

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 2015



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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 2015, 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 Group's combined designed capacity for 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 2015, the Group's designed capacity for polyester thin films was 36,500 tons per year, which is expected to reach 255,000 tons per year after the expansion plan of the Group's production capacity of polyester thin films is fully completed.



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"
- 2015** ■ Billion Fujian was recognised as a "China Integrated Management System Standards Assessment Pilot Enterprise for the Integration of Informatization and Industrialization"
- Billion Fujian was awarded "Top Ten Export Brand of Quanzhou New "Ocean Silk Road" "
- Billion Fujian was awarded "Quanzhou Intelligent Manufacturing Demonstration – Intelligent Plant"
- Billion Fujian was recognised as a "Fujian Province Intelligent Manufacturing Pilot and Demonstration Enterprise"

* 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. 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 year ended 31 December		
	2015	2014	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	5,461,403	6,301,466	-13.3%
Gross profit	590,631	585,925	0.8%
Profit from operations	361,475	329,532	9.7%
Profit for the year	201,888	203,545	-0.8%
	As at 31 December		
	2015	2014	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	5,718,562	5,737,324	-0.3%
Non-current liabilities	134,372	117,137	14.7%
Current assets	3,183,218	4,080,620	-22.0%
Current liabilities	3,603,422	4,461,792	-19.2%
Net current liabilities	420,204	381,172	10.2%
Total equity	5,163,986	5,239,015	-1.4%
Earnings per Share (RMB)	0.09	0.09	
Interim dividend (HK cent) (Note 1)	3.00	3.00	
Final dividend (HK cent) (Note 2)	3.00	3.00	
Key Ratio Analysis			
Gross profit margin	10.8%	9.3%	
Operating profit margin	6.6%	5.2%	
Net profit margin	3.7%	3.2%	
Returns on equity (Note 3)	3.9%	3.9%	
Current ratio (Note 4)	0.88	0.91	
Gearing ratio (Note 5)	72.4%	87.4%	

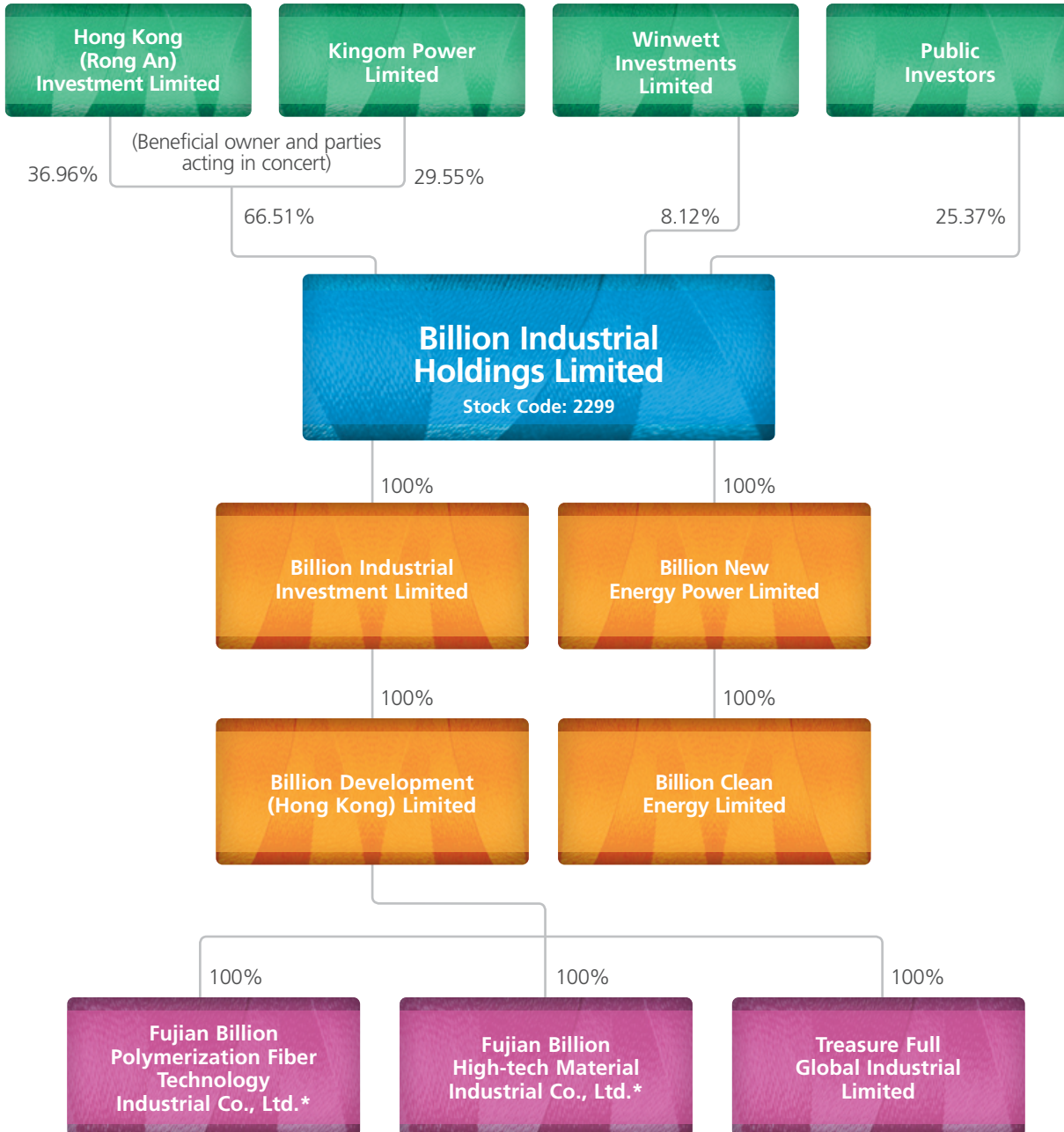
Notes:

- 1: The interim dividend of HK3.0 cents per share in cash was paid on 25 September 2015
- 2: The final dividend of HK3.0 cents per share in cash will be paid on 27 May 2016
- 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 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
 : Hong Kong
 : Hong Kong
 : Hong Kong
 : PRC
 : PRC
 : British Virgin Islands

Place of operation

Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Fujian, PRC
 Fujian, PRC
 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 2015.

The global economic growth continued to slow down in 2015. With global financial market fluctuation intensifying, commodity prices continued its downturn, and trade protection and currency competitive risk escalated, the momentum of the economic growth of developed economies in USA and European countries had slowed down. The growth rate of emerging market economies declined and the chemical fiber industry was in its downturn period. However, 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.

Looking back into the past year, the profitability of the chemical fiber industry stayed at a historically low level. Market prices of our major raw materials, namely purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), went down as a result of the significant decrease in crude oil price. Therefore, the price of chemical fiber products decreased accordingly, and such decrease had directly affected our product price trend. China's textile products export remained weak in 2015. Although the domestic sales growth rate of apparel, footwear and home furnishings had slowed down, such growth remained stable. Nevertheless, 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 bulk commodities, the price of our products declined to different extents despite a strong market demand for our products and a steady growth in the Group's sale volume during the year.

Chairman's Statement



The Group is the largest polyester filament yarns enterprise in Southern China and has all along been striving to 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 and integrate with national planning and policies for the chemical fiber industry and polyester thin film industry. The Group will target at forging a flagship enterprise in the polyester new material industry, further expand its scale, sharpen its competitive edge and leverage on its manufacturing advantages to enter into the high-end thin film products sector from a high starting point as soon as possible.

The Group has always paid attention to upstream resources, tracked and kept technologies for upstream raw materials, such as renewable materials, bio-based materials, etc, as well as raising the proportion of recyclable products. We were the first to realize the industrialization technologies of large capacity polyester trace additive modification, and the first to propose the applied in-situ polymerizing technologies in the industry to introduce large capacity polyester innovation in the industry, as well as on-line recycling of wasted filament and wasted film. Such

innovation enabled us to realize recycling economy and put us in a leading position in the industry. In addition, by using lithium bromide, we have recycled polyester residual steam and were the first to carry out the spin heat medium electric heating boilers re-engineering under own initiative, and stressed importance on eco-friendly and low-carbon development model while producing.

As regards to market development, during the year, the Group shifted from selling physical products in the past to the marketing strategies of mainly relying on product quality and personalized quality services. With more focus on customers' experience, feedback from customers was timely communicated to the technology and production center, whereby changing the unilateral communication previously to bilateral interaction, and especially focused on fast and efficient product after-sales services. The Company has constantly been optimizing settlement methods and carrying out training on staff to enable their service consciousness to achieve the marketing management optimization target. While consolidating our market share in Fujian and Guangdong Provinces, we will continue to strengthen the market development in emerging markets, improve service quality and brand recognition to increase the proportion of sales to end-customers.

Chairman's Statement



As regards to brand building, through enhancing the construction of media professional team during the year, we took full advantage of domestic and overseas exhibitions, large industry conferences, etc. to propagate our corporate philosophies and build our corporate recognition. Whilst optimizing the VI systems, we continued to improve corporate brand image and status and enhance brand building. Furthermore, we stressed great importance on brand protection and through timely and firstly registering and our proprietary brand applied for the recognition of renowned trademark to prevent the occurrence of brand infringement and disputes as well as safeguarding the proprietary brand.

As regards to talents training, the Group has stressed great importance on staff orientation training and on-the-job training as well as technical training. Not only can our staff in Billion to learn skills, but they also feel the caring from colleagues, especially from superiors as a big family.

During the year under review, the Group continued to improve our product quality and develop high value-added and differentiated products. The Group's product differentiation rate reached 63.7%. 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.

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 level enterprise technology centers. The Group has a first-class technology research and development team with various products and technologies development efforts reaching both the domestic and the world's leading standards, and owns certain patents. At the same time, most of our key equipment is imported from Germany and Japan which is of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation.

Chairman's Statement



With the arrival of polyester melt polymerization equipment (聚酯熔體聚合設備) one after another, their installation is underway. Upon the completion of the expansion plan of polyester thin films, our total production capacity of polyester thin films will reach 255,000 tons per year, and by that time, we will become the largest polyester thin film production enterprise in Southern China. The Group has sound regional advantages. With convenient raw material sources in the region, the well-developed light industries such as the apparel, footwear and hats and food in the downstream sectors have vast demand for plastic packages. The market capacity within the region is tremendous. By leveraging on the favourable geographical advantages, the polyester thin film business will achieve better development.

During the year under review, expenditures involved the payment for the purchase of property, plant and equipment, expenditure on construction in progress and payment for interests in leasehold land held for own use under operating lease in our investing activities amounted to RMB448,658,000, resulting in net current liabilities of RMB420,204,000 as at 31 December 2015. 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 2.4 times, and the overall liabilities remained at a stable level.

In 2015, the Company repurchased 30,332,000 of its shares from the secondary market, representing approximately 1.4% 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.

Chairman's Statement



Through introducing the strategic partner 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 CECEP has become closer in terms of co-operation opportunities and synergy. Together with our clear positioning 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.

Looking forward into 2016, along with the continuous development of the PRC’s economy towards the pace of “maintaining stability while achieving a decent growth” and the increasing growth in people’s leisure demand, improvement of domestic consumption ability and desire, there exists a macro environment for steady operations of the chemical fiber industry, which hopefully will improve the profit capacity of the chemical fiber industry. In order to strengthen the risk management and maintain the stability of operations of the Group, the Group will endeavour to improve internal control management. The

Group will continue to realize business growth through enhancing new market expansion, continuously seeking for opportunities, integrating with national planning and policies for the chemical fiber industry and polyester thin film industry. 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

18 March 2016

- Sales volume recorded a year-on-year increase of 8.8% to 699,547 tons
- Revenue recorded a year-on-year decrease of 13.3% to RMB5,461,403,000
- Gross profit recorded a year-on-year increase of 0.8% to RMB590,631,000
- Profit for the year recorded a year-on-year decrease of 0.8% to RMB201,888,000

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 2015:**

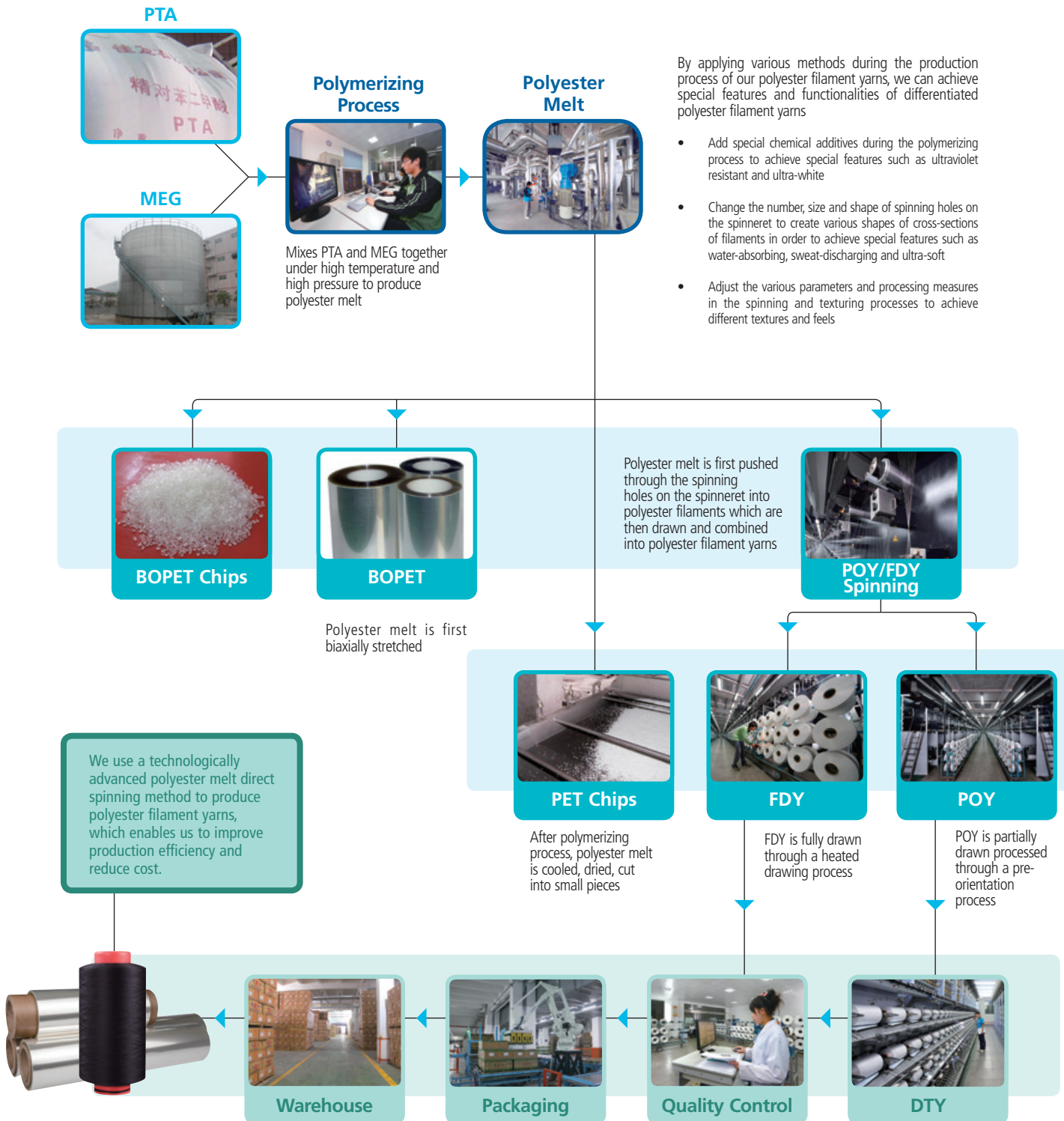
FDY+POY : 785,000 tons per year
DTY : 493,000 tons per year
BOPET : 36,500 tons per year

**Upon completion of expansion,
designed capacity will be:**

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



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

POY is processed through a texturing process to become DTY

Management Discussion and Analysis

Changes in Macro-economic environment

The global economic growth continued to slow down in 2015 and the road to recovery was still harsh. With global financial market fluctuation intensifying, commodity prices continued its downturn, trade protection and currency competitive risk escalated, the growth rate of developed economies in USA and European countries continued to pick up. However, the momentum had slowed down and the growth rate of emerging market economies declined. Facing complicated international situations and intensifying challenges from increasing economic downward pressure, the PRC economic growth rate continued to slow down in 2015 and maintained a stable development momentum overall, indicating a trend of progress while maintaining stability. In 2015, China's GDP grew by 6.9%. Although it was in line with the growth objective, such growth rate reflected that China's economy was still facing certain pressure. Looking from an internal perspective of China's economic development, the "three-phase aggregated" challenges as a result of the gear-changing phase for economic growth, the phase of periodic pain for structural adjustment and the digesting phase for preliminary stimulating policies, continue to exist. The rebound of international oil price failed to sustain throughout 2015, and exhibited a slowdown after a robust development during the earlier part of the year.

In 2015, the ultimate consumption in China contributed 66.4% of China's GDP growth, which is 15.4 percentage points higher than that of 2014. According to the National Bureau of Statistics of the PRC, the retail sales of apparel, footwear and textile products amounted to RMB1,348.4 billion in 2015, representing a year-on-year growth of 9.8%, among which, the sales in December 2015 was RMB151.7 billion, representing a year-on-year increase of 6.9%, demonstrating that the industry was developed towards "maintaining stability while achieving a decent growth".

Industry review

The textile industry in China is closely related to the macro-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. The average selling price of polyester filament yarns during 2015 has decreased as compared to 2014, which was mainly attributable to the fluctuation in raw material prices. In 2015, the market prices of both PTA and 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. By the end of 2015, the price of West Texas Intermediate Crude Oil dropped to US\$35 per barrel, which was close to its lowest level during the year under review. As regards to cotton, the Group's products are substitutes of cotton to a certain extent. As the subsequent impact of the previous reserve policy regarding cotton had not been eliminated, the basic situation of oversupply of cotton did not change, and inventory of cotton in the industry continued to increase. Coupled with the impact of United States Dollars appreciation, the cotton price still declined in 2015. However, 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

Owing to the continuous dampening of the global economy, every country shows declining demand for commodities, especially in the end textile and apparel sector. In recent years, as a result of increasing labour costs in the PRC, it is difficult for manufacturers to further reduce the cost of textile and apparel products. China's textile products export remained weak in 2015. In the long run, the global economic trend, exchange rate fluctuations and the signing of trading agreements in the surrounding regions are factors affecting the changes of PRC textile and apparel exports. However, the domestic sales growth rate of apparel, footwear and home furnishings had slowed down while maintaining stability.

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 was no significant new player entering the polyester thin films industry in China during the year under review. The Group will target at forging a flagship enterprise in the polyester new material industry, further expand the scale, sharpen its competitive edge and leverage on its manufacturing advantages to enter into the high-end thin film products sector from a high starting point. Currently, the surrounding environment is volatile with low costs hindering 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.

Business review

Stable growth in the Group's sales volume

The Group continued to strive for product quality improvement and development of differentiated products during the year under review. As a result, market demand for the Group's products remained strong and sales volume of the Group had maintained a stable growth during the year.

The Group emphasizes on and persists to pursue the technology innovation approach of a combination of "Production, Learning, Research and Application". Through our strong research and development team, the Group continued to: (i) co-operate with colleges and institutions, continuously contribute substantial 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 a guidance to the market. Our outstanding research and development and innovation capacity is the foundation of the Group for achieving 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. Aiming at "technology innovation and improving competitive strength", the Group formulates the deepened reform proposal through technology improvement, technology innovation, product mix optimization and recruiting new talents, and strives to improve its brand values and competitive strengths.

Management Discussion and Analysis

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 addition, most of our key equipment is imported from Germany and Japan which are of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation. During the year under review, the Group's product differentiation rate reached 63.7%. 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.

Moreover, the Group strived to establish a digital and intelligent automatic chemical fiber production workshop in 2015, and is the front runner of realizing the full process intelligent automatic production in the industry. The Group has strengthened its effort in recruitment of talents to enhance the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.

The Group has all along been giving great attention to marketing channel expansion and customer services. Our flexible sales strategies enable us to understand market situations in time, keep close to user needs, and communicate with ultimate customers directly and frequently to gather information. By integrating with strong technology research and development capability, we constantly adjust our product structure and provide customised product development services in order to fully meet our customers' differentiated demands, whereby occupying the product differentiated market in a better matter. 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 and continued to improve our response to the market whilst expanding the emerging markets. According to the user habits and demand feedback of downstream users in the emerging markets, we made functional improvement and technology upgrade to our existing product lines with suitable marketing strategy, strengthened quality control on export products, and maintained cost advantages. The Group's export sales for the year under review accounted for 14.8% of its total sales, maintaining a stable percentage of export sales.

All polyester thin film production lines of the Group are equipped with 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. With its location in Southern China, polyester thin films have sound regional advantages. With convenient raw material sources in the region, the well-developed light industries such as the apparel, footwear and hats and food in the downstream sectors have vast demand for plastic packages. The market capacity within the region is tremendous. By leveraging on the favourable geographical advantages, the expected designed annual production capacity will reach 255,000 tons per year after the expansion plan of polyester thin films is fully completed. By that time, the Group's business will achieve better development.

Production capacity expansion

As of 31 December 2015, the Group's designed production capacity for FDY and POY was 785,000 tons per year. For DTY, it was 493,000 tons per year, and polyester thin films was 36,500 tons per year. The installation of the second and third production lines of polyester thin films were completed and at the commissioning stage, while the fourth and fifth production lines are under construction. Upon completion of the installation and commissioning of the second to fifth production lines, the designed production capacity of polyester thin films will reach 255,000 tons per year.

Management Discussion and Analysis

Product research and development

As of 31 December 2015, the Company owned 82 national patents registered in China and had applied for 90 national patents. Among all of the Company's patented products, 46 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 RMB165,166,000 in 2015, representing 3.0% of our total revenue.

For the year ended 31 December 2015, revenue generated from the Group's differentiated products amounted to RMB3,476,623,000, accounted for 63.7% 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.

Laws and Regulations and Environmental Protection

Starting from 1 January 2015, the newly amended "Environmental Protection Law of the People's Republic of China" was enacted. The newly amended law clarified that every company in China holds an essential role in promoting the sustainable development of resources and environment. Together with the "Law of the People's Republic of China on Conserving Energy" and other relevant laws, our business is in strict compliance with the environmental regulations and rules while ensuring the highest quality standards in our products. The Group integrated the ISO9001 Quality Management System, ISO14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System to achieve coordinated management and improved the management efficiency of the Group effectively. The Group formulated enterprise standards which are more stringent than national standards for polyester filament yarns and conducted comprehensive inspection on the products used. In addition, the Group implemented product quality performance appraisal system comprehensively to all production departments. In 2015, Billion Fujian passed the Switzerland OEKO Environmental Protection Product First Class Recognition six years in a row, its chemical fiber products passed the random product quality inspection of Fujian Provincial Bureau of Quality and Technical Supervision for successive five years, and its thin film products passed the random inspection of products used for food of Fujian Provincial Bureau of Quality and Technical Supervision three years in succession.

For energy conservation and emission reduction, the Group constantly reduced the consumption of electricity, coal, gas and water through enhancing the organization, planning, implementation and inspection of energy saving and consumption reduction works, and by combining the actual situations and industrial characteristics of the Group, the Group actively developed recycling economy and focused on waste polyester filament yarns recycling and industrialization utilization of recovered polyester thin films. The Group passed the metrology system review of Quanzhou Metrology Institute. It improved the environmental protection management system and enhanced the environmental protection management standards in accordance with the requirements of cleaner production and the ISO14001 System, and became the main drafter of the industrial cleaner production standards.

Management Discussion and Analysis

Human-oriented, Factory is Home and Co-development

We believe staff is a key element of our success. Hence, we constantly adhere to the belief of “Human-oriented, Factory is Home and Co-development” to ensure fair and equitable protection to all staff, and we strictly comply with relevant labour laws, regulations and industry practices, striving to establish a harmonious enterprise.

Superior Hardware Facilities

The Group adopted humanized measures such as giving heavy weights to “Married Couple Workers”, running kindergartens, organizing “Summer and Winter Camps”, “Weekend Workshops” and “Psychological Consultation Room for Teenagers and established after-school tutoring platform for the children of our staff”, in which they have significantly improved staff’s sense of belongings. In addition, we have staff activity centers and entertainment venues such as large training center, library, table tennis rooms, basketball courts, tennis courts, gymnasium, yoga rooms and movie theatres. We organize our own corporate basketball team, hold various recreational and sports activities and organize staff outdoor travel to stimulate staff enthusiasm to the Group.

Perfect Incentive Facilities

The Group organizes staff to conduct training from time to time, holds various operation and skills competitions, encourages positive competition among staff and improves working efficiency, thereby increasing their job satisfaction and morale.

Occupational Development Plan

The Group cultivates itself as a learning-oriented enterprise to equip staff with professional knowledge, and enhances enthusiasm of staff on job learning, strengthens and improves staff’s academic background credentials. Meanwhile, we cooperated with Tianjin University to create “Baihong-Tianjin University Network Education College” to nourish and train talented professionals.

Emphasizing on Development Mechanism

The Group pays attention to the occupational career planning of our staff and establishes stepped-talents mechanism. The Group gives priorities to internal promotion for position openings, with equal promotion opportunities among all staff, and emphasizes on staff’s individual moral self-cultivation.

Management Discussion and Analysis

Financial Review

Operational Performance

1. Revenue

Revenue of the Group for 2015 was RMB5,461,403,000, representing a decrease of 13.3% as compared to RMB6,301,466,000 in 2014. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,298,177,000, accounting for 97.0% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB163,226,000, accounting for 3.0% 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 under review was RMB5,298,177,000, representing a decrease of RMB773,205,000 or 12.7% as compared to RMB6,071,382,000 in 2014. The average selling price of polyester filament yarns in the year under review was RMB7,783 per ton, representing a decrease of RMB2,004 or 20.5% as compared to RMB9,787 per ton in 2014. The continuous softened economic growth in China and the decrease in sales of polyester filament yarn products have affected the overall revenue of the Group despite the 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 680,716 tons during the year under review from 620,348 tons in 2014 (representing an increase of 60,368 tons or 9.7%). However, the selling price of the polyester filament yarns was continuously under pressure, leading to a drop in average selling price.

During the year under review, the Group further made optimized adjustment to product mix with higher product differentiation rate. 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 polyester filament yarn 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 under review was RMB163,226,000, representing a decrease of RMB66,858,000 or 29.1% as compared to RMB230,084,000 in 2014. The average selling price of polyester thin films in the year under review was RMB8,668 per ton, representing a decrease of RMB1,623 or 15.8% as compared to RMB10,291 per ton in 2014. The machines for the second and third production lines for polyester thin film business of the Group are currently still at the commissioning stage, while the fourth and fifth production lines are still under construction during the year under review.

To complement the sustainable development of polyester thin film business, the Group had devoted more time and resources in production technology improvement, equipment re-engineering and formulae innovation. Currently, the Group is able to produce polyester thin film products under different specifications and different uses, satisfying the needs from in a number of sectors in the PRC for functional polyester thin films. The Group re-engineered its polyester thin film production lines, and conducted research and development on various categories of thin film products under different raw material formulae and various technological conditions. Hence, during the year under review, sales volume of polyester thin films did not increase substantially as a result of the decrease in average selling price, causing a decrease in the revenue of polyester

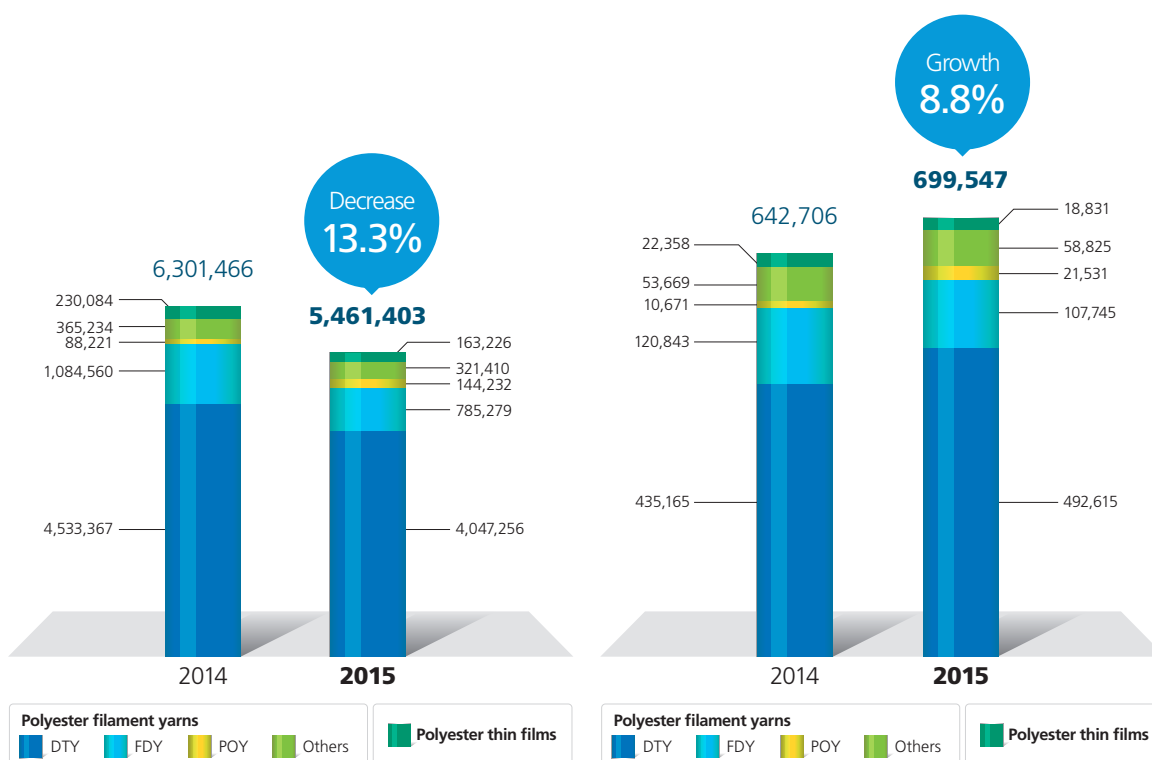
Management Discussion and Analysis

thin film products. It is expected that the annual production capacity of polyester thin films will reach 255,000 tons per year after the plan for an expansion of the Group's production capacity of polyester thin films is fully implemented, and by that time, the revenue attributable to the sales of polyester thin film products will increase substantially.

Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2015		2014		2015		2014	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	4,047,256	74.1%	4,533,367	71.9%	492,615	70.4%	435,165	67.7%
FDY	785,279	14.4%	1,084,560	17.2%	107,745	15.4%	120,843	18.8%
POY	144,232	2.6%	88,221	1.4%	21,531	3.1%	10,671	1.7%
Others *	321,410	5.9%	365,234	5.8%	58,825	8.4%	53,669	8.3%
Sub-total	5,298,177	97.0%	6,071,382	96.3%	680,716	97.3%	620,348	96.5%
Polyester thin films	163,226	3.0%	230,084	3.7%	18,831	2.7%	22,358	3.5%
Total	5,461,403	100.0%	6,301,466	100.0%	699,547	100.0%	642,706	100.0%

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



Management Discussion and Analysis

Geographic Breakdown of Sales

The Group continued to expand its market share in overseas markets. By improving our service quality and increasing our brand recognition, we have actively expanded our market share in the overseas markets. During the year under review, the percentage of export sales revenue of the Group was 14.8%, representing a slight decrease as compared to 2014. About 85.2% of the Group's revenue was generated from domestic market sales, of which 65.8% were to customers in Fujian Province and 16.1% 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. As affected by the downturn of the whole textile industry, the Group actively sought for change. Whilst maintaining its market share and position in Fujian and Guangdong Provinces, the Group continued to explore the Shandong, Jiangsu, Zhejiang and other provincial and municipal markets to provide customised product development services to our customers and develop strategic partners.

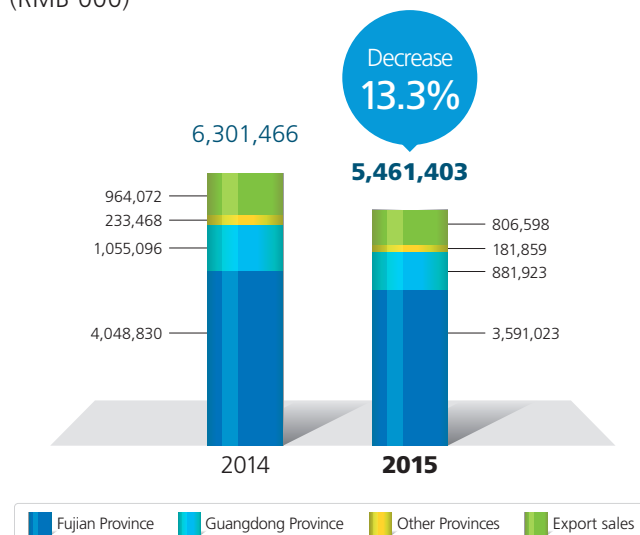
Geographic Breakdown of Revenue

	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Domestic sales				
Fujian Province	3,591,023	65.8%	4,048,830	64.3%
Guangdong Province	881,923	16.1%	1,055,096	16.7%
Other provinces	181,859	3.3%	233,468	3.7%
Export sales*	806,598	14.8%	964,072	15.3%
Total	5,461,403	100.0%	6,301,466	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)



Management Discussion and Analysis

2. *Cost of Sales*

The cost of sales of the Group in 2015 was RMB4,870,772,000, representing a decrease of 14.8% as compared to RMB5,715,541,000 in 2014. Such a decrease was primarily attributable to a combined impact of an increase in sales volume, the drop in both the raw materials prices and manufacturing costs.

The cost of sales for polyester filament yarns was RMB4,720,301,000, accounting for 96.9% of the total cost of sales. The cost of sales for polyester thin films was RMB150,471,000, accounting for 3.1% 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 revenue.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB8,881 per ton in 2014 to RMB6,934 per ton during the year under review, representing a decrease of RMB1,947 or 21.9%, 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 RMB7,132 per ton in 2014 to RMB5,303 per ton during the year under review, representing a decrease of RMB1,829 or 25.6%. The Group's key raw materials, namely PTA and MEG, accounted for 69.8% of the total cost of sales, the prices of which were directly affected by the crude oil price – a key raw material of PTA and MEG, which had dropped continuously in 2015.

Polyester thin films

The average cost of sales for polyester thin films dropped from RMB9,225 per ton in 2014 to RMB7,991 per ton during the year under review, representing a decrease of RMB1,234 or 13.4%. Of which, the average price of raw materials for polyester thin films dropped from RMB7,869 per ton in 2014 to RMB6,367 per ton during the year under review, representing a decrease of RMB1,502 per ton or 19.1%.

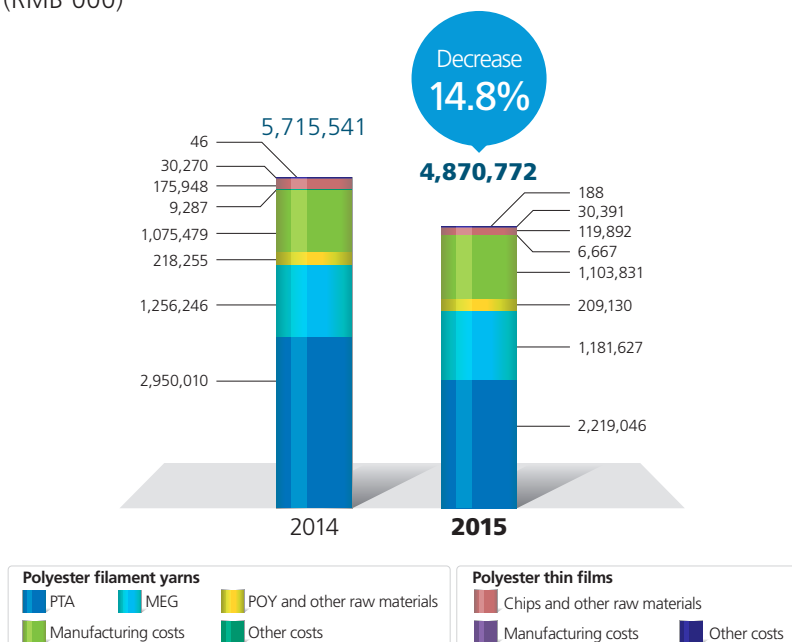
Management Discussion and Analysis

Analysis of cost of sales

	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	2,219,046	45.5%	2,950,010	51.6%
MEG	1,181,627	24.3%	1,256,246	22.0%
POY and other raw materials	209,130	4.3%	218,255	3.8%
Sub-total	3,609,803	74.1%	4,424,511	77.4%
Manufacturing costs	1,103,831	22.7%	1,075,479	18.8%
Other costs	6,667	0.1%	9,287	0.2%
Sub-total	4,720,301	96.9%	5,509,277	96.4%
Polyester thin films				
Cost of raw materials – chips and other raw materials	119,892	2.5%	175,948	3.1%
Manufacturing costs	30,391	0.6%	30,270	0.5%
Other costs	188	0.0%	46	0.0%
Sub-total	150,471	3.1%	206,264	3.6%
Total	4,870,772	100.0%	5,715,541	100.0%

Analysis of cost of sales

(RMB'000)



Management Discussion and Analysis

Analysis of product sales cost (Average per ton)

	2015		2014	
	RMB (Per ton)	Percentage	RMB (Per ton)	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	3,260	47.0%	4,755	53.5%
MEG	1,736	25.1%	2,025	22.8%
POY and other raw materials	307	4.4%	352	4.0%
Sub-total	5,303	76.5%	7,132	80.3%
Manufacturing costs	1,621	23.4%	1,734	19.5%
Other costs	10	0.1%	15	0.2%
Sub-total	6,934	100.0%	8,881	100.0%
Polyester thin films				
Cost of raw materials – chips and other raw materials	6,367	79.7%	7,869	85.3%
Manufacturing costs	1,614	20.2%	1,354	14.7%
Other costs	10	0.1%	2	0.0%
Sub-total	7,991	100.0%	9,225	100.0%
Total	6,963		8,893	

Management Discussion and Analysis

3. *Gross Profit*

The gross profit of the Group in 2015 was RMB590,631,000, which had increased by RMB4,706,000, representing an increase of 0.8% as compared to RMB585,925,000 in 2014. Sales volume of the Group during the year under review increased by 56,841 tons, representing an increase of 8.8% as compared to 2014. Average selling price of products decreased by RMB1,998 per ton, representing a decrease of 20.4% from the RMB9,805 in 2014 to RMB7,807 during the year under review, while average cost of products only decreased by RMB1,930 per ton, representing a decrease of 21.7% from RMB8,893 in 2014 to RMB6,963 during the year under review. Therefore, the average gross profit of products per ton decreased from RMB912 in 2014 to RMB844 during the year 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 was increased by 1.5 percentage points from 9.3% in 2014 to 10.8% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarn decreased by an average of RMB2,004 per ton, representing a decrease of 20.5% from RMB9,787 in 2014 to RMB7,783 during the year under review. The average gross profit of polyester filament yarn per ton decreased from RMB906 in 2014 to RMB849 during the year under review. The gross profit margin increased by 1.6 percentage points from 9.3% in 2014 to 10.9% during the year under review.

Polyester thin films

Average selling price of polyester thin films decreased by RMB1,623 per ton, representing a decrease of 15.8% from RMB10,291 in 2014 to RMB8,668 during the year under review. The average gross profit of polyester thin films per ton decreased from RMB1,066 in 2014 to RMB677 during the year under review. The gross profit margin decreased by 2.6 percentage points from 10.4% in 2014 to 7.8% during the year under review.

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

- (i) The prices 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, but the overall decrease is less than that of the raw materials and led to the increase in gross profit margin;
- (iii) During the year under review, the production volume of the Group had increased, and then led to an increase in the sales volume. As the effect of an increase in sales volume is less than that of a decrease in the average selling price, the average gross profit per ton for the year ended 31 December 2015 decreased as compared to the same for the year ended 31 December 2014.

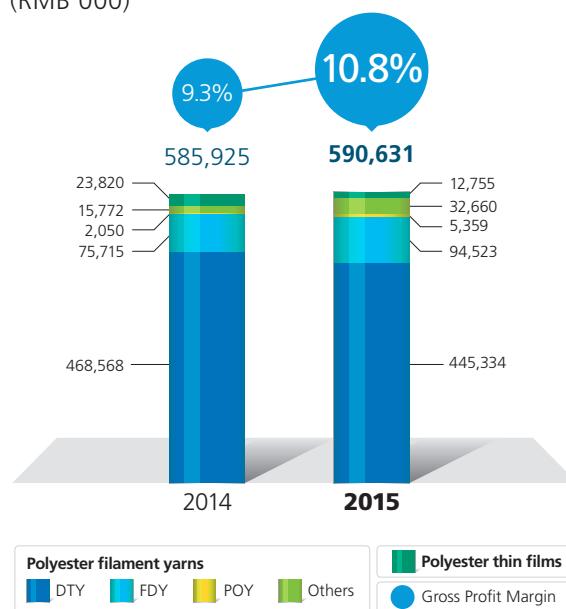
Management Discussion and Analysis

Analysis of gross profit by product

	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	445,334	75.4%	468,568	80.0%
FDY	94,523	16.0%	75,715	12.9%
POY	5,359	0.9%	2,050	0.3%
others*	32,660	5.5%	15,772	2.7%
Sub-total	577,876	97.8%	562,105	95.9%
Polyester thin films	12,755	2.2%	23,820	4.1%
Total	590,631	100.0%	585,925	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)

	2015 RMB	2014 RMB
Polyester filament yarns		
Average selling price	7,783	9,787
Average cost of sales	6,934	8,881
Average gross profit	849	906
Average gross profit margin	10.9%	9.3%
Polyester thin films		
Average selling price	8,668	10,291
Average cost of sales	7,991	9,225
Average gross profit	677	1,066
Average gross profit margin	7.8%	10.4%

4. Other revenue

Other revenue of the Group in 2015 amounted to RMB107,140,000, representing an decrease of 3.1% as compared to RMB110,598,000 in 2014. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such a decrease was attributable to the decrease in bank interest income and government grants during the year under review. During the year under review, government grants mainly included taxation rewards for key enterprises, supporting fund for foreign trade, encouraging and supporting fund for economic development, reward supporting fund for technological innovation and key enterprise reward.

5. Other net loss

Other net losses of the Group in 2015 amounted to RMB21,804,000 (2014: RMB2,762,000). Other net losses mainly comprised net exchange loss of RMB9,833,000 (2014: exchange gain of RMB9,521,000) and net loss on financial assets and liabilities at fair value through profit or loss of RMB14,332,000 (2014: RMB11,388,000) during the year under review.

Management Discussion and Analysis

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2015 amounted to RMB47,784,000, representing a decrease of 2.7% as compared to RMB49,110,000 in 2014. Selling and distribution expenses mainly included transportation cost, wages of our sales staff, operation expenses and promotion expenses. Such decrease was mainly due to an increase in sales proportion in Fujian Province during the year under review, which led to a decrease in relevant selling and transportation costs.

7. *Administrative expenses*

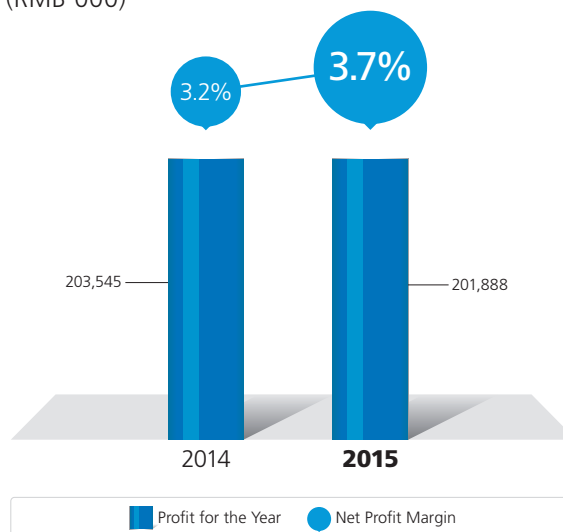
Administrative expenses of the Group in 2015 amounted to RMB266,708,000, which had decreased by 15.4% as compared to RMB315,119,000 in 2014. Administrative expenses mainly included research and development costs, depreciation of office equipment, staff wages, general office expenses, professional and legal fees. The change was primarily attributable to the combined effect of the decrease in research and development costs of the Group and the advisory service fee during the year under review.

8. *Finance costs*

Finance costs of the Group in 2015 amounted to RMB88,352,000, which had increased by 16.9% as compared to RMB75,603,000 in 2014. It was mainly due to the increase in the interest of bank advances and other borrowings.

Profit for the Year and Net Profit Margin

(RMB'000)



Management Discussion and Analysis

9. *Income tax*

Income tax of the Group in 2015 amounted to RMB71,235,000, which had increased by 41.4% as compared to RMB50,384,000 in 2014. It was mainly due to the income tax expense of RMB20,008,000 paid by Billion Fujian during the year under review which is expected to be non-refundable. 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 2015. 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 2015 amounted to RMB201,888,000, which had decreased by RMB1,657,000 or 0.8% as compared to RMB203,545,000 in 2014. Net profit margin was 3.7%, which had increased by 0.5 percentage points as compared to 3.2% in 2014. The increase was mainly due to the combined effect of the increase in gross profit, decrease in administrative expenses and increase in income tax during the year under review.

Financial Position

1. *Liquidity and capital resources*

As at 31 December 2015, cash and cash equivalent of the Group amounted to RMB518,690,000, which had decreased by RMB363,546,000 or 41.2% as compared to RMB882,236,000 as at 31 December 2014. Such a decrease was mainly due to the expansion of plants and the purchase of production equipment and an increase of cash outflow from the financing activities during the year under review.

During the year under review, net cash inflow generated from operating activities amounted to RMB384,833,000 and net cash inflow generated from investing activities amounted to RMB67,039,000 and net cash outflow from financing activities amounted to RMB877,088,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year under review, inventory turnover day was 35.4 days (2014: 34.9 days), which had no significant change as compared with 2014. Accounts receivable turnover days was 43.2 days (2014: 33.8 days), representing an increase of 9.4 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 49.5 days (2014: 60.8 days), representing a decrease of 11.3 days as compared to the same period last year.

As at 31 December 2015, the Group had capital commitments of RMB449,350,000 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.

Management Discussion and Analysis

2. Capital Structure

As at 31 December 2015, the total liabilities of the Group amounted to RMB3,737,794,000, and capital and reserves amounted to RMB5,163,986,000. The gearing ratio (total liabilities divided by total equity) was 72.4%. Total assets amounted to RMB8,901,780,000. The asset liability ratio (total assets divided by total liabilities) was 2.4 times. Bank loans of the Group amounted to RMB2,656,083,000, of which RMB2,639,886,000 were repayable within one year and RMB16,197,000 were repayable after one year. Among the bank borrowings, 42.6% 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 2015.

Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities (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 31 December 2015, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB430,763,000 and the net liabilities exposure denominated in Euro of RMB190,667,000.

Employees and Remuneration

As at 31 December 2015, the Group had a total of 3,249 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.

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, the Group has established international sales & marketing network in Europe, Southeast Asia, North America, South America and other regions. Our products have been sold to more than 30 countries such as Portugal, Brazil, Indonesia, Belgium, Spain, Vietnam, Italy, Turkey, Korea and Thailand. The Group has established long-term business relationships with several domestic well-known garments and shoes manufacturers. We have more than 2,100 customers around the world. The low customer concentration was beneficial to enhance corporate’s risk resistance ability and bargaining power. The Group will continue to improve its channel and network layout of the relevant regions and accelerate the development of overseas sales & marketing system. Every effort will be made to radiate and expand by focusing on the key target emerging markets such as Central Asia, South Asia, Southeast Asia and Eastern Europe. At the same time, it will increase corporate branding marketing and establishment to enhance the international competitiveness of the Group’s products.

We believe that differentiated products will continue to provide the Group with stable profits. The Group puts into full play its research and development ability advantages of differentiated products on differentiated polyester filament yarn business, and 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 the technical upgrades of textile products in surrounding regions, enrich and expand industrial chains of textile-related industries, and explore opportunities for expanding its competitive products such as super textile-cotton to the nationwide markets as well as overseas markets.

In addition, in expanding production capacity scale at a steady pace on polyester thin film business, putting into full play the manufacturing advantages on advanced production facilities, through the opening up of the market by firstly relying on packaging tangle film, we enter the high-end thin film sector from a high starting point, and rapidly enter into Guangdong market by leveraging on the advantages of low melt direct production costs. The Group is currently the sole manufacturing polyester thin film enterprise in Fujian Province. Upon the completion of the polyester thin film expansion plan, the production capacity of polyester thin film will be the top in Southern China, and by that time, the sales of polyester thin films and its proportion to the Group’s total revenue will increase accordingly.

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 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. 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 2015.

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 2015.

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 2015. 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 2015, 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.

Corporate Governance Report

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.

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.

Corporate Governance Report

The individual attendance record of each Director for the meetings of the Board and the general meetings held during the year ended 31 December 2015 is set out below:

Name of Director	Attendance/ Number of Meetings	
	Board Meetings	Shareholders Meetings
<i>Executive Directors</i>		
Mr. Sze Tin Yau (<i>Co-chairman</i>)	4/4	1/1
Mr. Wu Jinbiao (<i>Chief executive officer</i>)	4/4	1/1
Mr. Wang Li (appointed on 15 July 2015)	2/3	0/0
Mr. Yu Heping (resigned on 15 July 2015)	1/1	1/1
Mr. Xue Mangmang	3/4	1/1
<i>Non-executive Directors</i>		
Mr. Yang Yihua (<i>Co-chairman</i>)	2/4	1/1
Mr. Wu Zhongqin	4/4	1/1
<i>Independent non-executive Directors</i>		
Mr. Chan Shek Chi	4/4	1/1
Mr. Ma Yuliang	4/4	1/1
Mr. Lin Jian Ming	4/4	1/1

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.

Corporate Governance Report

Chairman and chief executive officer

For the year ended 31 December 2015, the co-chairmen of the Board were Mr. Sze Tin Yau and Mr. Yang Yihua. For the year ended 31 December 2015, 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 2015 is set out below. The Directors as at 31 December 2015 confirmed that they had complied with such requirement for the period under review.

Name of Director	Professional Training attended
<i>Executive Directors</i>	
Mr. Sze Tin Yau (<i>Co-chairman</i>)	Yes
Mr. Wu Jinbiao (<i>Chief executive officer</i>)	Yes
Mr. Wang Li (appointed on 15 July 2015)	Yes
Mr. Yu Heping (resigned on 15 July 2015)	–
Mr. Xue Mangmang	Yes
<i>Non-executive Directors</i>	
Mr. Yang Yihua (<i>Co-chairman</i>)	Yes
Mr. Wu Zhongqin	Yes
<i>Independent non-executive Directors</i>	
Mr. Ma Yuliang	Yes
Mr. Lin Jian Ming	Yes
Mr. Chan Shek Chi	Yes

Corporate Governance Report

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 with a fixed term, 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.

Corporate Governance Report

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

During the year ended 31 December 2015, members of the Remuneration Committee comprised 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 2015, the Remuneration Committee mainly performed the following duties:

- recommended the remuneration of Mr. Wang Li 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 2016.

During the year ended 31 December 2015, 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. Chan Shek Chi (<i>Chairman</i>)	1/1
Mr. Sze Tin Yau	1/1
Mr. Ma Yuliang	1/1

Corporate Governance Report

Nomination Committee

During the year ended 31 December 2015, members of the Nomination Committee comprised Mr. Sze Tin Yau (Chairman), Mr. Chan Shek Chi and Mr. Lin Jian Ming. 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 2015, the Nomination Committee mainly performed the following duties:

- reviewed the qualifications of Mr. Sze Tin Yau, Mr. Yu Heping, Mr. Lin Jian Ming and Mr. Chan Shek Chi and recommended their re-appointments to the Board;
- reviewed the qualifications of Mr. Wang Li and recommended his appointment 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 2015.

Corporate Governance Report

During the year ended 31 December 2015, 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 (<i>Chairman</i>)	1/1
Mr. Lin Jian Ming	1/1
Mr. Chan Shek Chi	1/1

Audit Committee

During the year ended 31 December 2015, members of the audit committee of the Board (the "Audit Committee") comprised Mr. Chan Shek Chi (chairman), Mr. Lin Jian Ming and Mr. Ma Yuliang, all being independent non-executive Directors. 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 2015, the audit committee mainly performed following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2014 and the unaudited interim results for the six months ended 30 June 2015, 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.

Corporate Governance Report

During the year ended 31 December 2015, 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. Chan Shek Chi (<i>Chairman</i>)	4/4
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 2015, members of the Corporate Governance Committee initially comprised four executive Directors, namely Mr. Sze Tin Yau (chairman), Mr. Wu Jinbiao, Mr. Yu Heping and Mr. Xue Mangmang. Mr. Wang Li was appointed on 15 July 2015 as member of the Corporate Government Committee following the resignation of Mr. Yu Heping. 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 2015, 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.

Corporate Governance Report

During the year ended 31 December 2015, 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 (<i>Chairman</i>)	1/1
Mr. Wu Jinbiao	1/1
Mr. Wang Li (appointed on 15 July 2015)	1/1
Mr. Yu Heping (resigned on 15 July 2015)	0/0
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 2015, 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 2015, 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 2015, the Group was required to pay an aggregate of approximately RMB1,710,000 (2014: RMB1,970,000) to the external auditors for their audit services relating to financial information and approximately RMB630,000 (2014: RMB630,000) for their non-audit services, which mainly includes review of financial statements.

Corporate Governance Report

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 2015 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 2015.

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.

Corporate Governance Report

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 13 May 2016 (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 2015, 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 46, 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 25 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 2015, Mr. Sze was the sole shareholder and director of Kingom Power Limited ("Kingom Power"). Kingom Power and 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 66.51% of the issued shares capital of the Company as at 31 December 2015. 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.

Directors and Senior Management

Mr. Wu Jinbiao, aged 53, 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 30 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 2015, Mr. Wu was the sole shareholder and director of Winwett Investments Limited, which was interested in 8.12% of the issued share capital of the Company as at 31 December 2015 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.

Mr. Wang Li, aged 47, has over 10 years of experience in the environmental protection industry. From 2002 to 2005, Mr. Wang served as an executive deputy general manager of Tianjin Guohuan Company* (天津國環公司), the president of Tianjin Construction Shale Company* (天津建工頁岩公司) as well as the chairman and general manager of Hebei Guoneng New Material Company* (河北國能新型材料公司). From 2005 to 2012, Mr. Wang served as the deputy general manager of CECEP New Material Investment Co., Ltd.* (中節能新材料投資有限公司). From 2006 to 2009, Mr. Wang served as the chairman and general manager of Fujian Guoneng Company* (福建國能公司). In 2012, Mr. Wang served as the deputy supervisor of Cooperation and Development Department of CECEP, an indirect holding company of Hong Kong Rong An, a controlling shareholder of the Company. From 2013 to 2015, Mr. Wang served as the deputy general manager of CECEP Industrial Energy Conservation Co., Ltd.* (中節能工業節能有限公司) as well as the general manager and party branch secretary of CECEP Central China Industry Development Co., Ltd.* (中節能華中實業發展有限公司). He is currently an executive director of Hong Kong Rong An and the chairman of CECEP Chongqing, both of which are controlling shareholders of the Company. Mr. Wang has also 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 1 July 2015. Mr. Wang graduated from Changchun Tax Institute (長春稅務學院) in business administration in 2005.

Directors and Senior Management

As at 31 December 2015, Mr. Wang 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 66.51% of the issued shares capital of the Company as at 31 December 2015. Saved as disclosed above, Mr. Wang 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 44, has over 10 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 62, 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 29, 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.

Directors and Senior Management

Independent Non-executive Directors

Mr. Chan Shek Chi, aged 38, 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.

Mr. Ma Yuliang, aged 77, 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 54, 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.

Directors and Senior Management

Senior management

Mr. Wu Jianshe, aged 61, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu has more than 29 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 49, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He has approximately 25 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 57, is a vice president of the Company and a senior engineer. He has approximately 32 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 38, is a vice president of the Company. He has approximately 18 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 39, 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 15 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 35, 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.* (騰龍芳煙(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 40, 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 and was qualified as a Senior Level Accountant of the PRC in September 2015.

* 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 2015.

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 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

Business review

The business review of the Group as at 31 December 2015 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 16 to 19.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out in note 12 to the consolidated financial statements.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2015, 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 71 to 133.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB201,888,000 (2014: profit of RMB203,545,000) has been transferred to reserves.

An interim dividend of HK3.0 cents per share (2014: HK3.0 cents per share) was paid on 25 September 2015.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2015 are set out in the consolidated statement of changes in equity and note 20 to the financial statement, respectively.

Report of the Directors

Distributable reserves

As at 31 December 2015, 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\$822,396,000, of which approximately HK\$65,334,840 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 2015, the Group held property, plant, equipment and other fixed assets of approximately RMB5,476,307,000. Details of the movements in fixed assets are set out in note 11 to the financial statements.

Major suppliers and customers

During the year ended 31 December 2015, the aggregate sales attributable to the Group's five largest customers accounted for approximately 17.5% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 12.4% of the Group's total sales. During the year ended 31 December 2015, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 51.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 22.0% 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 2015 amounted to approximately RMB74,000 (2014: approximately RMB255,000).

Share capital

Details of the movement in share capital of the Company during the year are set out in note 20 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.

Report of the Directors

Purchase, sale or redemption of the Company's shares

During the year ended 31 December 2015, 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
January 2015	1,298,000	4.00	3.23	3,685,000
April 2015	4,898,000	3.60	3.30	13,173,000
May 2015	9,736,000	3.69	3.35	26,700,000
June 2015	2,524,000	5.18	3.90	9,105,000
July 2015	3,860,000	4.68	3.36	12,054,000
August 2015	174,000	4.08	4.03	577,000
September 2015	2,144,000	4.22	3.90	7,179,000
October 2015	448,000	4.35	4.15	1,544,000
November 2015	1,762,000	4.43	4.12	6,178,000
December 2015	3,488,000	4.50	4.20	12,820,000
	30,332,000			93,015,000

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 30,322,000 shares were repurchased in 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 RMB255,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$115,860,000 (equivalent to RMB92,760,000) 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.

Report of the Directors

Results and dividends

The results of the Group for the year ended 31 December 2015 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 2015 to the shareholders whose names appear on the register of members of the Company on 23 May 2016, 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 134 of this annual report. Such summary does not form part of the audited financial statements.

Directors

The Directors during the year ended 31 December 2015 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. 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

Report of the Directors

Independent non-executive Directors

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

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, that of Mr. Xue Mangmang commenced on 17 September 2012, and that of Mr. Wang Li commenced on 15 July 2015.

Each of the non-executive Directors Mr. Ma Yuliang and Mr. Chan Shek Chi 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 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. Mr. Lin Jian Ming has signed a letter of appointment with the Company for a term of three years commencing from 31 March 2013, which was renewed for a further term of one year commencing from 31 March 2016. 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.

Report of the Directors

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of persons
HK\$nil to HK\$500,000	5
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 2015 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 2015 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.

Report of the Directors

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 2015, 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	66.51%
Mr. Wu Jinbiao ⁽²⁾	Interest in controlled corporation	176,820,000	8.12%

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 176,820,000 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 2,178,160,000 issued shares of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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).

Report of the Directors

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

As at 31 December 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 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	66.51%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") ^(b)	Through controlled corporations	1,448,732,808	66.51%
China Energy Conservation and Environmental Protection Group ("CECEP") ^(c)	Through controlled corporations	1,448,732,808	66.51%
Kingom Power Limited ("Kingom Power") ^(d)	Beneficial owner and parties acting in concert	1,448,732,808	66.51%
Winwett Investments Limited	Beneficial owner	176,820,000	8.12%
Ever Luxuriant Global Trading Limited ("Ever Luxuriant")	Beneficial owner	184,196,000	8.46%
Mr. Huang Shao Rong ^(e)	Beneficial owner and through controlled corporation	202,975,000	9.32%
Haibin International Investments Limited ("Haibin International")	Beneficial owner	137,274,000	6.30%
Mr. Lin Haibin ^(f)	Beneficial owner and through controlled corporation	159,223,000	7.31%
Export-Import Bank of China	Person having a security interest in shares	300,000,000	13.77%

Report of the Directors

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 2,178,160,000 issued shares of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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.

Report of the Directors

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.

Eligible participants of the Share Option Scheme includes (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group; (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect Shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (e) above.

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.

Under the Share Option Scheme, no option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company's issued share capital from time to time. Participants of the Share Option Scheme are required to pay the Company HK\$1.00 upon acceptance of the grant within 28 days after the offer date.

The exercise of any option which may be granted under the Share Option Scheme shall be determined by the Board and shall be not 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 of the date 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.

Report of the Directors

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised; however, the Board may, subject to the provisions of the Listing Rules, 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 it may think fit.

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. As at 31 December 2015, the remaining life of the Share Option Scheme was about 5 years and 6 months.

No options have been granted under the Share Option Scheme since its adoption up to 31 December 2015.

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 2015, the Group’s total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB3,533,000 (2014: RMB2,989,000). Details of the Group’s pension scheme are set out in note 6(b) to the financial statements.

Report of the Directors

Connected transactions and related party transactions

(A) Connected transactions – continuing connected transactions

During the year ended 31 December 2015, 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 2015, pursuant to a sales agreement entered into between Billion Fujian and Baikai Elastic Weaving on 28 November 2014, 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 2015, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB195,176,000, which is within the approved cap of RMB199,800,000 as disclosed in the Company’s announcement dated 28 November 2014 and circular dated 15 January 2015.

Report of the Directors

(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 2015, pursuant to a sales agreement entered into between Billion Fujian and Baikai Wrap Knitting on 28 November 2014, 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 2015, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB254,380,000, which is within the approved cap of RMB255,600,000 as disclosed in the Company’s announcement dated 28 November 2014 and circular dated 15 January 2015.

(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 2015, pursuant to a sales agreement entered into between Billion Fujian and Baikai Textile on 28 November 2014, 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 2015, sales to Baikai Textile by Billion Fujian amounted to approximately RMB226,398,000, which is within the approved cap of RMB245,000,000 million as disclosed in the Company’s announcement dated 28 November 2014 and circular dated 15 January 2015.

Report of the Directors

(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 2015, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Zipper on 28 November 2014, 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 2015, sales to Baikai Zipper by Billion Fujian amounted to approximately RMB4,148,000, which is within the approved cap of RMB10,300,000 as disclosed in the Company’s announcement dated 28 November 2014 and circular dated 15 January 2015.

(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 2015, pursuant to a purchase agreement and a processing agreement both entered into between Billion Fujian and Baikai Paper on 28 November 2014, 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 28 November 2014, 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 2015, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB237,702,000 and RMB2,078,000 respectively, which are within the approved cap of RMB323,000,000 and RMB86,200,000 respectively as disclosed in the Company’s announcement dated 28 November 2014 and circular dated 15 January 2015.

Report of the Directors

(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 ("Framework Agreement") 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 66.51% of the Company's issued share capital as at 31 December 2015, thus also a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing is also a controlling shareholder of CECEP COSTIN and controls the composition of a majority of the board of directors of 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 2015, aggregate sales to, and aggregate purchases from, the Subsidiaries of CECEP COSTIN Group by Billion Fujian pursuant to the Framework Agreement amounted to approximately RMB20,913,000 and RMB84,000, respectively, which were within the approved cap of RMB76,500,000 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.

Report of the Directors

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 2015.

Renewal of continuing connected transactions

On 21 December 2015, Billion Fujian entered into a new framework agreement with the Subsidiaries of CECEP CONSTIN Group to renew the Framework Agreement, which had expired on 31 December 2015, for a term of three years from 1 January 2016 to 31 December 2018. Please refer to the announcement dated 21 December 2015 of the Company for more details of the aforesaid transaction.

(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 23 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 2015.

Report of the Directors

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 2015.

Sufficiency of public float

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, 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 2015 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 2015 are set out in note 18 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 2015. The financial statements had been agreed by the external auditors of the Company.

Auditors

The consolidated financial statements for the year ended 31 December 2015 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 2015. 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 23 May 2016.

Report of the Directors

Closure of register of members

The register of members of the Company will be closed from Wednesday, 11 May 2016 to Friday, 13 May 2016 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 10 May 2016.

Further, the register of members of the Company will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016, 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 Wednesday, 18 May 2016.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Friday, 27 May 2016, to shareholders whose names appear on the register of members of the Company on Monday, 23 May 2016.

On behalf of the Board

Sze Tin Yau

Co-chairman

Hong Kong, 18 March 2016

* *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 71 to 133, which comprise the consolidated statement of financial position as at 31 December 2015, 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 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

18 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	5,461,403	6,301,466
Cost of sales		(4,870,772)	(5,715,541)
Gross profit		590,631	585,925
Other revenue	4	107,140	110,598
Other net loss	5	(21,804)	(2,762)
Selling and distribution expenses		(47,784)	(49,110)
Administrative expenses		(266,708)	(315,119)
Profit from operations		361,475	329,532
Finance costs	6(a)	(88,352)	(75,603)
Profit before taxation	6	273,123	253,929
Income tax	7	(71,235)	(50,384)
Profit for the year attributable to equity shareholders of the Company		201,888	203,545
Earnings per share			
Basic and diluted (RMB)	10	0.09	0.09

The notes on pages 77 to 133 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 20(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year attributable to equity shareholders of the Company	201,888	203,545
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	(78,025)	10,766
Total comprehensive income for the year attributable to equity shareholders of the Company	123,863	214,311

The notes on pages 77 to 133 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	11		
– Other property, plant and equipment		4,211,722	4,432,372
– Construction in progress		832,831	745,545
– Interests in leasehold land held for own use under operating leases		431,754	441,430
		5,476,307	5,619,347
Deposits and prepayments	14	242,255	117,977
		5,718,562	5,737,324
Current assets			
Inventories	13	529,823	415,702
Trade and other receivables	14	826,000	1,025,432
Restricted bank deposits	15	1,308,705	1,757,250
Cash and cash equivalents	16	518,690	882,236
		3,183,218	4,080,620
Current liabilities			
Trade and other payables	17	911,324	1,350,636
Bank loans	18	2,639,886	3,064,501
Current taxation	19(a)	52,212	46,655
		3,603,422	4,461,792
Net current liabilities		(420,204)	(381,172)
Total assets less current liabilities		5,298,358	5,356,152

Consolidated Statement of Financial Position

At 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Bank loans	18	16,197	16,830
Deferred tax liabilities	19(b)	118,175	100,307
		134,372	117,137
NET ASSETS			
		5,163,986	5,239,015
CAPITAL AND RESERVES			
	20		
Capital		18,317	18,572
Reserves		5,145,669	5,220,443
TOTAL EQUITY			
		5,163,986	5,239,015

Approved and authorised for issue by the Board of Directors on 18 March 2016.

Sze Tin Yau
Director

Wu Jinbiao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(Expressed in Renminbi)

Note	Share	Share	Capital	Statutory	Capital	Exchange	Retained	Total
	capital	premium	redemption	reserve	reserve	reserve	profits	
	note 20(c)(i)	note 20(d)(i)	note 20(d)(ii)	note 20(d)(iii)	note 20(d)(iv)	note 20(d)(v)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 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	20(b)	(54,850)	-	-	-	-	-	(54,850)
Purchase of own shares	20(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	20(b)	(52,836)	-	-	-	-	-	(52,836)
Appropriation to statutory reserve		-	-	24,762	-	-	(24,762)	-
Balance at 31 December 2014 and 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 2015:								
Profit for the year	-	-	-	-	-	-	201,888	201,888
Other comprehensive income	-	-	-	-	-	(78,025)	-	(78,025)
Total comprehensive income	-	-	-	-	-	(78,025)	201,888	123,863
Dividends approved in respect of the previous year	20(b)	(51,926)	-	-	-	-	-	(51,926)
Purchase of own shares	20(c)(ii)							
- par value paid		(255)	-	-	-	-	-	(255)
- premium paid		(92,760)	-	-	-	-	-	(92,760)
- transfer between reserves		(255)	255	-	-	-	-	-
Dividends declared in respect of the current year	20(b)	(53,951)	-	-	-	-	-	(53,951)
Appropriation to statutory reserve		-	-	23,848	-	-	(23,848)	-
Balance at 31 December 2015	18,317	807,937	1,016	325,126	1,805,631	(112,014)	2,317,973	5,163,986

The notes on pages 77 to 133 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	16(b)	432,643	506,685
Income tax paid		(47,810)	(28,747)
Net cash generated from operating activities		384,833	477,938
Investing activities			
Payment for the purchase of property, plant and equipment		(2,978)	(19,599)
Expenditure on construction in progress		(263,970)	(165,530)
Payment for interests in leasehold land held for own use under operating lease		(181,710)	(83,375)
Proceeds from disposal of property, plant and equipment		1,370	83
Interest received		65,975	38,928
Decrease/(increase) in restricted bank deposits		448,352	(488,336)
Net cash generated from/(used in) investing activities		67,039	(717,829)
Financing activities			
Payments of repurchase of shares	20(c)(ii)	(93,015)	(42,984)
Proceeds from new bank loans		2,575,685	3,178,327
Repayment of bank loans		(3,160,423)	(2,087,383)
Interest paid		(93,458)	(55,436)
Dividend paid to equity shareholders of the Company		(105,877)	(107,686)
Net cash (used in)/generated from financing activities		(877,088)	884,838
Net (decrease)/increase in cash and cash equivalents		(425,216)	644,947
Cash and cash equivalents at 1 January		882,236	219,846
Effect of foreign exchange rate changes		61,670	17,443
Cash and cash equivalents at 31 December	16(a)	518,690	882,236

The notes on pages 77 to 133 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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as “the Group”).

The measurement basis used in the preparation of the 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 these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs 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:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(d) Subsidiaries (Continued)

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.

(f) Property, plant and equipment

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

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.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(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;
- 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(i) *Impairment of receivables (Continued)*

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

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.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

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

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(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:

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(s) Translation of foreign currencies (Continued)

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.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(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.
- (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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(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 revenue 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting judgement and estimates (Continued)

(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 21(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 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 VAT, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2015 RMB'000	2014 RMB'000
Polyester filament yarns products	5,298,177	6,071,382
Polyester thin films products	163,226	230,084
	5,461,403	6,301,466

The Group's customer base is diversified and includes one customer (2014: nil) with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2015. The amount of sales to this customer amounted to approximately RMB677,307,000 (2014: RMB502,213,000).

4 Other revenue

	2015 RMB'000	2014 RMB'000
Bank interest income	53,608	57,349
Government grants	33,315	40,863
Sales of raw materials	20,128	12,322
Others	89	64
	107,140	110,598

During the year, government grants of RMB33,315,000 (2014: RMB40,863,000) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 Other net loss

	2015 RMB'000	2014 RMB'000
Net gain on sale of property, plant and equipment	(975)	(14)
Donation	74	255
Net exchange loss/(gain)	9,833	(9,521)
Net loss on financial assets and liabilities at fair value through profit or loss	14,332	11,388
Others	(1,460)	654
	21,804	2,762

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2015 RMB'000	2014 RMB'000
Interest on bank advances and other borrowings	70,960	66,898
Other interest expenses	17,392	8,705
	88,352	75,603

* No borrowing costs have been capitalised in 2015 (2014: nil).

(b) Staff costs (including directors' emoluments in note 8):

	2015 RMB'000	2014 RMB'000
Contributions to defined contribution retirement plan	3,533	2,989
Salaries, wages and other benefits	159,138	177,167
	162,671	180,156

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 Profit before taxation (Continued)

(c) Other items:

	2015 RMB'000	2014 RMB'000
Amortisation of interests in leasehold land held for own use under operating leases	9,676	14,653
Depreciation	278,412	261,404
Auditors' remuneration	2,340	2,600
Operating lease charges in respect of properties	360	360
Research and development costs*	165,166	202,015
Cost of inventories**	4,870,772	5,715,541

* Research and development costs include RMB52,947,000 (2014: RMB50,553,000) 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 RMB334,671,000 (2014: RMB345,677,000) 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:

	2015 RMB'000	2014 RMB'000
Current tax – PRC Income Tax		
Provision for the year	54,088	32,847
Over-provision in respect of prior years	(721)	(10)
	53,367	32,837
Deferred tax (note 19(b))		
Origination and reversal of temporary differences	17,868	17,547
	71,235	50,384

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 Income tax in the consolidated income statement (Continued)**(b) Reconciliation between income tax and accounting profit at applicable tax rates:**

	2015 RMB'000	2014 RMB'000
Profit before taxation	273,123	253,929
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	73,468	68,799
Tax effect of non-deductible expenses	5,352	4,869
Tax effect of non-taxable income	(112)	(515)
Tax effect of unused tax losses not recognised	4,009	6,196
Over-provision in prior years	(721)	(10)
Tax concessions (note (iii))	(30,769)	(28,955)
Others (note (v))	20,008	–
Actual tax expenses	71,235	50,384

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 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 the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2015 to 2017 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%.
- (v) Others represent additional one-off tax charged to the Group by the local tax authorities. The payment was non-refundable and non deductible tax expenses of RMB 20,008,000 paid by Billion Fujian during the year.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2015 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	830	–	14	844
Mr. Wu Jinbiao	–	805	–	14	819
Mr. Yu Heping (i)	86	–	–	–	86
Mr. Wang Li (ii)	74	–	–	–	74
Mr. Xue Mangmang	161	–	–	–	161
Non-executive directors					
Mr. Yang Yihua	803	–	–	–	803
Mr. Wu Zhongqin	161	–	–	–	161
Independent non-executive directors					
Mr. Chan Shek Chi	112	–	–	–	112
Mr. Ma Yuliang	73	–	–	–	73
Mr. Lin Jian Ming	73	–	–	–	73
Total	1,543	1,635	–	28	3,206

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments (Continued)

	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 (iii)	170	–	–	–	170
Mr. Yang Donghui (iii)	16	–	–	–	16
Mr. Yang Jun (iii)	16	–	–	–	16
Mr. Ding Guoqiang (iii)	16	–	–	–	16
Ms. Ma Yun (iii)	16	–	–	–	16
Mr. Chen Bo (iii)	16	–	–	–	16
Mr. Yang Yihua	622	–	–	–	622
Mr. Wu Zhongqin	124	–	–	–	124
Independent non-executive directors					
Mr. Chan Shek Chi	66	–	–	–	66
Mr. Yeung Chi Tat (iv)	59	–	–	–	59
Mr. Ma Yuliang	72	–	–	–	72
Mr. Lin Jian Ming	72	–	–	–	72
Ms. Zhu Meifang (iii)	16	–	–	–	16
Mr. Li Zhi Xian (iii)	16	–	–	–	16
Total	1,613	1,639	–	26	3,278

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. Yu Heping has resigned as an executive director, with effect from 15 July 2015.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments (Continued)

- (ii) Mr. Wang Li has been appointed as an executive director, for a term of three years, with effect from 15 July 2015.
- (iii) Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun, Mr. Ding Guoqiang, Ms. Ma Yun and Mr. Chen Bo had resigned as non-executive directors, Ms. Zhu Meifang and Mr. Li Zhixian had resigned as independent non-executive directors, with effect from 19 March 2014.
- (iv) 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.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2014: two) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	1,121	1,096
Retirement scheme contributions	14	13
	1,135	1,109

The emoluments of the two (2014: two) individuals with the highest emoluments are with the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK\$1,000,000	2	2

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 RMB201,888,000 (2014: RMB203,545,000) and the weighted average of 2,193,258,203 ordinary shares (2014: 2,221,322,438 ordinary shares) in issue during the year, calculated as follows:

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 Earnings per share (Continued)

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	2,208,492,000	2,223,000,000
Effect of shares repurchased (note 20(c)(ii))	(15,233,797)	(1,677,562)
Weighted average number of ordinary shares	2,193,258,203	2,221,322,438

There were no dilutive potential ordinary shares during the years ended 31 December 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 Property, plant and equipment

	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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 Property, plant and equipment (Continued)

	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 2015	1,825,541	3,270,220	518,121	72,603	5,686,485	745,545	483,824	6,915,854
Exchange adjustments	3,076	-	50	88	3,214	-	-	3,214
Additions	-	-	1,084	1,357	2,441	140,198	-	142,639
Transfers	1,110	38,222	11,642	1,938	52,912	(52,912)	-	-
Disposals	-	(667)	-	(4,222)	(4,889)	-	-	(4,889)
At 31 December 2015	1,829,727	3,307,775	530,897	71,764	5,740,163	832,831	483,824	7,056,818
Accumulated depreciation and amortisation:								
At 1 January 2015	(257,688)	(815,041)	(134,405)	(46,979)	(1,254,113)	-	(42,394)	(1,296,507)
Exchange adjustments	(287)	-	(45)	(79)	(411)	-	-	(411)
Charge for the year	(60,410)	(177,158)	(30,495)	(10,349)	(278,412)	-	(9,676)	(288,088)
Written back on disposals	-	484	-	4,011	4,495	-	-	4,495
At 31 December 2015	(318,385)	(991,715)	(164,945)	(53,396)	(1,528,441)	-	(52,070)	(1,580,511)
Net book value:								
At 31 December 2015	1,511,342	2,316,060	365,952	18,368	4,211,722	832,831	431,754	5,476,307

- (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 2015, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB78,215,000 (2014: RMB102,182,000) from the relevant PRC government authorities.
- (c) A building held for own use, with net book value of RMB47,410,000 (2014: RMB45,770,000), was mortgaged to secure a bank loan (see note 18).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 Property, plant and equipment (Continued)

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

	2015	2014
	RMB'000	RMB'000
In Hong Kong		
– medium-term leases (note 18)	47,410	45,770
Outside Hong Kong		
– medium-term leases	1,895,686	1,963,513
	1,943,096	2,009,283
<i>Representing:</i>		
Buildings held for own use	1,511,342	1,567,853
Interests in leasehold land held for own use under operating leases	431,754	441,430
	1,943,096	2,009,283

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 Investments in subsidiaries

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			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
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\$494,497,000	100%	–	100%	Manufacturing and sales of polyester filament yarns products
Billion High-tech (note (i))	PRC	US\$72,646,000	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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	159,608	79,145
Work in progress	21,321	20,158
Finished goods	348,894	316,399
	529,823	415,702

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB4,870,772,000 (2014: RMB5,715,541,000).

14 Trade and other receivables

	2015 RMB'000	2014 RMB'000
Trade debtors	408,979	462,453
Bills receivable	179,954	240,863
Deposits, prepayments and other receivables	475,453	433,421
Derivative financial assets – forward exchange contracts	3,869	6,672
	1,068,255	1,143,409
Less: Non-current portion of deposits and prepayments	(242,255)	(117,977)
	826,000	1,025,432

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

No trade receivable (2014: RMB26,217,000) was pledged to the banks to secure certain bank loans (see note 18).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 Trade and other receivables (Continued)

As at 31 December 2015, the Group had discounted bank acceptance bills totalling RMB1,061,256,000 (2014: RMB225,076,000) and endorsed bank acceptance bills totalling RMB134,784,000 (2014: RMB266,071,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

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:

	2015 RMB'000	2014 RMB'000
Current	586,912	702,808
Less than 1 month past due	1,185	458
More than 1 month but less than 3 months past due	104	48
More than 3 months but less than 1 year past due	732	2
	2,021	508
	588,933	703,316

Trade debtors are due within 90 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 21(a).

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 Trade and other receivables (Continued)

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

The trade and bills receivables as at 31 December 2015 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.

15 Restricted bank deposits

The restricted bank deposits of RMB1,308,705,000 (2014: RMB1,757,250,000) were pledged to the banks to secure certain bank bills payable and bank loans (see notes 17 and 18).

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	2015 RMB'000	2014 RMB'000
Deposits with banks and other financial institutions	150,038	84,401
Cash at bank and on hand	368,652	797,835
Cash and cash equivalents in the statement of financial position	518,690	882,236

At 31 December 2015, cash at bank balances were placed with banks in the PRC amounted to RMB492,652,000 (2014: RMB651,132,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 Cash and cash equivalents (Continued)

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

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		273,123	253,929
Adjustments for:			
– Bank interest income	4	(53,608)	(57,349)
– Net gain on sale of property, plant and equipment	5	(975)	(14)
– Net loss on financial assets and liabilities at fair value through profit or loss	5	14,332	11,388
– Finance costs	6(a)	88,352	75,603
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	9,676	14,653
– Depreciation	6(c)	278,412	261,404
– Net exchange loss/(gain)	5	9,833	(9,521)
		619,145	550,093
(Increase)/decrease in inventories		(114,121)	260,053
Decrease/(increase) in trade and other receivables		183,660	(171,610)
Decrease in trade and other payables		(256,041)	(131,851)
Cash generated from operations		432,643	506,685

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade creditors and bills payable	500,231	940,410
Other payables and accrued charges	196,691	188,678
Equipment payables	39,100	32,992
Construction payables	1,651	1,367
Receipts in advance	158,942	179,692
	896,615	1,343,139
Derivative financial liabilities		
– forward exchange contracts	14,472	6,382
– interest rate swaps	237	1,115
	14,709	7,497
	911,324	1,350,636

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:

	2015 RMB'000	2014 RMB'000
Within 3 months	421,959	589,744
More than 3 months but within 6 months	75,931	347,168
More than 6 months but within 1 year	1,984	1,282
More than 1 year	357	2,216
	500,231	940,410

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 Bank loans

At 31 December 2015, the bank loans were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	2,639,886	3,064,501
After 1 year but within 2 years	1,676	1,578
After 2 years but within 5 years	5,026	4,733
After 5 years	9,495	10,519
	16,197	16,830
	2,656,083	3,081,331

At 31 December 2015, the bank loans were secured as follows:

	2015 RMB'000	2014 RMB'000
Bank loans		
– secured	1,131,721	1,533,486
– unsecured	1,524,362	1,547,845
	2,656,083	3,081,331

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

	2015 RMB'000	2014 RMB'000
Properties (note 11)	47,410	45,770
Pledged trade receivables (note 14)	–	26,217
Restricted bank deposits (note 15)	1,124,771	1,519,542
	1,172,181	1,591,529

Further details of the Group's interest rate risk are set out in note 21(c) and management of liquidity risk are set out in note 21(b).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 Income tax in the consolidated statement of financial position**(a) Current taxation in the consolidated statement of financial position represents:**

	2015 RMB'000	2014 RMB'000
Provision for the year	54,088	32,847
Over-provision in respect of prior years	(721)	(10)
Tax paid	(47,810)	(28,747)
	5,557	4,090
Balance of tax provision relating to prior years	46,655	42,565
	52,212	46,655

(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:

	Depreciation and amortisation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
Deferred tax liabilities arising from:			
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
At 1 January 2015	111,390	(11,083)	100,307
Charged/(credited) to profit or loss (note 7(a))	23,844	(5,976)	17,868
At 31 December 2015	135,234	(17,059)	118,175

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 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 RMB117,323,000 (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.

(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 2015, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,440,309,000 (2014: RMB2,225,677,000). Deferred tax liabilities of RMB122,015,000 (2014: RMB111,284,000) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 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

	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Accumulated losses	Total
Note	note 20(c)(i) RMB'000	note 20(d)(i) RMB'000	note 20(d)(ii) RMB'000	note 20(d)(v) RMB'000	RMB'000	RMB'000
Balance at 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	20(b)	(54,850)	-	-	-	(54,850)
Purchase of own shares	20(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	20(b)	(52,836)	-	-	-	(52,836)
Balance at 31 December 2014 and 1 January 2015	18,572	1,006,829	761	(104,106)	(54,449)	867,607
Changes in equity for 2015:						
Total comprehensive income for the year	-	-	-	45,063	(5,531)	39,532
Dividends approved in respect of the previous year	20(b)	(51,926)	-	-	-	(51,926)
Purchase of own shares	20(c)(ii)					
- par value paid	(255)	-	-	-	-	(255)
- premium paid	-	(92,760)	-	-	-	(92,760)
- transfer between reserves	-	(255)	255	-	-	-
Dividends declared in respect of the current year	20(b)	(53,951)	-	-	-	(53,951)
Balance at 31 December 2015	18,317	807,937	1,016	(59,043)	(59,980)	708,247

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 Capital, reserves and dividends (Continued)

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid of HK3.0 cents per share (2014: HK3.0 cents per share)	53,951	52,836
Final dividend proposed after the end of the reporting period of HK3.0 cents per ordinary share (2014: HK3.0 cents per share)	54,443	52,449
	108,394	105,285

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*

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 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\$	HK\$
<i>Authorised</i>					
At 31 December 2014 and 31 December 2015					
		0.01	10,000,000,000	100,000,000	
	Note	Par value HK\$	Number of shares	Nominal value of ordinary shares	
				HK\$	RMB
<i>Issued and fully paid:</i>					
At 1 January 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					
	20(c)(ii)	0.01	(30,332,000)	(303,320)	(255,075)
At 31 December 2015					
		0.01	2,178,160,000	21,781,600	18,317,073

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 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
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
July 2015	3,860,000	4.68	3.36	12,054
August 2015	174,000	4.08	4.03	577
September 2015	2,144,000	4.22	3.90	7,179
October 2015	448,000	4.35	4.15	1,544
November 2015	1,762,000	4.43	4.12	6,178
December 2015	3,488,000	4.50	4.20	12,820
	30,332,000			93,015

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 30,332,000 shares were repurchased in 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 RMB255,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK\$115,860,000 (equivalent to RMB92,760,000) was charged to share premium.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 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 2015 was HK\$822,396,000 (equivalent to RMB747,958,000); as at 31 December 2014 was HK\$1,076,820,000 (equivalent to RMB952,380,000).

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 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 2015 and 2014, the Group's debt ratio, being the Group's total liabilities over its total assets, was 42.2% and 46.6% respectively.

21 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 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, 46% and 49% (2014: 43% and 58%) 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 14.

As set out in note 14, at 31 December 2015, the Group had discounted bank acceptance bills totalling RMB1,061,256,000 (2014: RMB225,076,000) and endorsed bank acceptance bills totalling RMB134,784,000 (2014: RMB266,071,000), 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 RMB1,196,040,000 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 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 2015				Total	Carrying amount in the consolidated statement of financial position
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	2,639,886	1,924	5,610	9,931	2,657,351	2,656,083
Trade creditors and bills payable	500,231	-	-	-	500,231	500,231
Other payables and accrued charges and receipts in advance	355,633	-	-	-	355,633	355,633
Equipment payables	39,100	-	-	-	39,100	39,100
Construction payables	1,651	-	-	-	1,651	1,651
Interest rate swaps (net settled)	237	-	-	-	237	237
	3,536,738	1,924	5,610	9,931	3,554,203	3,552,935
Derivatives settled gross						
- outflow	(638,781)	-	-	-	(638,781)	
- inflow	628,178	-	-	-	628,178	

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2014					Carrying amount in the consolidated statement of financial position RMB'000
	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	
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	

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 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 2015 and 2014, the Group had interest rate swaps with a notional contract amount of US\$29,485,000 (equivalent to RMB191,465,000) and US\$38,614,000 (equivalent to RMB236,281,000) respectively.

(i) Interest rate profile

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

	As at 31 December			
	2015		2014	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	1.40%-4.68%	949,048	0.78%-5.04%	1,515,079
Cash and cash equivalents	1.5%-3.4%	(150,038)	0.78%-3.80%	(84,401)
Restricted bank deposits	0.05%-3.25%	(1,308,705)	2.565%-4.90%	(1,756,577)
		(509,695)		(325,899)
Variable rate borrowings/ (deposits):				
Bank loans	1.41%-2.68%	1,707,035	1.74%-2.84%	1,566,252
Cash and cash equivalents	0.0001%-0.40%	(359,548)	0.01%-0.385%	(788,496)
Restricted bank deposits	-	-	0.05%-0.35%	(673)
		1,347,487		777,083
Total net borrowings		837,792		451,184

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2015, 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 tax and retained profits by approximately RMB7,121,000 (2014: RMB3,835,000).

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 2014.

(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\$ and Euro ("EUR"). Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 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					
	2015			2014		
	USD RMB'000	HK\$ RMB'000	EUR RMB'000	USD RMB'000	HK\$ RMB'000	EUR RMB'000
Trade and other receivables	71,281	–	4,659	94,730	14,082	1,177
Restricted bank deposits	1,158,630	–	–	595,779	638,481	–
Cash and cash equivalents	14,710	435	255	84,214	130	2,864
Trade and other payables	(203,693)	–	(195,581)	(197,050)	–	(10,063)
Bank loans	(1,008,655)	–	–	(1,515,078)	–	–
Gross exposure arising from recognised assets and liabilities	32,273	435	(190,667)	(937,405)	652,693	(6,022)
Notional principal amounts of forward contracts	(463,036)	–	–	(351,463)	(680,193)	–
Net exposure arising from recognised assets and liabilities	(430,763)	435	(190,667)	(1,288,868)	(27,500)	(6,022)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

In response to the foreign currency risk of loans denominated in USD, HK\$ and EUR, 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 2015 are from 15 February 2016 to 8 August 2016 respectively.

(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			
	2015		2014	
	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% (5%)	(18,307) 18,307	5% (5%)	(54,777) 54,777
HK\$	5% (5%)	18 (18)	5% (5%)	(1,169) 1,169
EUR	5% (5%)	(8,103) 8,103	5% (5%)	(256) 256

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 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 2014.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2015 using			
	Fair value at 31 December 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	3,869	–	3,869	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	14,472	–	14,472	–
– Interest rate swaps	237	–	237	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 using		
		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	–

During the years ended 31 December 2014 and 2015, 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Financial risk management and fair values (Continued)**(e) Fair values measurement (Continued)****(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.

22 Commitments

- (a) Capital commitments in respect of property, plant and equipment outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Authorised but not contracted for	191,927	29,931
Contracted for	257,423	280,607
	449,350	310,538

- (b) At 31 December 2015, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	360	360
After 1 year but within 5 years	1,440	1,440
Over 5 years	1,170	1,530
	2,970	3,330

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 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 66.51% of the Company’s issued share capital with Hong Kong (Rong An) Investment Limited (“Rong An”)
Mr. Wu Jinbiao	Director of the Company and holding 8.12% 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.

(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:

	2015 RMB’000	2014 RMB’000
Short-term employee benefits	5,242	5,336
Post-employment benefits	74	49
	5,316	5,385

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 Material related party transactions (Continued)**(b) Transactions with related parties**

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

	2015 RMB'000	2014 RMB'000
Sales of goods		
CECEP Costin Group	20,913	38,523
Purchase of materials		
CECEP Costin Group	84	59

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.

(c) Balances with a related party

	2015 RMB'000	2014 RMB'000
Trade receivable from CECEP Costin Group	–	2,348
Receipt in advances from CECEP Costin Group	3,049	–

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 Company-level statement of financial position

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries		–	–
Current assets			
Trade and other receivables		702,714	851,036
Cash and cash equivalents		6,486	18,793
		709,200	869,829
Current liabilities			
Trade and other payables		953	2,222
		953	2,222
Total assets less current liabilities		708,247	867,607
NET ASSETS		708,247	867,607
CAPITAL AND RESERVES	20(a)		
Capital		18,317	18,572
Reserves		689,930	849,035
TOTAL EQUITY		708,247	867,607

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 Jointly controlling parties

Kingom Power Limited and Mr. Sze Tin Yau are parties acting in concert with Rong An and jointly controlled the Group.

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual improvement to HKFRSs 2012-2014 cycle</i>	1 January 2016
<i>Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
<i>Amendments to HKFRS 11, Accounting for acquisitions of Interests in joint operations</i>	1 January 2016
<i>Amendments to HKAS 1, Disclosure initiative</i>	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable method of depreciation and amortisation</i>	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2017
<i>HKFRS 9, Financial instruments</i>	1 January 2018
<i>HKFRS 16, Leases</i>	1 January 2019

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.

Financial Summary

	For the year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	5,461,403	6,301,466	6,152,700	6,091,703	6,053,645
Cost of sales	(4,870,772)	(5,715,541)	(5,425,918)	(4,984,052)	(4,729,557)
Gross profit	590,631	585,925	726,782	1,107,651	1,324,088
Profit before taxation	273,123	253,929	434,504	853,186	1,081,730
Income tax	(71,235)	(50,384)	(76,163)	(102,707)	(178,223)
Profit for the year	201,888	203,545	358,341	750,479	903,507

	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Current assets	3,183,218	4,080,620	3,005,752	2,812,595	3,508,326
Non-current assets	5,718,562	5,737,324	5,594,724	5,017,768	3,742,477
Total assets	8,901,780	9,817,944	8,600,476	7,830,363	7,250,803
Current liabilities	3,603,422	4,461,792	3,323,980	2,318,781	1,819,056
Non-current liabilities	134,372	117,137	101,122	83,661	316,132
Total liabilities	3,737,794	4,578,929	3,425,102	2,402,442	2,135,188
Net assets	5,163,986	5,239,015	5,175,374	5,427,921	5,115,615
Share capital/paid-in capital	18,317	18,572	18,694	19,333	19,333
Reserves	5,145,669	5,220,443	5,156,680	5,408,588	5,096,282
Total equity	5,163,986	5,239,015	5,175,374	5,427,921	5,115,615