



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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 2299

Interim Report
中期報告 **2015**

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Company Profile

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 30 June 2015, the designed capacity of FDY and POY of the Group was 785,000 tons per year (TPY), while that of DTY was 493,000 TPY. The combined designed capacity of DTY, FDY and POY was 1,278,000 TPY.

In August 2011, Billion started to expand into the production of polyester thin films, and has gradually commenced operation since 2012. As at 30 June 2015, the designed capacity of polyester thin films of the Group was 36,500 TPY, which is expected to reach 255,000 TPY in 2015.

MISSION

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Tin Yau (*Co-chairman*)
Mr. Wu Jinbiao
(*Chief executive officer*)
Mr. Wang Li (appointed on
15 July 2015)
Mr. Yu Heping (resigned on
15 July 2015)
Mr. Xue Mangmang

Non-executive Directors

Mr. Yang Yihua (*Co-chairman*)
Mr. Wu Zhongqin

Independent Non-executive Directors

Mr. Chan Shek Chi
Mr. Ma Yuliang
Mr. Lin Jian Ming

BOARD COMMITTEES

Audit committee

Mr. Chan Shek Chi (*Chairman*)
Mr. Ma Yuliang
Mr. Lin Jian Ming

Remuneration Committee

Mr. Chan Shek Chi (*Chairman*)
Mr. Sze Tin Yau
Mr. Ma Yuliang

Nomination Committee

Mr. Sze Tin Yau (*Chairman*)
Mr. Chan Shek Chi
Mr. Lin Jian Ming

Corporate Governance Committee

Mr. Sze Tin Yau (*Chairman*)
Mr. Wu Jinbiao
Mr. Wang Li (appointed on
15 July 2015)
Mr. Yu Heping (resigned on
15 July 2015)
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 six months ended 30 June

	2015 RMB'000	2014 RMB'000	Change
Operational Results			
Revenue	2,780,998	3,131,982	-11.2%
Gross profit	313,550	304,547	3.0%
Profit from operations	210,199	153,944	36.5%
Profit for the period	113,331	100,645	12.6%

As at 30 June

	2015 RMB'000	2014 RMB'000	Change
Financial Position			
Non-current assets	5,661,189	5,589,632	1.3%
Non-current liabilities	126,818	108,605	16.8%
Current assets	4,234,536	3,586,645	18.1%
Current liabilities	4,519,602	3,854,099	17.3%
Net current liabilities	285,066	267,454	6.6%
Total equity	5,249,305	5,213,573	0.7%
Earnings per Share (RMB)	0.05	0.05	
Interim dividend (HK cent) (Note 1)	3.0	3.0	
Key Ratio Analysis			
Gross profit margin	11.3%	9.7%	
Operating profit margin	7.6%	4.9%	
Net profit margin	4.1%	3.2%	
Return on equity (Note 2)	2.2%	1.9%	
Current ratio (Note 3)	0.94	0.93	
Gearing ratio (Note 4)	88.5%	76.0%	

Notes:

- 1: The interim dividend of HK3.0 cents per share in cash will be paid on 25 September 2015
- 2: Return on equity: Profit for the period divided by total equity
- 3: Current ratio: Current assets divided by current liabilities
- 4: Gearing ratio: Total liabilities divided by total equity



Group Structure

as at 30 June 2015



Note: Billion Industrial Holdings Limited
 Billion Industrial Investment Limited
 Billion New Energy Power Limited
 Billion Development (Hong Kong) Limited
 Billion Clean Energy Limited
 Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*
 Fujian Billion High-tech Material Industrial Co., Ltd.*
 Treasure Full Global Industrial Limited

Place of incorporation
 : Cayman Islands
 : British Virgin Islands
 : British Virgin Islands
 : British Virgin Islands
 : Hong Kong
 : Hong Kong
 : Hong Kong
 : PRC
 : PRC
 : British Virgin Islands

Place of operation
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Fujian, PRC
 Fujian, PRC
 Hong Kong

* For identification purposes only

Production Sites

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



Production Sites



Designed Capacity:

As at 31 December 2011

FDY+POY : 475,000 tons per year
DTY : 350,000 tons per year

As at 31 December 2012

FDY+POY : 580,000 tons per year
DTY : 415,000 tons per year
BOPET : 36,500 tons per year

As at 31 December 2013 and 2014

FDY+POY : 785,000 tons per year
DTY : 493,000 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



Management Discussion and Analysis

CHANGES IN MARCO-ECONOMIC ENVIRONMENT

In June 2015, the World Bank adjusted the projected 2015 global economic growth rate from 3.0% in January down to 2.8%, revealing that the major emerging economies are facing challenges. In the first half of 2015, although Europe and Japan maintained a steady recovery, growth in developed economies was partially offset by the weak growth in emerging economies. International oil price rebounded with a slow increase in the second quarter after dropping to the historical low in six years of US\$44 per barrel in mid March 2015. However, due to insufficient overall demand for crude oil globally, it is difficult for oil price to pick up continuously in the second half of the year.

In 2015, China's GDP growth maintained at 7.0% for the first half of the year. Although it was in line with the growth objective, such growth rate reflected that China's economy is still facing certain pressure. From an internal perspective of China's economic development, the "three-phase aggregated" challenges from the gear-changing phase for economic growth, the periodical painful phase for structural adjustment and the digesting phase for preliminary stimulating policies continue to exist. According to data from the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, hats and textile products amounted to RMB637.5 billion in the first half of 2015, representing a year-on-year increase of 10.7%. With China continuing to progress in accordance with its master economic guideline of "making progress while maintaining stability", the domestic economy is expected to maintain a momentum of "making progress slowly" in the second half of the year.

INDUSTRY REVIEW

The textile industry in China is closely related to the marco-economic development of the country. With the slowdown in economic growth in China, the textile industry in China had entered into a new norm of making progress with a slowing growth rate. China's export of textile products continued to be relatively weak in the first half of 2015, while domestic sales of apparel, footwear and home textile products remained relatively stable in general. However, the growth potential may be limited as consumer confidence and people's income growth rate remained relatively low in general.

The average selling price of polyester filament yarns during the period under review has decreased compared to that of the corresponding period in 2014, which was mainly attributable to the fluctuation in raw material prices. In the first half of 2015, the market prices of both purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the principal raw materials of the Group's products, decreased along with the substantial drop in crude oil price, therefore, the price of chemical fiber products decreased accordingly.

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. There are no new players entering the polyester thin films industry in China during the period under review, and following the scale accumulation stage, manufacturers in the polyester thin films industry have begun to differentiate their products with high added values. Currently, the surrounding environment is volatile and the low cost hindered the trading volume of polyester thin films. However, as there are relatively few companies which produce polyester thin films in southern China, our management is still confident in the growth potential and profitability of our polyester thin film business, especially in southern China.

Management Discussion and Analysis

BUSINESS REVIEW

The Group had continued to strive for product quality improvement and development of differentiated products during the period under review, therefore, despite a retarding economic growth in the PRC, market demand for the Group's products remained strong and sales volume of the Group had maintained a stable growth during the period under review.

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 a combination of "Production, Learning, Research and Application". The outstanding research and development and innovation capacity is the foundation of the Group to achieve sustainable development. The Group has a research and development team which comprises over 440 senior technicians to develop new products based on a market oriented approach. The Group also has a sizable quality control team equipped with the world's advanced testing facilities to ensure stringent quality control. During the period under review, the Group's research and development expenses amounted to RMB74,231,000, representing 2.7% of its 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.

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. While consolidating our market share in Fujian and Guangdong Provinces, the Group has also strived to develop international markets. The Group's export sales for the period accounted for 14.7% of its total sales, maintaining a stable percentage of export sales. 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 proportion of sales to end-customers.

All polyester thin film production lines of the Group have high levels of automation with purification workshop management implemented for the entire workshop, meeting the stringent environmental requirements for the production of various thin films. Our production capacity of polyester thin films has been expanding orderly, the second and third production lines are currently at the commissioning stage, while the fourth and fifth production lines are still under construction. 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 the sales of polyester thin films and its proportion in the Group's total revenue will increase accordingly by that time.



Management Discussion and Analysis

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB2,780,998,000 (for the first half of 2014: RMB3,131,982,000), representing a decrease of 11.2% as compared to the same period last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB2,700,410,000, accounting for 97.1% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB80,588,000, accounting for 2.9% 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 yarns products for the period under review was RMB2,700,410,000, representing a decrease of RMB325,272,000 as compared to the revenue of RMB3,025,682,000 in the first half of 2014 or a decrease of 10.8% as compared to the same period last year. The average selling price of polyester filament yarns during the period was RMB7,803 per ton, representing a decrease of RMB2,303 or 22.8% as compared to the average selling price of RMB10,106 per ton in the first half of 2014.

The continuous softened economic growth in China has exerted negative impact on the Group's customers such as apparel and footwear enterprises. Despite the strong market demand of the Group's products and increased sales volume of polyester filament yarns products from 299,404 tons in the first half of 2014 to 346,081 tons during the period under review (representing an increase of 46,677 tons or 15.6%), the selling price of polyester filament yarns continued to drop from the previous year.

Polyester thin films

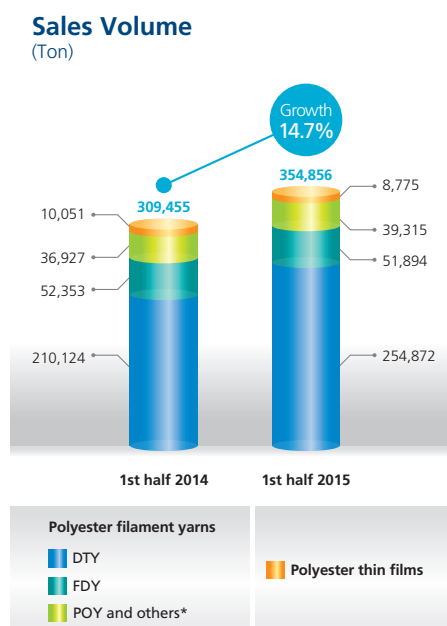
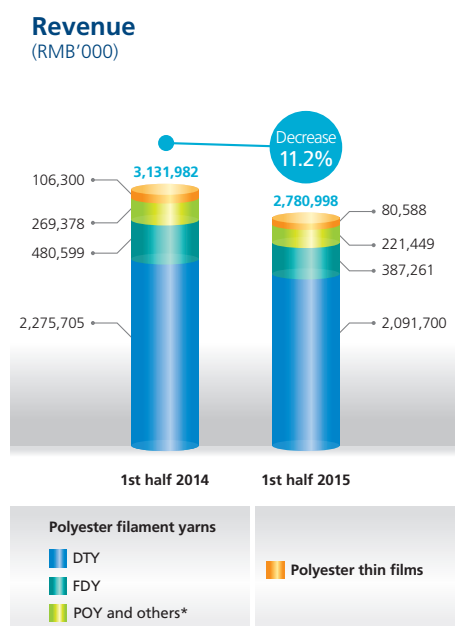
Revenue attributable to the sales of polyester thin film products for the period under review was RMB80,588,000, representing a decrease of RMB25,712,000 as compared to the revenue of RMB106,300,000 in the first half of 2014 or a decrease of 24.2% as compared to the same period last year. The average selling price of polyester thin films during the period was RMB9,184 per ton, representing a decrease of RMB1,392 or 13.2% as compared to the average selling price of RMB10,576 per ton in the first half of 2014. The machines for the second and third production lines for polyester thin films are currently at the commissioning stage, while the fourth and fifth production lines are under construction as at the date of this interim report. It is expected that the annual production capacity of polyester thin films will reach 255,000 tons per year after the expansion plan of the Group's production capacity of polyester thin films is fully completed, and by that time, revenue from sales of polyester thin films will increase substantially.

Management Discussion and Analysis

Breakdown of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	For the six months ended 30 June				For the six months ended 30 June			
	2015		2014		2015		2014	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	2,091,700	75.2%	2,275,705	72.7%	254,872	71.8%	210,124	67.9%
FDY	387,261	13.9%	480,599	15.3%	51,894	14.6%	52,353	16.9%
POY and others*	221,449	8.0%	269,378	8.6%	39,315	11.1%	36,927	11.9%
Sub-total	2,700,410	97.1%	3,025,682	96.6%	346,081	97.5%	299,404	96.7%
Polyester thin films	80,588	2.9%	106,300	3.4%	8,775	2.5%	10,051	3.3%
Total	2,780,998	100.0%	3,131,982	100.0%	354,856	100.0%	309,455	100.0%

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



Management Discussion and Analysis

Sales by geographic region

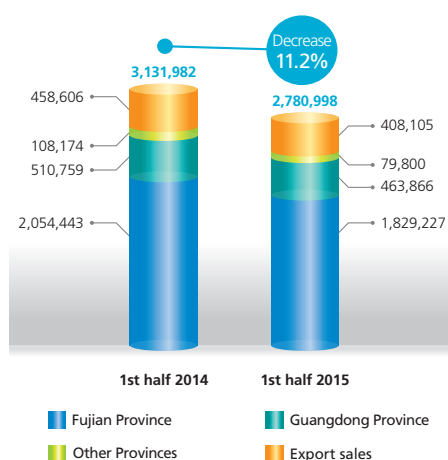
During the period under review, the Group actively expanded and consolidated its market share in overseas market by improving its service quality and increasing its brand recognition, in which the percentage of export sales revenue of the Group was 14.7% during the period under review, which was similar to 14.6% in the first half year of 2014. Approximately 85.3% of the Group's revenue was generated from domestic market sales, of which 65.8% were from sales to Fujian Province and 16.6% to Guangdong Province. While maintaining its domestic market share and position in both Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets, where it provided customized product development services to its customers.

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Domestic sales				
Fujian Province	1,829,227	65.8%	2,054,443	65.6%
Guangdong Province	463,866	16.6%	510,759	16.3%
Other provinces	79,800	2.9%	108,174	3.5%
Export sales	408,105	14.7%	458,606	14.6%
Total	2,780,998	100.0%	3,131,982	100.0%

Note: Export sales regions mainly comprised various countries and regions such as Turkey, Italy, Belgium, Brazil, United States, Spain and Poland.

Geographic Breakdown of Revenue (RMB'000)



Management Discussion and Analysis

2. Cost of Sales

Cost of sales of the Group for the period under review was RMB2,467,448,000, representing a decrease of 12.7% as compared to the cost of sales of RMB2,827,435,000 in the first half of 2014. Such decrease was attributable to a combined impact of the increase in sales volume, the drop in both the raw materials prices and manufacturing costs. The cost of sales for polyester filament yarns was RMB2,395,337,000, accounting for 97.1% of the total cost of sales. The cost of sales for polyester thin films was RMB72,111,000, accounting for 2.9% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales volumes.

Polyester filament yarns

Average cost of sales for polyester filament yarns dropped from RMB9,128 per ton in the first half of 2014 to RMB6,921 per ton during the period under review, representing a decrease of RMB2,207 or 24.2%, which was mainly due to the decrease in the selling prices of PTA and MEG, the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB7,297 per ton in the first half of 2014 to RMB5,417 per ton during the period, representing decrease of RMB1,880 or 25.8%.

Polyester thin films

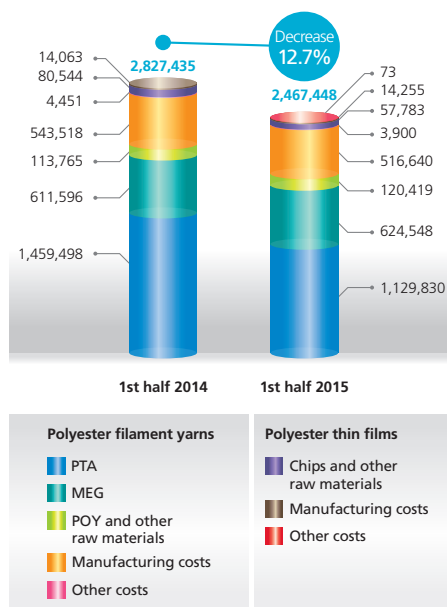
Average cost of sales for polyester thin films dropped from RMB9,413 per ton in the first half of 2014 to RMB8,218 per ton during the period under review, representing a decrease of RMB1,195 or 12.7%, which was mainly due to the decrease in selling price of raw materials for polyester thin films.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	1,129,830	45.8%	1,459,498	51.6%
MEG	624,548	25.3%	611,596	21.7%
POY and other raw materials	120,419	4.9%	113,765	4.0%
Sub-total	1,874,797	76.0%	2,184,859	77.3%
Manufacturing costs	516,640	20.9%	543,518	19.2%
Other costs	3,900	0.2%	4,451	0.2%
Sub-total	2,395,337	97.1%	2,732,828	96.7%
Polyester thin films				
Cost of raw materials – chips and other raw materials	57,783	2.3%	80,544	2.8%
Manufacturing costs	14,255	0.6%	14,063	0.5%
Other costs	73	–	–	–
Sub-total	72,111	2.9%	94,607	3.3%
Total	2,467,448	100.0%	2,827,435	100.0%

Management Discussion and Analysis

Breakdown of Cost of Sales
(RMB'000)



3. Gross Profit

Gross profit of the Group for the period under review was RMB313,550,000, which was increased by RMB9,003,000, representing an increase of 3.0% as compared to RMB304,547,000 in the first half of 2014. Sales volume of the Group during the period under review increased by 45,401 tons, representing an increase of 14.7% as compared to the first half of 2014. Average selling price of products per ton decreased by an average of RMB2,284 per ton, representing a decrease of 22.6% from the RMB10,121 in the first half of 2014 to RMB7,837 during the period under review, while average cost of products per ton during the period also decreased by an average of RMB2,184 per ton, representing a decrease of 23.9% from RMB9,137 in the first half of 2014 to RMB6,953 during the period. Therefore, the average gross profit of products per ton decreased from RMB984 in the first half of 2014 to RMB884 during the period under review. As the decrease in the average cost of the products per ton was much higher than the decrease in the average selling price of the products per ton, gross profit margin of the Group increased by 1.6 percentage points from 9.7% in the first half of 2014 to 11.3% during the period under review.

Management Discussion and Analysis

Polyester filament yarn

Average selling price of polyester filament yarn products per ton decreased by an average of RMB2,303 per ton, representing a decrease of 22.8% from RMB10,106 in the first half of 2014 to RMB7,803 during the period under review. The average gross profit of polyester filament yarn products per ton decreased from RMB978 in the first half of 2014 to RMB882 during the period. The gross profit margin increased by 1.6 percentage points from 9.7% in the first half of 2014 to 11.3% during the period.

Polyester thin films

Average selling price of polyester thin films products per ton decreased by an average of RMB1,392 per ton, representing a decrease of 13.2% from RMB10,576 in the first half of 2014 to RMB9,184 during the period under review. The average gross profit of polyester thin films products per ton decreased from RMB1,163 in the first half of 2014 to RMB966 during the period. The gross profit margin decreased by 0.5 percentage points from 11.0% in the first half of 2014 to 10.5% during the period.

Both the overall gross profit and gross profit margin of the Group during the period under review increased as compared to those in the first half of 2014, which were mainly due to the limited room for further drop after the downturn in the fiber industry last year, and the Group's devotion in its business expansion which led to the increase in sales volume that outperformed the effect of price decrease to the Group during the period.

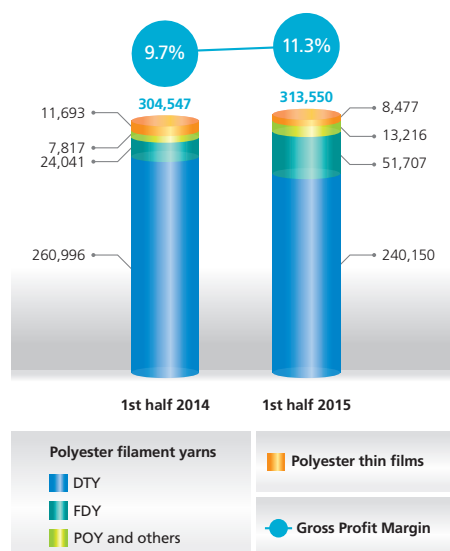
Management Discussion and Analysis

Analysis of gross profit by product

	For the six months ended 30 June			
	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	240,150	76.6%	260,996	85.7%
FDY	51,707	16.5%	24,041	7.9%
POY and others*	13,216	4.2%	7,817	2.6%
Sub-total	305,073	97.3%	292,854	96.2%
Polyester thin films	8,477	2.7%	11,693	3.8%
Total	313,550	100.0%	304,547	100.0%

* Others represent PET chips and wasted filament generated during the production process.

Gross Profit and Gross Profit Margin (RMB'000)



Management Discussion and Analysis

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

	For the six months ended 30 June	
	2015 RMB	2014 RMB
Polyester filament yarns		
Average selling price per ton	7,803	10,106
Average cost of sales per ton	6,921	9,128
Average gross profit per ton	882	978
Average gross profit margin	11.3%	9.7%
Polyester thin films		
Average selling price per ton	9,184	10,576
Average cost of sales per ton	8,218	9,413
Average gross profit per ton	966	1,163
Average gross profit margin	10.5%	11.0%

4. *Other revenue*

Other revenue of the Group for the period under review amounted to RMB54,118,000, representing an increase of 48.1% as compared to RMB36,531,000 in the first half of 2014. Other revenue mainly included bank interest income, income from transfer of materials and gain from government grants. Such increase was mainly attributable to the increase in the amounts of bank interest income and income from transfer of materials as compared to those of the same period last year.

Management Discussion and Analysis

5. *Other net loss*

Other net loss of the Group during the period under review amounted to RMB8,719,000, representing an increase of 29.0% as compared to RMB6,757,000 in the first half of 2014. Such increase was mainly attributable to a combined impact of increase in exchange loss and increase in net gain on financial liabilities at fair value through profit or loss during the period.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group for the period under review amounted to RMB22,681,000, representing an increase of 5.5% as compared to RMB21,493,000 in the first half of 2014. Selling and distribution expenses mainly included transportation costs, wages of our sales staff, operating expenses and promotion expenses. Such increase was mainly due to the increase in relevant transportation costs due to the increase in sales volume during the period.

7. *Administrative expenses*

Administrative expenses of the Group for the period under review amounted to RMB126,069,000, decreased by 20.7% as compared to RMB158,884,000 in the first half of 2014. Administrative expenses mainly included research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees. Such change was mainly due to the decrease in the costs of research and development materials and consulting service fee of the Group during the period.

8. *Finance costs*

Finance costs of the Group for the period under review amounted to RMB45,301,000, increased by 49.3% as compared to RMB30,335,000 in the first half of 2014. It was mainly due to the increase in interests on bank advances and other borrowings resulted from an increase in bank loans.

Management Discussion and Analysis

9. Income tax

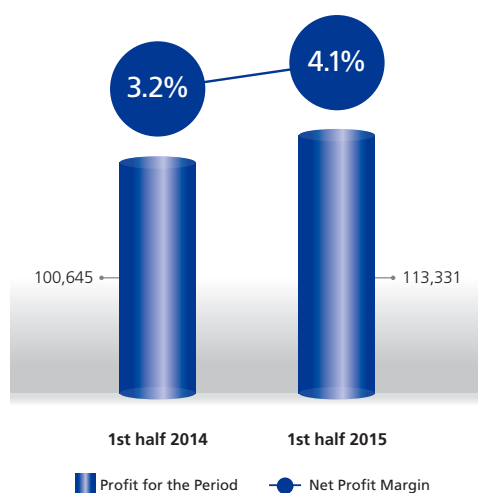
Income tax of the Group for the period under review amounted to RMB51,567,000, increased by 124.6% as compared to RMB22,964,000 in the first half of 2014. It was mainly due to income tax expenses expected to be non-refundable of approximately RMB20,008,000 paid by Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) during the period.

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

10. Profit for the period

Profit of the Group for the period under review amounted to RMB113,331,000, increased by RMB12,686,000 or 12.6% as compared to RMB100,645,000 in the first half of 2014. It was mainly due to the combined impact of increase in gross profit, decrease in administrative expenses and increase in income tax during the period.

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



Management Discussion and Analysis

FINANCIAL POSITION

1. Liquidity and Capital Resources

As at 30 June 2015, cash and cash equivalent of the Group amounted to RMB457,367,000, and had decreased by RMB424,869,000 or 48.2% as compared to RMB882,236,000 as at 31 December 2014.

During the period under review, net cash inflow from operating activities amounted to RMB214,570,000 (exceeding the profit attributable to shareholders), demonstrating the sound working capital management of the Group. Net cash outflow used in investing activities amounted to RMB703,583,000, which mainly include the capital expenditure of RMB246,919,000 and the increase in restricted bank deposits of RMB486,963,000. Net cash inflow used in financing activities amounted to RMB77,701,000, which mainly include combined effect of the net increase in bank loans of RMB224,335,000, repurchase of shares of RMB52,663,000 and the payment of 2014 final dividends amounting to RMB51,926,000 during the period.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the period under review, inventory turnover days were 33.0 days (for first half of 2014: 41.3 days), representing a decrease of 8.3 days as compared to the same period last year, which was mainly due to the faster realization in inventories due to the Group's optimization in inventory management. The trade receivable turnover days were 44.2 days (for the first half of 2014: 29.4 days), representing an increase of 14.8 days as compared to the same period last year, which was mainly due to the decrease in discounted trade receivables during the period. The trade payable turnover days were 59.1 days (for the first half of 2014: 53.8 days), representing an increase of 5.3 days as compared to the same period last year, which was mainly due to the Group's increasing discretion authority in goods payments.

As at 30 June 2015, the Group had capital commitments of RMB480,244,000, which was mainly used for expansion of production capacity and development of functional environmentally-friendly polyester thin films business.

2. Capital Structure

As at 30 June 2015, the total liabilities of the Group amounted to RMB4,646,420,000, and capital and reserves amounted to RMB5,249,305,000. The gearing ratio (total liabilities divided by total equity) was 88.5%. Total assets amounted to RMB9,895,725,000. The asset liability ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,305,317,000, of which RMB3,289,282,000 were repayable within one year and RMB16,035,000 were repayable after one year. Among the bank borrowings, 57.1% were secured by properties, trade receivables and restricted bank deposits.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

Save for those disclosed in this interim report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

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

CHARGES ON ASSETS

Save as disclosed in this interim report, there was no other charge on Group's assets as of 30 June 2015.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any contingent liability (2014: 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 30 June 2015, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB439,526,000 and net liabilities exposure denominated in Euro of RMB14,996,000.

EMPLOYEES AND REMUNERATION

As at 30 June 2015, the Group employed a total of 3,238 employees. 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 arrangement on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Management Discussion and Analysis

BUSINESS OUTLOOK

The PRC economy has entered a “new normal state”, meaning that despite its economic growth rate having declined year by year, it will continue to progress in accordance with its master economic guideline of “making progress while maintaining stability”. The Group will continue to realize business growth through enhancing new market expansion, integrating with national planning and policies for the chemical fiber industry and polyester thin film industry. With increasing brand popularity and establishment of closer strategic partnerships with customers, our products are sold directly to North America, Europe, Southeast Asia, South America and other regions. There are more than 2,100 customers across the world. We have established long-term business relationships with several domestic well-known garments and shoes manufacturers. The Group is devoted to the integration of differential and functional polyester filament with high quality to satisfy the demands of domestic and foreign brand enterprises. We drive technical upgrades of textile products in surrounding areas, enrich and expand industrial chains of textile-related industries. We believe that differentiated products will continue to provide the Group with stable profits. In addition, upon completion of installation and commissioning of the second to fifth production lines, the production capacity of polyester thin films will be further enhanced, and the polyester thin film business will better balance the product portfolio of the Group, while its sales and proportion of the Group’s total revenue will increase accordingly.

Review Report on the Interim Financial Report



Review report to the board of directors of Billion Industrial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 47, which comprise the consolidated statement of financial position of Billion Industrial Holdings Limited at 30 June 2015, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flows statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

28 August 2015

Consolidated Income Statement

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	4	2,780,998	3,131,982
Cost of sales		(2,467,448)	(2,827,435)
Gross profit		313,550	304,547
Other revenue	5	54,118	36,531
Other net loss	6	(8,719)	(6,757)
Selling and distribution expenses		(22,681)	(21,493)
Administrative expenses		(126,069)	(158,884)
Profit from operations		210,199	153,944
Finance costs	7(a)	(45,301)	(30,335)
Profit before taxation	7	164,898	123,609
Income tax	8	(51,567)	(22,964)
Profit for the period attributable to equity shareholders of the Company		113,331	100,645
Earnings per share	10		
Basic and diluted (RMB)		0.05	0.05

The notes on pages 30 to 47 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Profit for the period attributable to equity shareholders of the Company		113,331	100,645
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of operations outside mainland China		1,548	(7,596)
Total comprehensive income for the period attributable to equity shareholders of the Company		114,879	93,049

The notes on pages 30 to 47 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2015 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment	11	4,316,354	4,432,372
– Construction in progress	12	787,390	745,545
– Interests in leasehold land held for own use under operating leases	13	436,592	441,430
		<u>5,540,336</u>	5,619,347
Deposits and prepayments	15	<u>120,853</u>	117,977
		<u>5,661,189</u>	5,737,324
Current assets			
Inventories	14	483,321	415,702
Trade and other receivables	15	1,047,423	1,025,432
Restricted bank deposits		2,246,425	1,757,250
Cash and cash equivalents	16	457,367	882,236
		<u>4,234,536</u>	4,080,620
Current liabilities			
Trade and other payables	17	1,178,117	1,350,636
Bank loans		3,289,282	3,064,501
Current taxation	18(a)	52,203	46,655
		<u>4,519,602</u>	4,461,792
Net current liabilities		<u>(285,066)</u>	<u>(381,172)</u>
Total assets less current liabilities		<u>5,376,123</u>	<u>5,356,152</u>

Consolidated Statement of Financial Position

at 30 June 2015 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (audited)
Non-current liabilities			
Bank loans		16,035	16,830
Deferred tax liabilities	18(b)	<u>110,783</u>	<u>100,307</u>
		<u>126,818</u>	<u>117,137</u>
NET ASSETS		<u>5,249,305</u>	<u>5,239,015</u>
CAPITAL AND RESERVES			
	19		
Share capital		18,417	18,572
Reserves		<u>5,230,888</u>	<u>5,220,443</u>
TOTAL EQUITY		<u>5,249,305</u>	<u>5,239,015</u>

Approved and authorised for issue by the Board of Directors on 28 August 2015.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 30 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Note	Share capital	Share premium	Capital redemption reserve	Statutory reserve	Capital reserve	Exchange reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		19(a)	19(b)(i)	19(b)(ii)	19(b)(iii)	19(b)(iv)	19(b)(v)		
Balance at 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 the six months ended 30 June 2014									
Profit for the period		-	-	-	-	-	-	100,645	100,645
Other comprehensive income		-	-	-	-	-	(7,596)	-	(7,596)
Total comprehensive income for the period		-	-	-	-	-	(7,596)	100,645	93,049
Dividends approved in respect of the previous year	9(b)	-	(54,850)	-	-	-	-	-	(54,850)
Balance at 30 June 2014		18,694	1,102,649	639	276,516	1,805,631	(52,351)	2,061,795	5,213,573
Balance at 1 January 2015		18,572	1,006,829	761	301,278	1,805,631	(33,989)	2,139,933	5,239,015
Changes in equity for the six months ended 30 June 2015									
Profit for the period		-	-	-	-	-	-	113,331	113,331
Other comprehensive income		-	-	-	-	-	1,548	-	1,548
Total comprehensive income for the period		-	-	-	-	-	1,548	113,331	114,879
Dividends approved in respect of the previous year	9(b)	-	(51,926)	-	-	-	-	-	(51,926)
Purchase of own shares	19(a)(ii)								
– par value paid		(155)	-	-	-	-	-	-	(155)
– premium paid		-	(52,508)	-	-	-	-	-	(52,508)
– transfer between reserves		-	(155)	155	-	-	-	-	-
Balance at 30 June 2015		18,417	902,240	916	301,278	1,805,631	(32,441)	2,253,264	5,249,305

The notes on pages 30 to 47 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations		250,113	147,072
Tax paid		(35,543)	(11,829)
Net cash generated from operating activities		214,570	135,243
Investing activities			
Payment for the purchase of property, plant and equipment		(4,724)	(15,998)
Expenditure on construction in progress		(156,025)	(104,580)
Payment for interests in leasehold land held for own use under operating leases		(86,170)	–
Increase in restricted bank deposits		(486,963)	(176,312)
Other cash flows arising from investing activities		30,299	28,319
Net cash used in investing activities		(703,583)	(268,571)
Financing activities			
Payments of repurchase of shares		(52,663)	–
Dividends paid to equity shareholders of the Company		(51,926)	(54,850)
Proceeds from new bank loans		1,683,977	1,076,819
Repayment of bank loans		(1,459,642)	(472,147)
Other cash flows arising from financing activities		(42,045)	(18,132)
Net cash generated from financing activities		77,701	531,690
Net (decrease)/increase in cash and cash equivalents		(411,312)	398,362
Cash and cash equivalents at 1 January		882,236	219,846
Effect of foreign exchange rate changes		(13,557)	16,312
Cash and cash equivalents at 30 June	16	457,367	634,520

The notes on pages 30 to 47 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 28 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Billion Industrial Holdings Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 23.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

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 interim financial report. Accordingly, the interim financial report has been prepared on a going concern basis.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued of the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the interim financial report are identified from the financial information provided regularly to the Group's most senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented for the Group's business segment as the Group is principally engaged in the manufacturing and sales of polyester filament yarns products and polyester thin films products in the People's Republic of China (the "PRC").

4 REVENUE

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Polyester filament yarns products	2,700,410	3,025,682
Polyester thin films products	80,588	106,300
	2,780,998	3,131,982

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2015 (2014: Nil). The amount of sales to this customer amounted to approximately RMB362,343,000.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Bank interest income	33,718	20,237
Government grants	11,190	16,664
Gain/(loss) on sales of raw materials	9,156	(400)
Others	54	30
	54,118	36,531

Government grants of RMB11,190,000 and RMB16,664,000 for the six months ended 30 June 2015 and 2014 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.

6 OTHER NET LOSS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Donations	(74)	(235)
Net exchange (loss)/gain	(19,076)	8,603
Net (loss)/gain on sale of property, plant and equipment	(27)	12
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	9,523	(14,233)
Others	935	(904)
	(8,719)	(6,757)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	38,741	25,806
Other interest expenses	6,560	4,529
	45,301	30,335
(b) Staff costs:		
Contributions to defined contribution retirement plans	1,654	1,500
Salaries, wages and other benefits	82,180	89,708
	83,834	91,208
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	4,838	2,477
Depreciation	139,162	126,378
Operating lease charges in respect of properties	180	180
Research and development costs*	74,231	108,985
Cost of inventories**	2,467,448	2,827,435

* Research and development costs include RMB25,691,000 and RMB26,085,000 for the six months ended 30 June 2015 and 2014 respectively 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 7(b) for each of these types of expenses.

** Cost of inventories include RMB171,020,000 and RMB171,200,000 for the six months ended 30 June 2015 and 2014 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC income tax for the period	41,091	14,846
Deferred tax		
Origination and reversal of temporary differences	10,476	8,118
	51,567	22,964

- (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 each of the six months ended 30 June 2015 and 2014.
- (iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) (“Billion Fujian”) was granted Advanced and New Technology Enterprise status in 2012 for a valid period of three 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. Billion Fujian has lodged application for the renewal of Advanced and New Enterprise status and expected to receive the approval shortly.
- (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) 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period:

	2015 RMB'000	2014 RMB'000
Interim dividend declared after the interim period of HK3.0 cents per share (2014: HK3.0 cents per share)	54,149	52,836

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

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, HK3.0 cents per share (2013: HK3.1 cents per share)	51,926	54,850

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB113,331,000 (six months ended 30 June 2014: RMB100,645,000) and the weighted average of 2,202,639,000 ordinary shares (2014: 2,223,000,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Net book value, at 1 January	4,432,372	4,110,624
Exchange adjustments	(13)	117
Additions	1,804	30,273
Transfer from construction in progress (<i>note 12</i>)	21,536	552,831
Disposals	(183)	(69)
Depreciation charge for the period/year	(139,162)	(261,404)
At 30 June/31 December	<u>4,316,354</u>	<u>4,432,372</u>

12 CONSTRUCTION IN PROGRESS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
At 1 January	745,545	614,305
Additions	63,381	684,071
Transfer to property, plant and equipment (<i>note 11</i>)	(21,536)	(552,831)
At 30 June/31 December	<u>787,390</u>	<u>745,545</u>

13 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	155,050	79,145
Work in progress	20,669	20,158
Finished goods	307,602	316,399
	483,321	415,702

15 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis, based on the date of billing, as of the end of the reporting period:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current	651,023	702,808
Less than 1 month past due	5,170	458
More than 1 month but less than 3 months past due	52	48
More than 3 months but less than 1 year past due	51	2
Trade debtors and bills receivable	656,296	703,316
Deposits, prepayments and other receivables	489,098	433,421
Derivative financial assets		
– Forward exchange contracts	22,882	6,672
	1,168,276	1,143,409
Less: Non-current portion of deposits and prepayments	(120,853)	(117,977)
	1,047,423	1,025,432

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES (Continued)

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

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.

The Group made prepayments for interests in leasehold land for certain properties held for own use in the PRC. The related ownership certificates are under application as at 30 June 2015.

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

16 CASH AND CASH EQUIVALENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank and in hand	457,367	882,236

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as of the end of the reporting period:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	638,640	589,744
More than 3 months but within 6 months	136,245	347,168
More than 6 months but within 1 year	63	1,282
More than 1 year	2,530	2,216
Trade creditors and bills payable	777,478	940,410
Other payables and accrual charges	198,637	188,678
Equipment payables	37,836	32,992
Construction payables	1,441	1,367
Receipts in advance	150,203	179,692
Financial liabilities measured at amortised cost	1,165,595	1,343,139
Derivative financial liabilities		
– Interest rate swaps	1,146	1,115
– Forward exchange contracts	11,376	6,382
	1,178,117	1,350,636

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Provision of PRC income tax	52,203	46,655

(b) Deferred tax liabilities/(assets) recognised:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Deferred tax liabilities/(assets) arising from:		
– Depreciation and amortisation of property, plant and equipment	124,460	111,390
– Others	(13,677)	(11,083)
	110,783	100,307

(c) Deferred tax assets not recognised

At 30 June 2015, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB100,019,000 (31 December 2014: RMB84,620,000) 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(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 30 June 2015, temporary differences relating to the undistributed profits of the Group’s certain subsidiaries in mainland China amounted to RMB2,355,128,000 (31 December 2014: RMB2,225,677,000). Deferred tax liabilities of RMB117,756,000 (31 December 2014: RMB111,284,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

		Par value HK\$	Number of shares	Nominal value of ordinary shares HK\$	
Authorised					
At 31 December 2014 and 30 June 2015		0.01	10,000,000,000	100,000,000	
	<i>Note</i>	Par value HK\$	Number of shares	Nominal value of ordinary shares HK\$ RMB	
Issued and fully paid:					
At 30 June 2014		0.01	2,223,000,000	22,230,000	18,694,152
Repurchase of shares		0.01	(14,508,000)	(145,080)	(122,004)
At 31 December 2014 and 1 January 2015		0.01	2,208,492,000	22,084,920	18,572,148
Repurchase of shares	19(a)(ii)	0.01	(18,456,000)	(184,560)	(155,204)
At 30 June 2015		0.01	2,190,036,000	21,900,360	18,416,944

(ii) Purchase of own shares

During the interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited 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
January 2015	1,298,000	4.00	3.23	3,685
April 2015	4,898,000	3.60	3.30	13,173
May 2015	9,736,000	3.69	3.35	26,700
June 2015	2,524,000	5.18	3.90	9,105
	18,456,000			52,663

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

(ii) *Purchase of own shares (Continued)*

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 18,456,000 shares were repurchased in the six months ended 30 June 2015 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 RMB155,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$66,533,000 (equivalent to RMB52,508,000) was charged to share premium.

(b) 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 30 June 2015 was HK\$940,854,000 (as at 31 December 2014: HK\$1,076,820,000).

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(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.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Fair value hierarchy (Continued)

	Fair value measurements as at 30 June 2015 using			
	Fair value at 30 June 2015 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	22,882	–	22,882	–
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	1,146	–	1,146	–
– Forward exchange contracts	11,376	–	11,376	–

	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:				
– Interest rate swaps	1,115	–	1,115	–
– Forward exchange contracts	6,382	–	6,382	–

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The fair value of forward exchange contracts in Level 2 is measured using quoted prices in active markets for similar financial instruments.

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.

21 CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the interim financial report are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised but not contracted for	224,666	29,931
Contracted for	255,578	280,607
	<u>480,244</u>	<u>310,538</u>

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for directors and key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	2,588	2,644
Post-employment benefits	37	22
	<u>2,625</u>	<u>2,666</u>

Total remuneration is included in "staff costs" (see note 7(b)).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a related party

The Group entered into the following significant transactions with a related party:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sales of goods		
CECEP Costin New Materials Group Limited* 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group")	<u>13,024</u>	<u>21,999</u>
Purchase of materials		
CECEP Costin Group	<u>52</u>	<u>37</u>

The related party transactions in respect of sales of goods to CECEP Costin Group and purchase of materials from CECEP Costin Group above constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

(c) Balances with a related party

	At 30 June	At 31 December
	2015 RMB'000	2014 RMB'000
Trade receivable from CECEP Costin Group	–	2,348
Receipt in advance from CECEP Costin Group	<u>99</u>	<u>–</u>

General Information

INTERIM DIVIDEND

The board ("Board") of directors ("Directors") of the Company resolved to declare an interim dividend of HK3.0 cents per share in cash for the six months ended 30 June 2015. The dividend will be paid on 25 September 2015 to those shareholders whose names appear on the Company's register of members on 17 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, 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 Monday, 14 September 2015.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) 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 he or she is taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

(a) Long position in ordinary shares of the Company

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	66.15%
Mr. Wu Jinbiao ⁽²⁾	Interest in controlled corporation	186,820,000	8.53%

General Information

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 186,820,000 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 2,190,036,000 issued shares of the Company as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executives of the Company had or was 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 Hong Kong 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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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 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
Hong Kong (Rong An) Investment Limited (“Hong Kong Rong An”) ^(a)	Beneficial owner and parties acting in concert	1,448,732,808	66.15%

General Information

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") ^(b)	Through controlled corporations	1,448,732,808	66.15%
China Energy Conservation and Environmental Protection Group ("CECEP") ^(c)	Through controlled corporations	1,448,732,808	66.15%
Kingom Power Limited ^(d)	Beneficial owner and parties acting in concert	1,448,732,808	66.15%
Winwett Investments Limited	Beneficial owner	186,820,000	8.53%
Ever Luxuriant Global Trading Limited ("Ever Luxuriant")	Beneficial owner	172,890,000	7.89%
Mr. Huang Shao Rong ^(e)	Beneficial owner and through controlled corporation	191,669,000	8.75%
Haibin International Investments Limited ("Haibin International")	Beneficial owner	137,092,000	6.26%
Mr. Lin Haibin ^(f)	Beneficial owner and through controlled corporation	159,041,000	7.26%
Export-Import Bank of China	Person having a security interest in shares	300,000,000	13.70%

General Information

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, therefore, was 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.

Save as disclosed above, as at 30 June 2015, so far as is known to the Directors, there is no other person (other than the Director or chief executive of the Company) who has 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.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 31 March 2011 (the "Share Option Scheme") 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 Share Option 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.

General Information

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, which represented 10.5% of the total issued share capital of the Company as of 30 June 2015. No option may be granted to any person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

The period within which the options must be exercised will be specified at the time of grant and is to be determined by the Board at its absolute discretion, subject to the requirement that such period shall not be longer than 10 years from the adoption date pursuant to the Share Option Scheme, unless the Company obtains separate shareholders' approval in relation to such grant. Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit, including the time or period before the right to exercise the option in respect of all or any of the shares shall vest, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme.

The amount payable on acceptance of an option is HK\$1.0. The exercise price of an option shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option, and shall not be less than the higher of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of grant;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the 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 18 May 2011, 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-year 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 30 June 2015.

As at 30 June 2015, the remaining life of the Share Option Scheme was about five years and ten months.

General Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2015, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest	Lowest	Aggregate price paid RMB'000
		price paid per share HK\$	price paid per share HK\$	
January 2015	1,298,000	4.00	3.23	3,685
April 2015	4,898,000	3.60	3.30	13,173
May 2015	9,736,000	3.69	3.35	26,700
June 2015	<u>2,524,000</u>	5.18	3.90	<u>9,105</u>
	<u>18,456,000</u>			<u>52,663</u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 18,456,000 shares were repurchased during the six months ended 30 June 2015 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 RMB155,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$66,533,000 (equivalent to approximately RMB52,508,000) was charged to share premium.

The purchase of the Company's shares during the period under review was effected by the Directors pursuant to the mandate from shareholders received at the 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 period under review.

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members: Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming. All of them are independent non-executive directors. The chairman of the audit committee is Mr. Chan Shek Chi.

The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited financial results of the Group for the six months ended 30 June 2015 and this interim report.



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