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

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

2016
Interim Report
中期報告

Contents

Company Profile

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

As at 30 June 2016, 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 30 June 2016, the Group's designed capacity for polyester thin films was 145,750 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.

MISSION

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Zeng Wu *(Co-chairman)*
(appointed on 6 June 2016)
Mr. Yang Yihua *(Co-chairman)*
(resigned on 6 June 2016)
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
Mr. Xue Mangmang

Company Secretary

Mr. Lai Wai Leuk

Authorised Representatives

Mr. Sze Tin Yau
Mr. Lai Wai Leuk

Registered Office

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

Head Office and Principal Place of Business

Hong Kong:

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

PRC:

Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian
PRC

Legal Advisers

As to Hong Kong Law:
Orrick, Herrington & Sutcliffe

As to PRC Law:
Tian Yuan Law Firm

Auditors

KPMG

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

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

Principal Bankers

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

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

	For the six months ended 30 June		
	2016	2015	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**2,723,695**	2,780,998	–2.1%
Gross profit	**306,490**	313,550	–2.3%
Profit from operations	**198,967**	210,199	–5.3%
Profit for the period	**130,125**	113,331	14.8%

	As at 30 June		
	2016	2015	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**5,689,951**	5,661,189	0.5%
Non-current liabilities	**144,997**	126,818	14.3%
Current assets	**2,251,384**	4,234,536	–46.8%
Current liabilities	**2,632,201**	4,519,602	–41.8%
Net current liabilities	**380,817**	285,066	33.6%
Total equity	**5,164,137**	5,249,305	–1.6%
Earnings per Share (RMB)	**0.06**	0.05	
Interim dividend (HK cent) *(Note 1)*	**3.5**	3.0	
Key Ratio Analysis			
Gross profit margin	**11.3%**	11.3%	
Operating profit margin	**7.3%**	7.6%	
Net profit margin	**4.8%**	4.1%	
Return on equity *(Note 2)*	**2.5%**	2.2%	
Current ratio *(Note 3)*	**0.86**	0.94	
Gearing ratio *(Note 4)*	**53.8%**	88.5%	

Notes:

1: The interim dividend of HK3.5 cents per share in cash will be paid on 9 September 2016

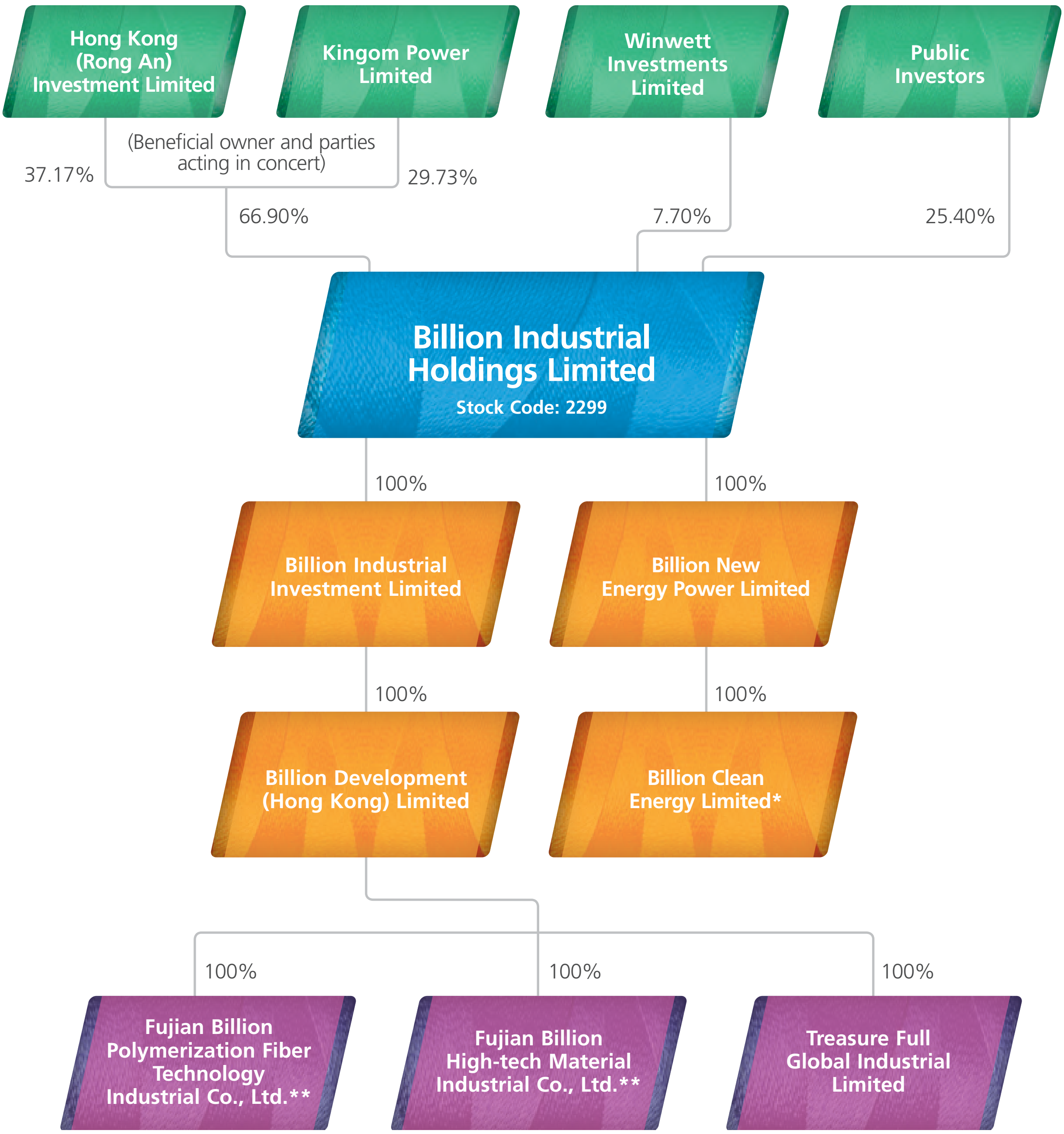
2: Return on equity: Profit for the period divided by total equity

3: Current ratio: Current assets divided by current liabilities

4: Gearing ratio: Total liabilities divided by total equity

Group Structure

as at 30 June 2016



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

* *Billion Clean Energy Limited has changed its name to Billion Worldwide Investment Limited with effect from 4 August 2016.*

** *For identification purposes only*

Production Sites

Existing production site

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

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 30 June 2016:

FDY+POY	: 785,000 tons per year
DTY	: 493,000 tons per year
BOPET	: 109,500 tons per year
BOPET Chips	: 36,250 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

Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

With the sluggish European economy in the first half of 2016 and continuous uncertainties in the external environment caused by Brexit, the European economy's road to recovery was jerky and harsh. The slowdown in recovery of the US economy, the declining urgency to raise US interest rate, and the stabilizing U.S dollar index mitigated the outflow of international capital from emerging markets in Asia. In the Asia-Pacific region, domestic demand in Asian emerging economies were still stable due to the impact of low unemployment rates and commodity prices, while external demand was weak and foreign trade was still lack-lustre. Global crude oil futures prices generally closed high in the first half of 2016 while the focus regarding the trend of oil prices will continue to be on the changes in the global inventory and supply of crude oil in the second half of 2016.

In the first half of 2016, China's GDP growth rate maintained at 6.7% which was in line with the objective of growth set up at the beginning of the year. It responded successfully to the economic downward pressure, showing the achievements made by economic policy "stable growth" last year and laid a foundation to further "adjust its structure" in the second half of the year. From an internal perspective of China's economic development, the "three-phase aggregated" challenges from the simultaneous dealing of slowing down in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies continued to exist. According to the data from the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, hats and textile products amounted to RMB681.6 billion in the first half of 2016, representing a year-on-year increase of 7.0%, which demonstrated the development trend of "making stability while making progress slowly".

INDUSTRY REVIEW

The textile industry in China is closely related to the macro-economic development of the country. With China's economy having entered into a "new normal state", the growth of textile industry in China decelerated. Textiles export in China began to restore with a slight increase due to the accelerating depreciation in RMB. The consumer confidence saw fluctuations in recent months and while it was improved as compared with that in 2015, however, the growth was still low as a whole. Hence, the room for growth was limited.

For polyester filament yarns, the investments in new technology have led to a decrease in production costs and together with the dropping of market prices of mono ethylene glycol ("MEG"), the price of chemical fiber products, therefore, decreased accordingly.

The downstream industry of polyester thin films represents mainly plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. There were no new players entering the polyester thin films industry in China during the period under review, and the second and third production lines of the Group were formally put into production during the period under review, and we leveraged 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 and the low cost has hindered the trading volume of polyester thin films. The price of polyester thin films also adjusted downwards. 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

The Group had continued to strive for product quality improvement and development of differentiated products during the period under review. Therefore, despite a retarding economic growth in the PRC, market demand for the Group's products remained strong. Also, with the commencement of production of the second and third production lines of the Group's functional environmentally-friendly polyester thin films during the period under review, the sales volume of the Group had maintained a stable growth during the period under review.

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. 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. During the period under review, the Group's research and development expenses amounted to RMB82,832,000, representing 3.0% of its revenue. Our research and development efforts mainly focus on improving product quality, reducing production costs, improving production efficiency, and strengthening our effort in recruitment of talents to enhance the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.



Management Discussion and Analysis

The Group strived to establish a digital and intelligent automatic chemical fiber production workshop, and is the front runner of realizing the full process intelligent automatic production in the industry. Moreover, the semi-automated storage and retrieval system and fully automated storage and retrieval system in Zone C of the Group have commenced operation. The automated storage and retrieval system adopts equipment such as shelves, stacker, chain conveyor and shuttle, applies computer control system and bar code technologies in store in or out, and achieves complete automation, labour-free operation within the internal storage. The automated storage and retrieval system shortens the time spent for stock in or stock out, improves space utilization, increases management efficiency, saves labour costs, and enables the Group to package its products in exterior packaging with a higher quality and further improves the brand image of the products of the Group.

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 customized 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 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 period under review increased by RMB31,600,000 or 7.7%, which represents a significant increase in brand popularity and market share in overseas markets.

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. Our production capacity of polyester thin films has been expanding orderly. The fourth and fifth production lines of the Group are currently at the commissioning stage, while the second and third production lines have formally commenced operation during the period under review. It is expected that the designed production capacity of polyester thin films will reach 255,000 tons per year after the expansion plan of polyester thin films is fully completed, and the sales of polyester thin films and its proportion in the Group's total revenue will be further increased by that time.

FINANCIAL REVIEW

Operational Performance

1. *Revenue*

Total revenue of the Group for the period under review amounted to RMB2,723,695,000 (for the first half of 2015: RMB2,780,998,000), representing a decrease of 2.1% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB2,575,281,000, accounting for 94.6% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB148,414,000, accounting for 5.4% of the total revenue. The revenue analysis of the two products is as follows:

Polyester filament yarns

The continuous relatively strong economic downward pressure faced by the Chinese economy and the market decline of polyester filament yarns products had affected the overall revenue of the Group. Revenue attributable to the sales of polyester filament yarns products for the period under review was RMB2,575,281,000, representing a decrease of RMB125,129,000 as compared to the revenue of RMB2,700,410,000 in the first half of 2015 or a decrease of 4.6%. The average selling price of polyester filament yarns during the period under review was RMB7,444 per ton, representing a decrease of RMB359 or 4.6% as compared to the average selling price of RMB7,803 per ton in the first half of 2015. The market demand for the Group's Products remained robust and the sales volume of the Group's polyester filament yarns products during the period under review was 345,969 tons, which maintained a stable momentum as compared to the sales volume of 346,081 tons in the first half of 2015.

Polyester thin films

The machines for the fourth and fifth production lines of the Group for the functional environmentally-friendly polyester thin films are currently at the commissioning stage, while the second and third production lines were officially put into operation in May 2016. 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. Revenue attributable to the sales of polyester thin film products for the period under review was RMB148,414,000, representing an increase of RMB67,826,000 as compared to the revenue of RMB80,588,000 in the first half of 2015 or an increase of 84.2%. The average selling price of polyester thin films during the period was RMB7,720 per ton, representing a decrease of RMB1,464 or 15.9% as compared to the average selling price of RMB9,184 per ton in the first half of 2015. The Group's polyester thin films can be widely used in various sectors including packaging, magnetic materials, imaging, industry, electronics and electrical appliances, with its principal products positioning at the middle and high-end markets both domestic and abroad.

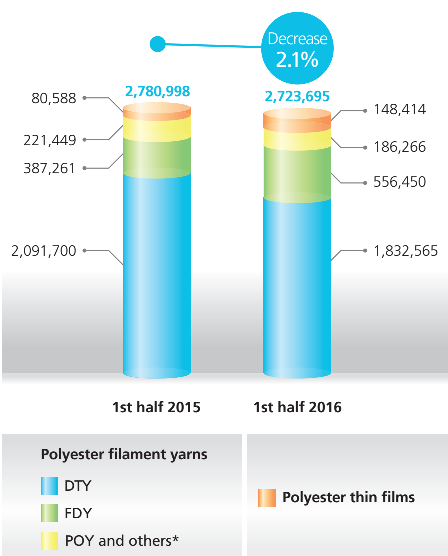
Management Discussion and Analysis

Breakdown of Revenue and Sales Volume (By Product)

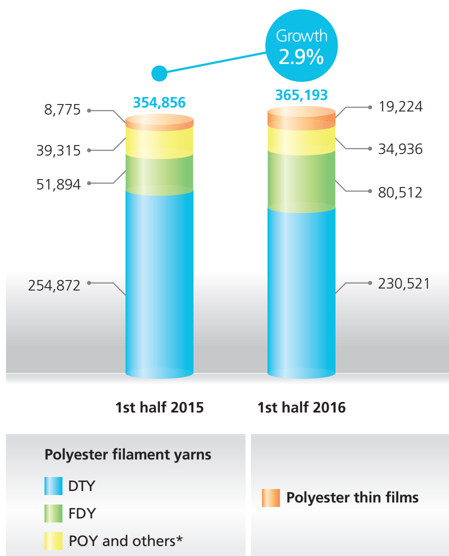
	Revenue For the six months ended 30 June				Sales volume For the six months ended 30 June			
	2016		2015		**2016**		2015	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**1,832,565**	**67.3%**	2,091,700	75.2%	**230,521**	**63.1%**	254,872	71.8%
FDY	**556,450**	**20.5%**	387,261	13.9%	**80,512**	**22.0%**	51,894	14.6%
POY and others*	**186,266**	**6.8%**	221,449	8.0%	**34,936**	**9.6%**	39,315	11.1%
Sub-total	**2,575,281**	**94.6%**	2,700,410	97.1%	**345,969**	**94.7%**	346,081	97.5%
Polyester thin films	**148,414**	**5.4%**	80,588	2.9%	**19,224**	**5.3%**	8,775	2.5%
Total	**2,723,695**	**100.0%**	2,780,998	100.0%	**365,193**	**100.0%**	354,856	100.0%

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

Revenue
(RMB'000)



Sales Volume
(Ton)



Sales by geographic region

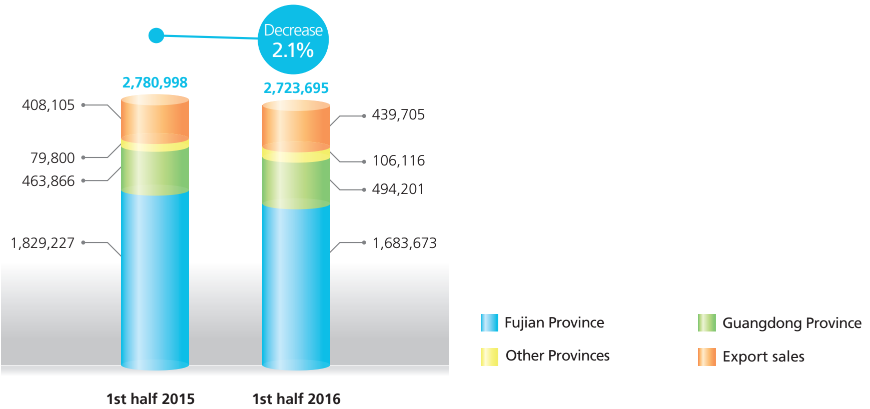
During the period under review, the Group actively expanded and consolidated its market share in overseas market by improving its service quality and increasing its brand recognition, in which the percentage of export sales revenue of the Group increased from 14.7% in the first half of 2015 to 16.1% during the period under review. Approximately 83.9% of the Group's revenue was generated from domestic market sales, of which 61.8% were from sales to customers in Fujian Province and 18.2% to customers in the adjacent Guangdong Province. While maintaining its domestic market share and position in Fujian and Guangdong Provinces, the Group continued to explore other provincial and municipal markets, where it provided customized product development services to its customers and developed strategic partnerships.

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2016		2015	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**1,683,673**	**61.8%**	1,829,227	65.8%
Guangdong Province	**494,201**	**18.2%**	463,866	16.6%
Other provinces	**106,116**	**3.9%**	79,800	2.9%
Export sales	**439,705**	**16.1%**	408,105	14.7%
Total	**2,723,695**	**100.0%**	2,780,998	100.0%

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

Geographic Breakdown of Revenue
(RMB'000)



2. *Cost of Sales*

Cost of sales of the Group for the period under review was RMB2,417,205,000, representing a decrease of 2.0% as compared to the cost of sales of RMB2,467,448,000 in the first half of 2015. Such decrease was attributable to a combined impact of the increase in sales volume, the drop in both the raw materials prices and manufacturing costs. The cost of sales for polyester filament yarns was RMB2,284,367,000, accounting for 94.5% of the total cost of sales. The cost of sales for polyester thin films was RMB132,838,000, accounting for 5.5% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales volumes.

Polyester filament yarns

Average cost of sales for polyester filament yarns dropped from RMB6,921 per ton in the first half of 2015 to RMB6,603 per ton during the period under review, representing a decrease of RMB318 or 4.6% per ton, which was mainly due to the decrease in the selling prices of MEG, one of the key raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns dropped from RMB5,417 per ton in the first half of 2015 to RMB4,927 per ton during the period, representing decrease of RMB490 or 9.0% per ton.

Polyester thin films

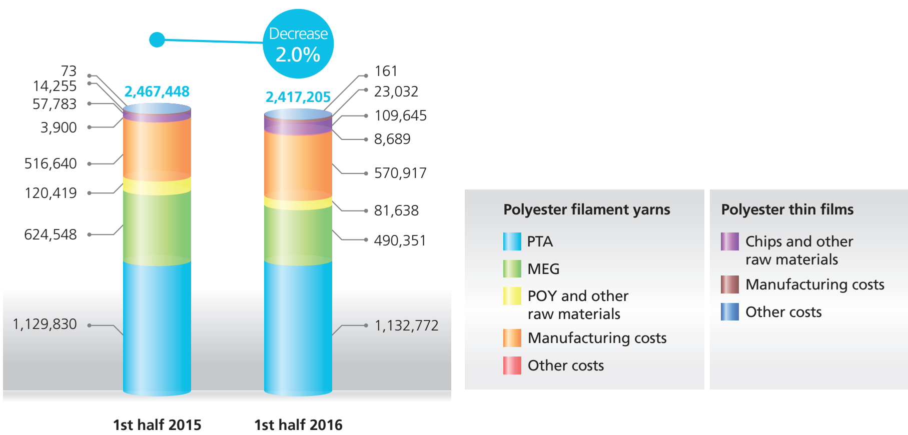
Average cost of sales for polyester thin films dropped from RMB8,218 per ton in the first half of 2015 to RMB6,910 per ton during the period under review, representing a decrease of RMB1,308 or 15.9% per ton, which was mainly due to the decrease in selling price of raw materials for polyester thin films.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2016		2015	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**1,132,772**	**46.8%**	1,129,830	45.8%
MEG	**490,351**	**20.3%**	624,548	25.3%
POY and other raw materials	**81,638**	**3.4%**	120,419	4.9%
Sub-total	**1,704,761**	**70.5%**	1,874,797	76.0%
Manufacturing costs	**570,917**	**23.6%**	516,640	20.9%
Other costs	**8,689**	**0.4%**	3,900	0.2%
Sub-total	**2,284,367**	**94.5%**	2,395,337	97.1%

	For the six months ended 30 June			
	2016		2015	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester thin films				
Cost of raw materials – chips and other raw materials	**109,645**	**4.5%**	57,783	2.3%
Manufacturing costs	**23,032**	**1.0%**	14,255	0.6%
Other costs	**161**	**–**	73	–
Sub-total	**132,838**	**5.5%**	72,111	2.9%
Total	**2,417,205**	**100.0%**	2,467,448	100.0%

Breakdown of Cost of Sales
(RMB'000)



3. *Gross Profit*

Gross profit of the Group for the period under review was RMB306,490,000, which was decreased by RMB7,060,000, representing a decrease of 2.3% as compared to RMB313,550,000 in the first half of 2015. Sales volume of the Group during the period under review increased by 10,337 tons, representing an increase of 2.9% as compared to the first half of 2015. Average selling price of products per ton decreased by an average of RMB379 per ton, representing a decrease of 4.8% from RMB7,837 per ton in the first half of 2015 to RMB7,458 per ton during the period under review, while average cost of products per ton during the period also decreased by an average of RMB334 per ton, representing a decrease of 4.8% from RMB6,953 per ton in the first half of 2015 to RMB6,619 per ton during the period under review. Therefore, the average gross profit of products per ton decreased from RMB884 in the first half of 2015 to RMB839 during the period under review. As the decrease in the average cost of the products per ton was similar to the decrease in the average selling price of the products per ton, gross profit margin of the Group during the period under review remained the same as that for the first half of 2015 at 11.3%.

Polyester filament yarn
Average selling price of polyester filament yarn products per ton decreased by an average of RMB359 per ton, representing a decrease of 4.6% from RMB7,803 per ton in the first half of 2015 to RMB7,444 per ton during the period under review. The average gross profit of polyester filament yarn products per ton decreased from RMB882 per ton in the first half of 2015 to RMB841 per ton during the period. The gross profit margin in the first half of 2015 and during the period under review remained at the 11.3% level.

Polyester thin films
Average selling price of polyester thin films products per ton decreased by an average of RMB1,464 per ton, representing a decrease of 15.9% from RMB9,184 per ton in the first half of 2015 to RMB7,720 per ton during the period under review. The average gross profit of polyester thin films products per ton decreased from RMB966 in the first half of 2015 to RMB810 during the period. The gross profit margin in the first half of 2015 and during the period under review remains at the 10.5% level.

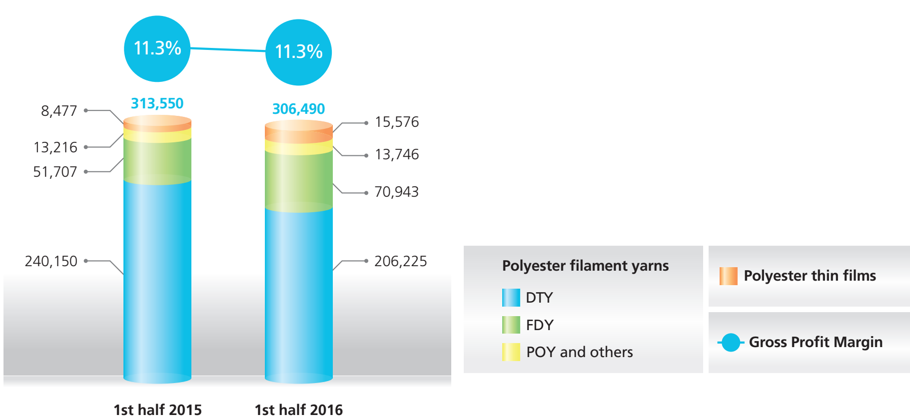
The overall gross profit of the Group during the period under review decreased slightly, and gross profit margin was similar to that in the first half of 2015, which were mainly due to the limited room for further drop after the downturn in the fiber industry last year, and the Group's devotion in its business expansion which led to the increase in sales volume and price decrease that gave a combined effect on Group during the period.

Analysis of gross profit by product

	For the six months ended 30 June			
	2016		2015	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**206,225**	**67.3%**	240,150	76.6%
FDY	**70,943**	**23.1%**	51,707	16.5%
POY and others*	**13,746**	**4.5%**	13,216	4.2%
Sub-total	**290,914**	**94.9%**	305,073	97.3%
Polyester thin films	**15,576**	**5.1%**	8,477	2.7%
Total	**306,490**	**100.0%**	313,550	100.0%

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

Gross Profit and Gross Profit Margin
(RMB'000)



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

	For the six months ended 30 June	
	2016	2015
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	**7,444**	7,803
Average cost of sales per ton	**6,603**	6,921
Average gross profit per ton	**841**	882
Average gross profit margin	**11.3%**	11.3%
Polyester thin films		
Average selling price per ton	**7,720**	9,184
Average cost of sales per ton	**6,910**	8,218
Average gross profit per ton	**810**	966
Average gross profit margin	**10.5%**	10.5%

4. *Other revenue*

Other revenue of the Group for the period under review amounted to RMB32,480,000, representing a decrease of 40.0% as compared to RMB54,118,000 in the first half of 2015. Other revenue mainly included bank interest income, gain on sales of materials and gain from government grants. Such change was mainly attributable to the decrease in the amounts of bank interest income and gain from government grants as compared to those of the same period last year.

5. Other net gain/(loss)

Other net gain of the Group during the period under review amounted to RMB19,120,000 (for the first half of 2015: other net loss amounted to RMB8,719,000). Other net gain was mainly attributable to the net exchange loss decrease from RMB19,076,000 in the first half of 2015 to RMB3,918,000 during the period under review and the increase of net gain on financial assets and liabilities at fair value through profit or loss from RMB9,523,000 in the first half of 2015 to RMB22,763,000 during the period under review.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB29,147,000, representing an increase of 28.5% as compared to RMB22,681,000 in the first half of 2015. Selling and distribution expenses mainly included transportation costs, wages of our sales staff, operating expenses and promotion expenses. Such increase was mainly due to the increase in relevant transportation costs due to the increase in sales volume during the period.

7. Administrative expenses

Administrative expenses of the Group for the period under review amounted to RMB129,976,000, increased by 3.1% as compared to RMB126,069,000 in the first half of 2015. Administrative expenses mainly included research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees. Such change was mainly due to the increase in the costs of research and development on polyester thin films products of the Group during the period.

8. Finance costs

Finance costs of the Group for the period under review amounted to RMB35,678,000, decreased by 21.2% as compared to RMB45,301,000 in the first half of 2015. Such change was mainly due to the decrease in interests on bank advances and other borrowings resulted from a decrease in bank loans.

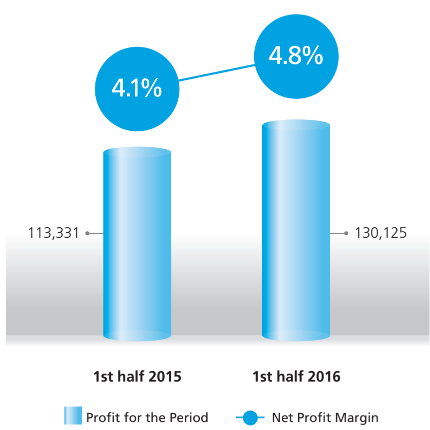
9. Income tax

Income tax of the Group for the period under review amounted to RMB33,164,000, decreased by 35.7% as compared to RMB51,567,000 in the first half of 2015. Such change was mainly due to income tax expenses expected to be non-refundable of approximately RMB20,008,000 paid by Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）in the first half of 2015.

10. Profit for the period

Profit of the Group for the period under review amounted to RMB130,125,000 increased by RMB16,794,000 or 14.8% as compared to RMB113,331,000 in the first half of 2015. It was mainly due to the decrease in finance costs and income tax during the period.

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



FINANCIAL POSITION

1. Liquidity and Capital Resources

As at 30 June 2016, cash and cash equivalent of the Group amounted to RMB441,272,000, and had decreased by RMB77,418,000 or 14.9% as compared to RMB518,690,000 as at 31 December 2015.

During the period under review, net cash inflow from operating activities amounted to RMB339,032,000 (exceeding the profit attributable to shareholders), demonstrating the sound working capital management of the Group. Net cash inflow generated from investing activities amounted to RMB707,965,000, which mainly include the combined effect of the capital expenditure of RMB99,712,000, increase in other financial assets of RMB167,000,000 and the decrease in restricted bank deposits of RMB949,126,000. Net cash outflow used in financing activities amounted to RMB1,133,625,000, which mainly include the net decrease in bank loans of RMB977,037,000, repurchase of shares of RMB47,949,000 and the payment of 2015 final dividends amounting to RMB54,854,000 during the period.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the period under review, inventory turnover days were 34.8 days (for the first half of 2015: 33.0 days), and there was no significant change for those as compared to the same period last year. The trade receivable turnover days were 40.3 days (for the first half of 2015: 44.2 days), representing a decrease of 3.9 days as compared to the same period last year, which was mainly due to the increase in discounted trade receivables during the period. The trade payable turnover days were 33.1 days (for the first half of 2015: 59.1 days), representing a decrease of 26.0 days as compared to the same period last year, which was mainly due to the Group's shortening of payment terms for securing more discounts.

As at 30 June 2016, the Group had capital commitments of RMB466,530,000, which was mainly used for the expansion of production capacity and development of functional environmentally-friendly polyester thin films business.

2. Capital Structure

As at 30 June 2016, the total liabilities of the Group amounted to RMB2,777,198,000, and capital and reserves amounted to RMB5,164,137,000. The gearing ratio (total liabilities divided by total equity) was 53.8%. Total assets amounted to RMB7,941,335,000. The asset liability ratio (total assets divided by total liabilities) was 2.9 times. Bank loans of the Group amounted to RMB1,722,861,000, of which RMB1,707,192,000 were repayable within one year and RMB15,669,000 were repayable after one year. Among the bank borrowings, 12.0% were secured by properties and restricted bank deposits.

SIGNIFICANT INVESTMENTS

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

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

CHARGES ON ASSETS

Save as disclosed in this interim report, there was no other charge on Group's assets as of 30 June 2016.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any contingent liability (2015: nil).

FOREIGN CURRENCY RISK

As most of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 30 June 2016, the Group's foreign currency risk exposure was mainly derived from the net assets exposure denominated in United States Dollars of RMB137,626,000 and net liabilities exposure denominated in Euro of RMB9,550,000.

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group employed a total of 4,094 employees. Remuneration for employees is determined according to their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards according to individual performance.

BUSINESS OUTLOOK

The PRC economy has entered a "new normal state", and 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 and 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.

Management Discussion and Analysis

As the largest polyester filament yarns manufacturer in Southern China and China's top 500 private enterprises, the Group is devoted to the integration of differential and functional polyester filament with high quality to satisfy the demands of domestic and foreign brand enterprises. We drive 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. The Group will facilitate its industry to achieve high-end upgrading from manufacturing to "intelligent manufacturing" by relying on technology innovation and to realize the traditional industry transformation and upgrading to high efficiency with low consumption by virtue of the automatic equipment digitalization, networking and modularization, so as to present a sound momentum with steady improvement in quality and production. In addition, the Group will introduce the biaxial oriented polypropylene film production lines from Dornier in Germany, and then the complete set of equipment will adopt programmed control where the whole production process will be monitored through the central-controlled computer and various kinds of quality products will be produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines of KAMPF in Germany will be introduced. This comprehensive and advanced equipment will guarantee high quality of products. Upon completion of the installation and commissioning of the Group's fourth to fifth production lines of polyester thin films, its production capacity will be further improved. At that time, the proportion of polyester thin films sales volume attributable to the Group's total revenue will be further increased.

Review Report on the Interim Financial Report

Review report to the board of directors of
Billion Industrial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 48, which comprise the consolidated statement of financial position of Billion Industrial Holdings Limited at 30 June 2016, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flows statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

15 August 2016

Consolidated Income Statement

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	*4*	**2,723,695**	2,780,998
Cost of sales		**(2,417,205)**	(2,467,448)
Gross profit		**306,490**	313,550
Other revenue	*5*	**32,480**	54,118
Other net gain/(loss)	*6*	**19,120**	(8,719)
Selling and distribution expenses		**(29,147)**	(22,681)
Administrative expenses		**(129,976)**	(126,069)
Profit from operations		**198,967**	210,199
Finance costs	*7(a)*	**(35,678)**	(45,301)
Profit before taxation	*7*	**163,289**	164,898
Income tax	*8*	**(33,164)**	(51,567)
Profit for the period attributable to equity shareholders of the Company		**130,125**	113,331
Earnings per share	*10*		
Basic and diluted (RMB)		**0.06**	0.05

The notes on pages 30 to 48 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June **2016** **RMB'000**	 2015 RMB'000
Profit for the period attributable to equity shareholders of the Company		**130,125**	113,331
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**(27,865)**	1,548
Available-for-sale securities:			
Net movement in fair value reserve		**694**	–
Total comprehensive income for the period attributable to equity shareholders of the Company		**102,954**	114,879

The notes on pages 30 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment	*11*	**4,605,464**	4,211,722
– Construction in progress	*12*	**384,992**	832,831
– Interests in leasehold land held for own use under operating leases	*13*	**426,916**	431,754
		5,417,372	5,476,307
Deposits and prepayments	*15*	**272,579**	242,255
		5,689,951	5,718,562
Current assets			
Inventories	*14*	**393,458**	529,823
Trade and other receivables	*15*	**880,196**	826,000
Other financial assets	*16*	**167,816**	–
Restricted bank deposits		**358,642**	1,308,705
Fixed deposit held at bank with maturity over three months		**10,000**	–
Cash and cash equivalents	*17*	**441,272**	518,690
		2,251,384	3,183,218
Current liabilities			
Trade and other payables	*18*	**869,187**	911,324
Bank loans		**1,707,192**	2,639,886
Current taxation	*19(a)*	**55,822**	52,212
		2,632,201	3,603,422
Net current liabilities		**(380,817)**	(420,204)
Total assets less current liabilities		**5,309,134**	5,298,358

Consolidated Statement of Financial Position

at 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000 (audited)
Non-current liabilities			
Bank loans		**15,669**	16,197
Deferred tax liabilities	*19(b)*	**129,328**	118,175
		144,997	134,372
NET ASSETS		**5,164,137**	5,163,986
CAPITAL AND RESERVES	*20*		
Share capital		**18,211**	18,317
Reserves		**5,145,926**	5,145,669
TOTAL EQUITY		**5,164,137**	5,163,986

Approved and authorised for issue by the Board of Directors on 15 August 2016.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 30 to 48 form part of this interim financial report.

Consolidated Statement of Changes In Equity

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 *20(a)*	Share premium RMB'000 *20(b)(i)*	Capital redemption reserve RMB'000 *20(b)(ii)*	Statutory reserve RMB'000 *20(b)(iii)*	Capital reserve RMB'000 *20(b)(iv)*	Exchange reserve RMB'000 *20(b)(v)*	Fair value reserve RMB'000 *20(b)(vi)*	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2015		18,572	1,006,829	761	301,278	1,805,631	(33,989)	–	2,139,933	5,239,015
Changes in equity for the six months ended 30 June 2015										
Profit for the period		–	–	–	–	–	–	–	113,331	113,331
Other comprehensive income		–	–	–	–	–	1,548	–	–	1,548
Total comprehensive income for the period		–	–	–	–	–	1,548	–	113,331	114,879
Dividends approved in respect of the previous year	*9(b)*	–	(51,926)	–	–	–	–	–	–	(51,926)
Purchase of own shares										
– par value paid		(155)	–	–	–	–	–	–	–	(155)
– premium paid		–	(52,508)	–	–	–	–	–	–	(52,508)
– transfer between reserves		–	(155)	155	–	–	–	–	–	–
Balance at 30 June 2015		18,417	902,240	916	301,278	1,805,631	(32,441)	–	2,253,264	5,249,305
Balance at 1 January 2016		**18,317**	**807,937**	**1,016**	**325,126**	**1,805,631**	**(112,014)**	**–**	**2,317,973**	**5,163,986**
Changes in equity for the six months ended 30 June 2016										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130,125**	**130,125**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(27,865)**	**694**	**–**	**(27,171)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(27,865)**	**694**	**130,125**	**102,954**
Dividends approved in respect of the previous year	*9(b)*	**–**	**(54,854)**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,854)**
Purchase of own shares	*20(a)(ii)*									
– par value paid		**(106)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(106)**
– premium paid		**–**	**(47,843)**	**–**	**–**	**–**	**–**	**–**	**–**	**(47,843)**
– transfer between reserves		**–**	**(106)**	**106**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2016		**18,211**	**705,134**	**1,122**	**325,126**	**1,805,631**	**(139,879)**	**694**	**2,448,098**	**5,164,137**

The notes on pages 30 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June **2016** **RMB'000**	 2015 RMB'000
Operating activities			
Cash generated from operations		**357,555**	250,113
Tax paid		**(18,523)**	(35,543)
Net cash generated from operating activities		**339,032**	214,570
Investing activities			
Payment for the purchase of property, plant and equipment		**(81)**	(4,724)
Expenditure on construction in progress		**(99,631)**	(156,025)
Payment for interests in leasehold land held for own use under operating leases		**–**	(86,170)
Increase in other financial assets		**(167,000)**	–
Decrease/(increase) in restricted bank deposits		**949,126**	(486,963)
Placement of fixed deposit held at bank with maturity over three months		**(10,000)**	–
Other cash flows arising from investing activities		**35,551**	30,299
Net cash generated from/(used in) investing activities		**707,965**	(703,583)
Financing activities			
Payments of repurchase of shares		**(47,949)**	(52,663)
Dividends paid to equity shareholders of the Company		**(54,854)**	(51,926)
Proceeds from new bank loans		**2,840,166**	1,683,977
Repayment of bank loans		**(3,817,203)**	(1,459,642)
Other cash flows arising from financing activities		**(53,785)**	(42,045)
Net cash (used in)/generated from financing activities		**(1,133,625)**	77,701
Net decrease in cash and cash equivalents		**(86,628)**	(411,312)
Cash and cash equivalents at 1 January		**518,690**	882,236
Effect of foreign exchange rate changes		**9,210**	(13,557)
Cash and cash equivalents at 30 June	*17*	**441,272**	457,367

The notes on pages 30 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 15 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Billion Industrial Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 18 March 2016.

As at 30 June 2016, the Group has net current liabilities amounted to RMB 380,817,000 (31 December 2015: RMB 420,204,000). The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to use the undrawn banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the reporting date of this interim financial report. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

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

3 SEGMENT REPORTING

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

4 REVENUE

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Polyester filament yarns products	**2,575,281**	2,700,410
Polyester thin films products	**148,414**	80,588
	2,723,695	2,780,998

4 REVENUE (Continued)

The Group's customer base is diversified and includes one customer (six months ended 30 June 2015: one customer) with whom transactions have exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2016. The amount of sales to this customer amounted to approximately RMB293,736,000 (six months ended 30 June 2015: RMB362,343,000).

5 OTHER REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Bank interest income	**23,024**	33,718
Government grants	**1,513**	11,190
Gain on sales of raw materials	**7,937**	9,156
Others	**6**	54
	32,480	54,118

Government grants of RMB1,513,000 and RMB11,190,000 for the six months ended 30 June 2016 and 2015 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.

6 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Donations	**(62)**	(74)
Net exchange loss	**(3,918)**	(19,076)
Net loss on sale of property, plant and equipment	**–**	(27)
Net gain on financial assets and liabilities at fair value through profit or loss	**22,763**	9,523
Others	**337**	935
	19,120	(8,719)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**27,258**	38,741
Other interest expenses	**8,420**	6,560
	35,678	45,301
(b) Staff costs:		
Contributions to defined contribution retirement plans	**2,243**	1,654
Salaries, wages and other benefits	**103,003**	82,180
	105,246	83,834
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**4,838**	4,838
Depreciation	**139,906**	139,162
Operating lease charges in respect of properties	**252**	180
Research and development costs*	**82,832**	74,231
Cost of inventories**	**2,417,205**	2,467,448

* *Research and development costs include RMB30,148,000 and RMB25,691,000 for the six months ended 30 June 2016 and 2015 respectively relating to staff costs in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

** *Cost of inventories include RMB195,530,000 and RMB171,020,000 for the six months ended 30 June 2016 and 2015 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

8 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**21,147**	41,812
Under/(Over)-provision in respect of prior years	**986**	(721)
	22,133	41,091
Deferred tax		
Origination and reversal of temporary differences	**11,031**	10,476
	33,164	51,567

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits during each of the six months ended 30 June 2016 and 2015.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") was granted Advanced and New Technology Enterprise status for a valid period of three 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）is subject to PRC income tax rate at 25%.

(v) For the period of six months ended 30 June 2015, the Group had been charged an additional one-off tax by the local tax authorities. The payment was non-refundable and non-deductible tax expenses of RMB 20,008,000, which was paid by Billion Fujian.

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

9 DIVIDENDS

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

	2016 **RMB'000**	2015 RMB'000
Interim dividend declared after the interim period of HK3.5 cents per share (2015: HK3.0 cents per share)	**64,906**	53,951

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

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

	Six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, HK3.0 cents per share (2014: HK3.0 cents per share)	**54,854**	51,926

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 RMB130,125,000 (six months ended 30 June 2015: RMB113,331,000) and the weighted average of 2,173,126,000 ordinary shares (six months ended 30 June 2015: 2,202,639,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2016 and 2015, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Net book value, at 1 January	**4,211,722**	4,432,372
Exchange adjustments	**946**	2,803
Additions	**122**	2,441
Transfer from construction in progress *(note 12)*	**532,580**	52,912
Disposals	**–**	(394)
Depreciation charge for the period/year	**(139,906)**	(278,412)
At 30 June/31 December	**4,605,464**	4,211,722

12 CONSTRUCTION IN PROGRESS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
At 1 January	**832,831**	745,545
Additions	**84,741**	140,198
Transfer to property, plant and equipment *(note 11)*	**(532,580)**	(52,912)
At 30 June/31 December	**384,992**	832,831

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

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

14 INVENTORIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	**136,657**	159,608
Work in progress	**20,051**	21,321
Finished goods	**236,750**	348,894
	393,458	529,823

15 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	**610,904**	586,912
Less than 1 month past due	**2,975**	1,185
More than 1 month but less than 3 months past due	**2,066**	104
More than 3 months but less than 1 year past due	**368**	732
Trade debtors and bills receivable	**616,313**	588,933
Deposits, prepayments and other receivables	**519,212**	475,453
Derivative financial assets		
– Forward exchange contracts	**17,250**	3,869
	1,152,775	1,068,255
Less: Non-current portion of deposits and prepayments	**(272,579)**	(242,255)
	880,196	826,000

15 TRADE AND OTHER RECEIVABLES (Continued)

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

Trade debtors are due within 90 to 180 days from the date of billing.

The Group made prepayments for interests in leasehold land for certain properties held for own use in the PRC. The related ownership certificates are under application as at 30 June 2016.

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

16 OTHER FINANCIAL ASSETS

Other financial assets represented unlisted available-for-sale securities.

As at 30 June 2016, the Group had invested in wealth management products issued by a reputable bank in the PRC with an aggregate principal amount of RMB167,000,000. There are no fixed or determinable returns of these bank wealth management products and the principals are not protected. The financial assets are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Deposits with banks within three months to maturity when placed	**200,000**	150,038
Cash at bank and in hand	**241,272**	368,652
	441,272	518,690

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER PAYABLES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	**318,445**	421,959
More than 3 months but within 6 months	**89,876**	75,931
More than 6 months but within 1 year	**602**	1,984
More than 1 year	**2,382**	357
Trade creditors and bills payable	**411,305**	500,231
Other payables and accrual charges	**214,398**	196,691
Equipment payables	**54,998**	39,100
Construction payables	**1,502**	1,651
Receipts in advance	**181,656**	158,942
Financial liabilities measured at amortised cost	**863,859**	896,615
Derivative financial liabilities		
– Forward exchange contracts	**5,146**	14,472
– Interest rate swaps	**182**	237
	869,187	911,324

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

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Provision of PRC income tax	**55,822**	52,212

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Deferred tax liabilities/(assets) arising from:		
Charged/(credited) to profit or loss:		
– Depreciation and amortisation of property, plant and equipment	**144,590**	135,234
– Others	**(15,384)**	(17,059)
	129,206	118,175
Charged/(credited) to reserves:		
– Available-for-sale securities:		
Net movement in the fair value reserve during the period	**122**	–
	129,328	118,175

(c) Deferred tax assets not recognised

At 30 June 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB120,411,000 (31 December 2015: RMB117,323,000) 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.

(Expressed in Renminbi unless otherwise indicated)

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(d) Deferred tax liabilities not recognised

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

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

As at 30 June 2016, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,574,582,000 (31 December 2015: RMB2,440,309,000). Deferred tax liabilities of RMB128,729,000 (31 December 2015: RMB122,015,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

20 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		HK$
Authorised			
At 31 December 2015 and 30 June 2016	0.01	10,000,000,000	100,000,000

20 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

(i) *Authorised and issued share capital* (Continued)

	Note	Par value HK$	Number of shares	Nominal value of ordinary shares HK$	Nominal value of ordinary shares RMB
Issued and fully paid:					
At 1 January 2015		0.01	2,208,492,000	22,084,920	18,572,148
Repurchase of shares		0.01	(18,456,000)	(184,560)	(155,204)
At 30 June 2015		0.01	2,190,036,000	21,900,360	18,416,944
Repurchase of shares		0.01	(11,876,000)	(118,760)	(99,871)
At 31 December 2015 and 1 January 2016		**0.01**	**2,178,160,000**	**21,781,600**	**18,317,073**
Repurchase of shares	*20(a)(ii)*	**0.01**	**(12,598,000)**	**(125,980)**	**(105,942)**
At 30 June 2016		**0.01**	**2,165,562,000**	**21,655,620**	**18,211,131**

(ii) *Purchase of own shares*

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
January 2016	332,000	4.59	4.29	1,224
March 2016	2,022,000	4.38	4.18	7,204
April 2016	6,736,000	4.85	4.24	25,160
May 2016	1,852,000	4.95	4.78	7,528
June 2016	1,656,000	4.90	4.72	6,833
	12,598,000			47,949

20 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

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

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 12,598,000 shares were repurchased in the six months ended 30 June 2016 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 RMB106,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$57,101,000 (equivalent to RMB47,843,000) was charged to share premium.

(b) Nature and purpose of reserves

(i) ***Share premium and distributability of reserves***

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

The aggregate amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 30 June 2016 was HK$696,764,000; equivalent to RMB642,329,000; as at 31 December 2015 was HK$822,396,000 (equivalent to RMB747,958,000).

(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.

20 CAPITAL AND RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(iv) Capital reserve

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

(v) Exchange reserve

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

(vi) Fair value reserve

The fair value reserve comprises the net change in the fair value of available-for-sale securities held at the end of the reporting period.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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

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

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

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

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Fair value hierarchy (Continued)

	Fair value at 30 June 2016 RMB'000	Fair value measurements as at 30 June 2016 categorised into (Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity instruments:				
– Unlisted	**167,816**	**–**	**167,816**	**–**
Derivative financial instruments:				
– Forward exchange contracts	**17,250**	**–**	**17,250**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	**5,146**	**–**	**5,146**	**–**
– Interest rate swaps	**182**	**–**	**182**	**–**

	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into (Level 1) RMB'000	(Level 2) RMB'000	(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	–

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The fair value of financial assets in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rates as at the end of the reporting period. The discount rate used is derived from the relevant onshore Renminbi Swap curve as at the end of the reporting period plus an adequate constant credit spread.

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

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

22 CAPITAL COMMITMENTS

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Authorised but not contracted for	**172,539**	191,927
Contracted for	**293,991**	257,423
	466,530	449,350

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**2,664**	2,588
Post-employment benefits	**39**	37
	2,703	2,625

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

(b) Transactions with a related party

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of goods		
CECEP Costin New Materials Group Limited* 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group")	**10,628**	13,024
Purchase of materials		
CECEP Costin Group	**47**	52

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a related party (Continued)

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

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

(c) Balances with a related party

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade and other receivables from CECEP Costin Group	**3,194**	–
Receipt in advance from CECEP Costin Group	**1,963**	3,049

INTERIM DIVIDEND

The board ("Board") of directors ("Directors") of the Company resolved to declare an interim dividend of HK3.5 cents per share in cash for the six months ended 30 June 2016. The dividend will be paid on 9 September 2016 to those shareholders whose names appear on the Company's register of members on 1 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 August 2016 to Thursday, 1 September 2016, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m., on Monday, 29 August 2016.

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

As at 30 June 2016, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

(a) Long position in ordinary shares of the Company

Name of Director	Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital[(3)]
Mr. Sze Tin Yau [(1)]	Interest in controlled corporation	1,448,732,808	66.90%
Mr. Wu Jinbiao [(2)]	Interest in controlled corporation	166,820,000	7.70%

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 166,820,000 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 2,165,562,000 issued shares of the Company as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2016, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An") [(a)]	Beneficial owner and parties acting in concert	1,448,732,808	66.90%

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") (b)	Through controlled corporations	1,448,732,808	66.90%
China Energy Conservation and Environmental Protection Group ("CECEP") (c)	Through controlled corporations	1,448,732,808	66.90%
Kingom Power Limited (d)	Beneficial owner and parties acting in concert	1,448,732,808	66.90%
Winwett Investments Limited	Beneficial owner	166,820,000	7.70%
Ever Luxuriant Global Trading Limited ("Ever Luxuriant")	Beneficial owner	194,678,000	8.99%
Mr. Huang Shao Rong(e)	Beneficial owner and through controlled corporation	213,457,000	9.86%
Haibin International Investments Limited ("Haibin International")	Beneficial owner	138,284,000	6.39%
Mr. Lin Haibin(f)	Beneficial owner and through controlled corporation	160,233,000	7.40%
Export-Import Bank of China	Person having a security interest in shares	300,000,000	13.85%

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 30 June 2016, so far as is known to the Directors, there is no other person (other than the Director or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the shares in issue as of 18 May 2011, i.e. 229,900,000 shares, which represented 10.6% of the total issued share capital of the Company as of 30 June 2016. No option may be granted to any person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

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

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

(a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of grant;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from 18 May 2011, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

No options have been granted under the Share Option Scheme since its adoption up to 30 June 2016.

As at 30 June 2016, the remaining life of the Share Option Scheme was about four years and ten months.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2016, 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	Lowest price paid per share	Aggregate price paid
		HK$	HK$	RMB'000
January 2016	332,000	4.59	4.29	1,224
March 2016	2,022,000	4.38	4.18	7,204
April 2016	6,736,000	4.85	4.24	25,160
May 2016	1,852,000	4.95	4.78	7,528
June 2016	1,656,000	4.90	4.72	6,833
	12,598,000			47,949

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 12,598,000 shares were repurchased during the six months ended 30 June 2016 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 RMB106,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$57,101,000 (equivalent to approximately RMB47,843,000) was charged to share premium.

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

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

CHANGES IN DIRECTORS' INFORMATION

On 7 July 2016, the Board and the remuneration committee of the Company resolved that (i) the remuneration of each of Mr. Wang Li and Mr. Xue Mangmang, executive Directors, be adjusted to HK$450,000 per annum, effective retrospectively from 1 July 2016; (ii) the remuneration of Mr. Zeng Wu, a non-executive Director, be adjusted to HK$500,000 per annum, effectively retrospectively from 6 June 2016; and (iii) the remuneration of Mr. Wu Zhongqin, a non-executive Director, be adjusted to HK$450,000 per annum, effective retrospectively from 1 July 2016.

Save as disclosed above, there is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

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

The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited financial results of the Group for the six months ended 30 June 2016 and this interim report.

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