB'000	**Total** RMB'000
Deferred tax liabilities arising from:				
At 1 January 2013	(1,091)	67,671	(4,552)	62,028
Charged/(credited) to profit or loss (note 7(a))	1,091	20,806	(1,165)	20,732
At 31 December 2013	–	88,477	(5,717)	82,760
At 1 January 2014	**–**	**88,477**	**(5,717)**	**82,760**
Charged/(credited) to profit or loss (note 7(a))	**–**	**22,913**	**(5,366)**	**17,547**
At 31 December 2014	**–**	**111,390**	**(11,083)**	**100,307**

20 Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB84,620,000 (2013: RMB50,558,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

From 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise.

All of the Group's subsidiaries incorporated in the PRC are foreign-invested enterprises directly and wholly owned by a Hong Kong incorporated subsidiary. Accordingly, the deferred tax liabilities will be provided for the undistributed profits of the Group's PRC subsidiaries based on the expected dividends to be distributed from these subsidiaries in the foreseeable future and the expected withholding tax rate of 5%.

As at 31 December 2014, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,225,677,000 (2013: RMB2,002,820,000). Deferred tax liabilities of RMB111,284,000 (2013: RMB100,141,000) have not been recognised in respect of the withholding tax with the rate of 5% that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

21 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital note 21(c)(i) RMB'000	Share premium note 21(d)(i) RMB'000	Capital redemption reserve note 21(d)(ii) RMB'000	Exchange reserve note 21(d)(v) RMB'000	Accumulated losses note 10 RMB'000	Total RMB'000
Balance at 1 January 2013		19,333	1,780,892	–	(70,733)	(39,087)	1,690,405
Total comprehensive income for the year		–	–	–	(36,760)	(7,464)	(44,224)
Dividends approved in respect of the previous year	21(b)	–	(177,658)	–	–	–	(177,658)
Purchase of own shares	21(c)(ii)						
– par value paid		(639)	–	–	–	–	(639)
– premium paid		–	(321,336)	–	–	–	(321,336)
– transfer between reserves		–	(639)	639	–	–	–
Dividends declared in respect of the current year	21(b)	–	(123,760)	–	–	–	(123,760)
Balance at 31 December 2013 and 1 January 2014		**18,694**	**1,157,499**	**639**	**(107,493)**	**(46,551)**	**1,022,788**
Changes in equity for 2014:							
Total comprehensive income for the year		**–**	**–**	**–**	**3,387**	**(7,898)**	**(4,511)**
Dividends approved in respect of the previous year	21(b)	**–**	**(54,850)**	**–**	**–**	**–**	**(54,850)**
Purchase of own shares	21(c)(ii)						
– par value paid		**(122)**	**–**	**–**	**–**	**–**	**(122)**
– premium paid		**–**	**(42,862)**	**–**	**–**	**–**	**(42,862)**
– transfer between reserves		**–**	**(122)**	**122**	**–**	**–**	**–**
Dividends declared in respect of the current year	21(b)	**–**	**(52,836)**	**–**	**–**	**–**	**(52,836)**
Balance at 31 December 2014		**18,572**	**1,006,829**	**761**	**(104,106)**	**(54,449)**	**867,607**

21 Capital, reserves and dividends (Continued)

(b) Dividends

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

	2014 **RMB'000**	2013 RMB'000
Interim dividend declared and paid of HK3.0 cents per share (2013: HK7.0 cents per share)	**52,836**	123,760
Final dividend proposed after the end of the reporting period of HK3.0 cents per ordinary share (2013: HK3.1 cents per share)	**52,449**	54,618
	105,285	178,378

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 **RMB'000**	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.1 cents per ordinary share (2013: HK10.0 cents per share)	**54,850**	177,658

(Expressed in Renminbi unless otherwise indicated)

21 Capital, reserves and dividends (Continued)

(c) Share capital:

(i) Authorised and issued share capital

	Par value HK$	Number of shares	Nominal value of ordinary shares HK$
Authorised			
At 31 December 2013 and 31 December 2014	0.01	10,000,000,000	100,000,000

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$		HK$	RMB
Issued and fully paid:					
At 1 January 2013		0.01	2,299,000,000	22,990,000	19,333,268
Repurchase of shares		0.01	(76,000,000)	(760,000)	(639,116)
At 31 December 2013 and 1 January 2014		0.01	2,223,000,000	22,230,000	18,694,152
Repurchase of shares	21(c)(ii)	0.01	(14,508,000)	(145,080)	(122,004)
At 31 December 2014		0.01	2,208,492,000	22,084,920	18,572,148

21 Capital, reserves and dividends (Continued)

(c) Share capital: (Continued)

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of Shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
July 2014	500,000	3.57	3.24	1,342
September 2014	1,006,000	3.50	3.12	2,652
October 2014	1,826,000	3.49	3.12	4,705
November 2014	2,790,000	4.00	3.29	7,778
December 2014	8,386,000	4.10	3.69	26,507
	14,508,000			42,984

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 14,508,000 shares were repurchased in 2014 and the repurchased shares were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB122,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$54,203,000 (equivalent to RMB42,862,000) was charged to share premium.

21 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves:

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2014 was HK$1,076,820,000 (2013: HK$1,276,727,000).

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(iii) Statutory reserve

Pursuant to applicable PRC regulations, Billion Fujian is required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary.

(iv) Capital reserve

The capital reserve of the Group mainly represented the difference between the paid-up capital of Billion Fujian and the nominal value of shares issued by the Company in exchange during the Group's reorganisation in 2011.

(v) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside mainland China.

21 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves: (Continued)

(vi) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. As at 31 December 2014 and 2013, the Group's debt ratio, being the Group's total liabilities over its total assets, was 46.6% and 39.8% respectively.

22 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

22 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, 43% and 58% (2013: 42% and 60%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

As set out in note 15, at 31 December 2014, the Group had discounted bank acceptance bills totalling RMB225,076,000 (2013: RMB245,553,000) and endorsed bank acceptance bills totalling RMB266,071,000 (2013: RMB534,397,000), which are derecognised as financial assets. The transferees have the right to recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. The Group's maximum loss in case of default is RMB491,147,000 for these discounted or endorsed bills. Nonetheless, the Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk on bank deposits by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

22 Financial risk management and fair values (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the head office when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the respective end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position RMB'000
Bank loans	3,064,501	1,841	5,367	11,093	3,082,802	3,081,331
Trade creditors and bills payable	940,410	–	–	–	940,410	940,410
Other payables and accrued charges and receipts in advance	368,370	–	–	–	368,370	368,370
Equipment payables	32,992	–	–	–	32,992	32,992
Construction payables	1,367	–	–	–	1,367	1,367
Interest rate swaps (net settled)	1,115	–	–	–	1,115	1,115
	4,408,755	1,841	5,367	11,093	4,427,056	4,425,585
Derivatives settled gross						
– outflow	(2,116,164)	–	–	–	(2,116,164)	
– inflow	2,116,454	–	–	–	2,116,454	

22 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position RMB'000
Bank loans	1,972,514	1,857	5,418	14,481	1,994,270	1,990,876
Trade creditors and bills payable	974,802	–	–	–	974,802	974,802
Other payables and accrued charges and receipts in advance	290,951	–	–	–	290,951	290,951
Equipment payables	42,166	–	–	–	42,166	42,166
Construction payables	532	–	–	–	532	532
Interest rate swaps (net settled)	450	–	–	–	450	450
	3,281,415	1,857	5,418	14,481	3,303,171	3,299,777
Derivatives settled gross						
– outflow	(560,557)	–	–	–	(560,557)	
– inflow	574,410	–	–	–	574,410	

22 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. In order to achieve an appropriate mix of fixed and floating rate exposure, the Group entered into certain interest rate swaps. Accordingly, the fair value gain/(loss) were recognised in the Group's income statement. The Group did not apply hedge accounting in respect of these derivatives. At 31 December 2014 and 2013, the Group had interest rate swaps with a notional contract amount of US$38,614,000 (equivalent to RMB236,281,000) and US$58,500,000 (equivalent to RMB356,990,000) respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at 31 December			
	2014		2013	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	**0.78%-5.04%**	**1,515,079**	0.78%-3.50%	568,760
Cash and cash equivalent	**0.78%-3.80%**	**(84,401)**	–	–
Restricted bank deposits	**2.565%-4.90%**	**(1,756,577)**	0.39%-5.36%	(1,240,816)
		(325,899)		(672,056)
Variable rate borrowings/ (deposits):				
Bank loans	**1.74%-2.84%**	**1,566,252**	1.32%-2.74%	1,422,116
Cash and cash equivalent	**0.01%-0.385%**	**(788,496)**	0.005%-0.385%	(219,846)
Restricted bank deposits	**0.05%-0.35%**	**(673)**	3.69%	(30,000)
		777,083		1,172,270
Total net borrowings		**451,184**		500,214

22 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB3,835,000 (2013: RMB4,252,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expenses that would arise assuming that the change in interest rates had occurred at the respective end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow, interest rate risk arising from floating rate non-derivative held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. This analysis has been performed in the same basis for 2013.

(d) Currency risk

The Group is exposed to currency risk primarily through bank borrowings, sales and purchases that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), HK$, Euro ("EUR") and Canadian Dollars ("CAD"). Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

22 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB which is the functional currency of Billion Fujian and Billion High-tech. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB) As at 31 December						
	2014			2013			
	USD RMB'000	**HK$ RMB'000**	**EUR RMB'000**	USD RMB'000	HK$ RMB'000	EUR RMB'000	CAD RMB'000
Trade and other receivables	**94,730**	**14,082**	**1,177**	82,282	1,796	5,432	1,659
Restricted bank deposits	**595,779**	**638,481**	**–**	525,217	82,949	–	66,333
Cash and cash equivalents	**84,214**	**130**	**2,864**	55,332	125	337	–
Trade and other payables	**(197,050)**	**–**	**(10,063)**	(278,961)	–	(10,257)	–
Bank loans	**(1,515,078)**	**–**	**–**	(1,436,942)	–	(65,888)	–
Gross exposure arising from recognised assets and liabilities	**(937,405)**	**652,693**	**(6,022)**	(1,053,072)	84,870	(70,376)	67,992
Notional principal amounts of forward contracts	**(351,463)**	**(680,193)**	**–**	(251,344)	(83,852)	66,907	(69,411)
Net exposure arising from recognised assets and liabilities	**(1,288,868)**	**(27,500)**	**(6,022)**	(1,304,416)	1,018	(3,469)	(1,419)

In response to the foreign currency risk of loans denominated in USD, HK$, EUR and CAD, the Group has entered into forward exchange rate contracts which are accounted for as financial derivative instruments. These derivatives had not been designated as hedges for accounting purposes. Accordingly, the fair value gain/(loss) were recognised in the Group's income statement. The settlement dates of the forward exchange contracts held by the Group as at 31 December 2014 are from 13 January 2015 to 21 December 2015 respectively.

22 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December			
	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**5%**	**(54,777)**	5%	(55,438)
	(5%)	**54,777**	(5%)	55,438
HK$	**5%**	**(1,169)**	5%	43
	(5%)	**1,169**	(5%)	(43)
EUR	**5%**	**(256)**	5%	(147)
	(5%)	**256**	(5%)	147
CAD	**5%**	**–**	5%	(60)
	(5%)	**–**	(5%)	60

Results of the analysis as presented in the above table represent the instantaneous effects on the Group's profit after taxation measured in RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

22 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2013.

(e) Fair values measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

22 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2014 using		
	Fair value at 31 December 2014 RMB'000	**Quoted prices in active market for identified assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	**6,672**	**–**	**6,672**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	**6,382**	**–**	**6,382**	**–**
– Interest rate swaps	**1,115**	**–**	**1,115**	**–**

		Fair value measurements as at 31 December 2013 using		
	Fair value at 31 December 2013 RMB'000	Quoted prices in active market for identified assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	13,853	–	13,853	–
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	450	–	450	–

22 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

23 Commitments

(a) Capital commitments in respect of fixed assets outstanding at 31 December 2014 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Authorised but not contracted for	**29,931**	155,538
Contracted for	**280,607**	372,248
	310,538	527,786

23 Commitments (Continued)

(b) At 31 December 2014, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	360	360
After 1 year but within 5 years	1,440	1,440
Over 5 years	1,530	1,890
	3,330	3,690

The Group is the lessee in respect of oil storage area held under an operating lease. The lease runs for an initial period of twenty years. It does not include contingent rentals.

24 Material related party transactions

During the year, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd.* ("Hengxinglong Polyester") 福建省晉江市恒興隆化纖絲綸有限公司	Mr. Wu Qingshun, the son of Mr. Wu Jianshe, is the controlling shareholder of Hengxinglong Polyester
Mr. Sze Tin Yau	Director of the Company and is deemed to be interested in 65.60% of the Company's issued share capital with Hong Kong (Rong An) Investment Limited ("Rong An") (note 25)
Mr. Wu Jinbiao	Director of the Company and holding 8.91% of the Company's issued share capital
Mr. Wu Jianshe	Key management personnel during the year
CECEP Costin New Materials Group Limited* ("CECEP Costin") 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group")	Associate

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

24 Material related party transactions (Continued)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**5,336**	6,914
Post-employment benefits	**49**	48
	5,385	6,962

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transactions with related parties

The Group entered into the following significant related party transactions during the year:

	2014	2013
	RMB'000	RMB'000
Sales of goods		
CECEP Costin Group	**38,523**	11,096
Purchase of materials		
CECEP Costin Group	**59**	26

Notes:

(i) The directors have confirmed that the terms of the above transactions are no less favourable to the Group than terms available to or from independent third parties.

24 Material related party transactions (Continued)

(c) Balances with a related party

	2014 **RMB'000**	2013 RMB'000
Trade receivable from CECEP Costin Group	**2,348**	–
Receipt in advance from CECEP Costin Group	**–**	7,245
Other payable to CECEP Costin Group	**–**	12

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of CECEP Costin Group above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraphs headed "(A) Connected transactions – continuing connected transactions" of the Report of the directors.

25 Jointly controlling parties

From 1 to 12 January 2014, the directors consider the jointly controlling parents of the Group to be Rong An incorporated in Hong Kong, Kingom Power Limited ("Kingom Power") incorporated in the BVI and Winwett Investment Limited incorporated in the BVI.

Upon execution of the Shareholders Deed on 13 January 2014, Kingom Power and Mr. Sze Tin Yau became parties acting in concert with Rong An and jointly controlled the Group.

(Expressed in Renminbi unless otherwise indicated)

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvement to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvement to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of Interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable method of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statement.

In addition, the applicable disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015). The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Financial Summary

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,301,466**	6,152,700	6,091,703	6,053,645	4,309,731
Cost of sales	**(5,715,541)**	(5,425,918)	(4,984,052)	(4,729,557)	(3,678,783)
Gross profit	**585,925**	726,782	1,107,651	1,324,088	630,948
Profit before taxation	**253,929**	434,504	853,186	1,081,730	537,452
Income tax	**(50,384)**	(76,163)	(102,707)	(178,223)	(91,493)
Profit for the year	**203,545**	358,341	750,479	903,507	445,959

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**4,080,620**	3,005,752	2,812,595	3,508,326	2,037,526
Non-current assets	**5,737,324**	5,594,724	5,017,768	3,742,477	2,498,477
Total assets	**9,817,944**	8,600,476	7,830,363	7,250,803	4,536,003
Current liabilities	**4,461,792**	3,323,980	2,318,781	1,819,056	1,883,674
Non-current liabilities	**117,137**	101,122	83,661	316,132	296,790
Total liabilities	**4,578,929**	3,425,102	2,402,442	2,135,188	2,180,464
Net assets	**5,239,015**	5,175,374	5,427,921	5,115,615	2,355,539
Share capital/paid-in capital	**18,572**	18,694	19,333	19,333	1,787,457
Reserves	**5,220,443**	5,156,680	5,408,588	5,096,282	568,082
Total equity	**5,239,015**	5,175,374	5,427,921	5,115,615	2,355,539

The financial information of the year ended 31 December 2010 has been prepared upon the Reorganisation as if the group structure, at the time when the Shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results of the year ended 31 December 2010, and the assets and liabilities as at 31 December 2010 have been extracted from the Prospectus.