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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2299

ANNUAL REPORT 2017

Contents

Company Profile

Mission

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

Billion Industrial Holdings Limited (the "Company" or "Billion", together with its subsidiaries, the "Group"), is one of the largest developers and manufacturers of polyester filament yarns in China. The polyester filament yarns products of the Group are positioned at medium-and high-end markets in the PRC and overseas, its main products 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. These products are widely used in the production of high-end fabrics and textiles for various consumer products, including apparel, footwear and home furnishings. Billion was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2011.

As at 31 December 2017, the designed capacity of FDY and POY of the Group was 785,000 tons per year, while that of DTY was 548,600 tons per year. The Group's combined designed capacity for DTY, FDY and POY was 1,333,600 tons per year, which made it the largest differentiated chemical fiber production base in Fujian Province.

As at 31 December 2017, the Group's designed capacity for polyester thin films was 255,000 tons per year, of which, the designed capacity of BOPET thin films was 182,500 tons per year, which has become a large enterprise manufacturing polyester thin films. The Group introduced the production lines and research and development equipment for BOPET thin films from Dornier in Germany, for which the products are positioned at the high-end functional polyester thin films market in the People's Republic of China (the "PRC"), applying in the areas including soft packaging, composite printing, electronic appliances, clothing and garments, safety and energy saving. The purification workshop management is implemented for the production workshops, meeting the stringent environmental requirements for producing different thin films. Also, the Group is vigorously developing new, environmentally friendly polyester thin film products which can be applied in various areas.

The Group is now investing approximately US$222,000,000 to expand our polyester filament yarns business. Upon the completion of the expansion plan, the annual production capacity of the Group's polyester filament yarns products will increase by approximately 220,000 tons.

In addition, in order to further expand the overseas markets, the Group has established Billion Industrial (Viet Nam) Co., Ltd. ("Billion Vietnam") in Vietnam during the year under review, so as to develop the overseas polyester bottle chip business, and to set up to the polyester filament yarns production facility, and the polyester, POY and FDY production facilities in Vietnam.

Billion's Journey

2003
- Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") was established in the People's Republic of China (the "PRC") by Billion Wise Industrial Limited ("Billion H.K.") as a wholly foreign-owned enterprise

2005
- Commencement of commercial production of polyester filament yarns in Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC
- First production line of polyester filament yarns with designed capacity of approximately 200,000 tons per year commenced production

2008
- Second production line of polyester filament yarns with designed capacity of approximately 260,000 tons per year commenced production

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

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

2013
- Commenced construction of the second to fifth production lines of polyester thin films
- Billion Fujian was awarded as one of the "China's top 500 private enterprises in the manufacturing sector"

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

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

Billion's Journey

2016

- Billion Fujian was recognised as a "National Technology Innovation Demonstration Enterprise"
- Billion Fujian was awarded "Advanced Group in National Textile Industry"
- The production expansion plan for polyester thin films was completed in full with the designed capacity of 255,000 tons per year

2017

- Billion Fujian was awarded as one of the "China's top 500 private enterprises in the manufacturing sector"
- Billion Fujian was awarded "National 'Quality Benchmarking'"
- Awarded as a "2017 State-Accredited Enterprise Technology Centre"

Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Wu Zhongqin (re-designated from non-executive director to executive director on 19 May 2017)
Mr. Liu Jingui
(appointed on 10 March 2017)
Mr. Wang Li
(resigned on 14 January 2018)
Mr. Xue Mangmang
(resigned on 10 March 2017)

Non-executive Directors

Mr. Zeng Wu *(Co-chairman)*
Mr. Wu Zhongqin (re-designated from non-executive director to executive director on 19 May 2017)

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. Wu Zhongqin
(appointed on 19 May 2017)
Mr. Liu Jingui
(appointed on 10 March 2017)
Mr. Wang Li
(resigned on 14 January 2018)
Mr. Xue Mangmang
(resigned on 10 March 2017)

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:
Luk & Partners
In Association with Morgan, Lewis & Bockius

As to PRC Law:
Tian Yuan Law Firm

Auditors

KPMG

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

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

Principal Bankers

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

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

	For the year ended 31 December		
	2017	2016	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**7,025,317**	6,125,251	14.7%
Gross profit	**1,013,322**	711,815	42.4%
Profit from operations	**696,280**	456,004	52.7%
Profit for the year	**516,143**	315,351	63.7%

	As at 31 December		
	2017	2016	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**5,868,436**	5,653,209	3.8%
Non-current liabilities	**169,121**	160,704	5.2%
Current assets	**4,606,675**	2,981,139	54.5%
Current liabilities	**4,820,126**	3,301,990	46.0%
Net current liabilities	**213,451**	320,851	-33.5%
Total equity	**5,485,864**	5,171,654	6.1%
Earnings per Share (RMB)	**0.24**	0.15	
Interim dividend (HK cent) (Note 1)	**5.90**	3.50	
Final dividend (HK cent) (Note 2)	**8.40**	4.80	
Key Ratio Analysis			
Gross profit margin	**14.4%**	11.6%	
Operating profit margin	**9.9%**	7.4%	
Net profit margin	**7.3%**	5.1%	
Returns on equity (Note 3)	**9.4%**	6.1%	
Current ratio (Note 4)	**0.96**	0.90	
Gearing ratio (Note 5)	**90.9%**	67.0%	

Notes:

1: The interim dividend of HK5.9 cents per share in cash was paid on 12 September 2017

2: The final dividend of HK8.4 cents per share in cash will be paid on 16 May 2018

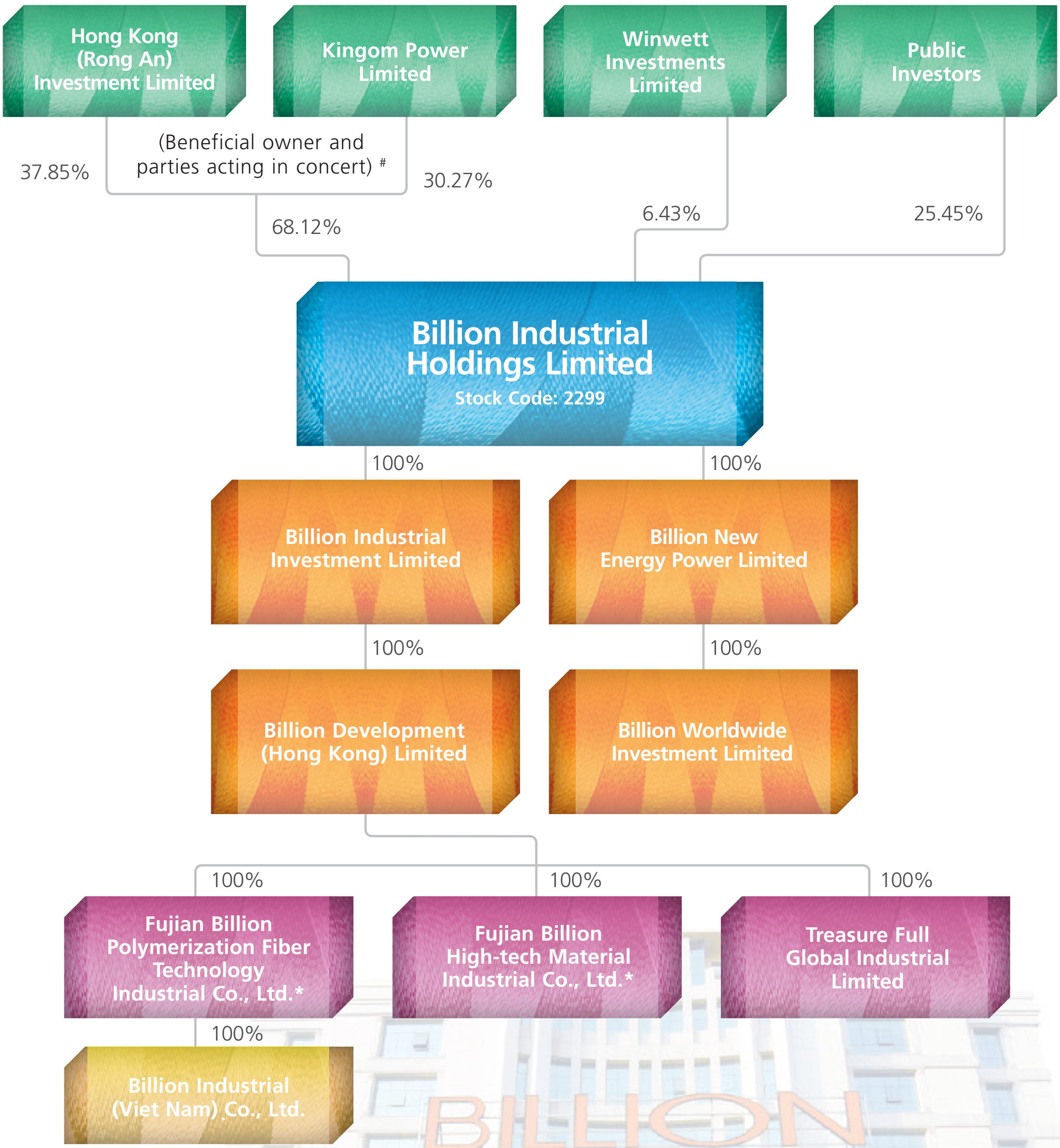
3: Returns on equity: Profit for the year divided by total equity

4: Current ratio: Current assets divided by current liabilities

5: Gearing ratio: Total liabilities divided by total equity

Company Structure

as at 31 December 2017



Note:

	Place of incorporation	Place of operation
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 Worldwide Investment 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 Industrial (Viet Nam) Co., Ltd.	: Vietnam	Vietnam

* *For identification purposes only*

\# *The Supplemental Deed of parties acting in concert expired and was not renewed on 13 January 2018.*

Chairman's Statement

While the second to the fifth production lines have formally commenced operation, the production capacity of polyester thin films now can reach 255,000 tons per year, and become the largest polyester thin film production enterprise in Southern China.

Sze Tin Yau
Co-chairman of the Board

To all shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the results of the Group for the year ended 31 December 2017.

In 2017, the global economy continued its recovery trend and the PRC economy sustained its development momentum of "making progress while maintaining stability". In 2017, China's GDP exceeded RMB82.7 trillion for the first time with its overall economic condition better than expected. The continuous recovery in apparel industry and other downstream industries of the Group had driven the strong demand for polyester filament yarns. In view of the continuous recovery in polyester filament yarns industry and customers' eager demand for our differentiated products, the price of polyester filament yarn went up steadily, while our sales maintained a stable increase during the year under review.

As the largest polyester filament yarns manufacturer in Southern China and China's top 500 private enterprises, the Group has all along been striving to the integration of differential and functional polyester filament with high quality to satisfy the demands of domestic and foreign brand enterprises, enhance the investment on brand building and increase the added values of our products and brands in order to develop and establish enterprise soft power. The Group does not only possess the largest differentiated chemical fiber production base in Southern China, but has also become the first enterprise in Fujian Province adopting the world advanced melt-direct spinning differentiated chemical fiber production line, and possesses the leading spinning and texturing equipment and technology in the industry. The hot-melt filament yarn new products developed by the Group during the year under review were launched into the market, were fully recognized by customers and received good market response, which testified the Group's efforts in investing in research and development. In the future, we will continue to adopt the equipment with more advanced technology to produce differentiated chemical fiber and functional environmentally-friendly polyester thin film products that are in strong demand and with special performance and functions, and develop more new products to satisfy the ever-changing market demand. The Group continued to improve our product quality and develop high value-added and differentiated products. During the year under review, the Group's revenue derived from differentiated products amounted to RMB5,055,545,000, accounting for 72.0% of our total annual revenue. Such a high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales amount.

Chairman's Statement

The Group strives to establish a digital and intelligent automatic chemical fiber production workshop, and will be the front runner of realizing the full process of intelligent automatic production in the industry. The second fully automated storage and retrieval system of the Group has commenced operation during the year under review, further improving space utilization, increasing management efficiency and saving labour costs for the Group.

The Group is currently a national high-tech enterprise and serves as a national research and development base for polyester fiber products with functional differentiation. The Group owns laboratories with national certifications and national level enterprise technology centers. The Group has a first-class technology research and development team with various products and technologies development efforts reaching both the domestic and the world's leading standards, and owns certain patents. Most of our key equipment is imported from Germany and Japan which is of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation. The Group will facilitate its industry to achieve high-end upgrade 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 through the automatic equipment digitalization, networking and modularization. During the year under review, the experience project for intelligent manufacturing promoting quality control of Billion Fujian was awarded as the national "Quality Benchmark" promulgated by China Association for Quality, which enabled the Company to become the sole enlisted enterprise in Jinjiang.

The Group has always paid attention to upstream resources, tracked and kept technologies for upstream raw materials, such as renewable materials, biodegradable materials, bio-based materials, as well as raising the proportion of recyclable products. Moreover, the Group actively performed social responsibilities and co-operated with Jinjiang Chuanghui Photovoltaic Company Limited.*（晉江創惠光伏有限公司）to utilize the idle rooftop of our plants as the photovoltaic power generation system, which enables the plant rooftop to become a clean photovoltaic power generation station. The special heat insulation effect of the roof solar energy panels can reduce electricity usage for air conditioners in summer, whereby saving energy and reducing consumption.

Upon the completion of the Group's expansion plan for functional and environmentally friendly polyester thin films production, the Group's production capacity of polyester thin films now can reach 255,000 tons per year, while the sales amount of polyester thin films products recorded a significant growth. The Group has sound regional advantages. With convenient raw material sources in the region, the well-developed light industries such as the apparel, footwear and hats and food in the downstream sectors have vast demand for plastic packages. The market capacity within the region is tremendous. By leveraging on the favorable geographical advantages, the Group's polyester thin film business will achieve better development. Further increase is expected to the sales of polyester thin films products and also its proportion to the total revenue of the Group.

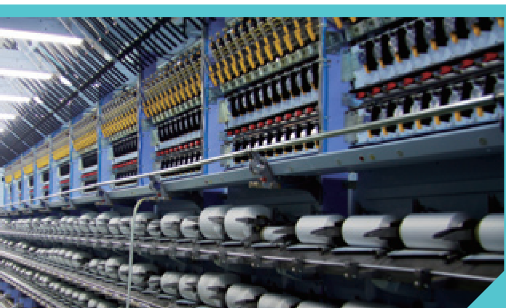
Chairman’s Statement

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

As regards to market development, the Group formulates its marketing strategies based on product quality and personalized quality services. With a focus on customers’ experience, feedback from customers was timely communicated to the technology and production center to ensure two-way interaction, providing fast and effective product after-sales services. The Company has constantly been optimizing settlement methods and carrying out training on staff to enable their service consciousness to achieve the marketing management optimization target. The products of the Group cover the domestic markets in Fujian, Guangdong, Shaoxing and Jiaxing in Zhejiang Province and Shengze, Jiangsu. 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 and regions such as Turkey, Italy, Belgium, Brazil, United States, Spain and Poland. During the year under review, the export sales revenue of the Group’s products reached RMB1,035,474,000, which represented a further increase in the Group’s brand popularity and market share in overseas markets.

As regards to talents training, the Group has stressed great importance on staff orientation training and on-the-job training as well as technical training. We constantly adhere to the belief of “Human-oriented, Factory is Home and Co-development” to ensure fair and equitable protection to all staff (including the management). Apart from providing good promotion prospects and training, the Group also provides a series of facilities and benefits for its staff and their families, which not only develop the works of staff, but also have a harmonious family and establish a harmonious enterprise with the Group.

Through introducing the strategic partner Hong Kong (Rong An) Investment Limited (“Hong Kong Rong An”), a substantial shareholder of the Company and a wholly-owned subsidiary of CECEP Chongqing, which is in turn a subsidiary of CECEP, the largest state-owned enterprise in the PRC specializing in energy-saving and environmental protection projects, the relationship between the Group and CECEP has become closer in terms of co-operation opportunities and synergy. By adhering to the vision of “aspiring to be the world’s premier supplier of consumer product materials, providing eco-friendly products for the public”, the Group implemented the operation philosophy of “creating green products” and continued to enhance the development of differentiated chemical fiber and functional environmentally-friendly polyester thin film products.



Chairman's Statement

By adhering to the mission of "providing eco-friendly products for the public, aspiring to be the world's premier supplier of consumer product materials", the Group implements the operation philosophy of "creating green products". We will continue to provide quality products and service to global customers with professional technology and serious attitude. Armed with strong technical strengths and financial resources, the management will capture development opportunities to further expand our scale, and improve returns to our shareholders.

It recorded a stable growth in terms of size and efficiency of the textile industry in China, continued its deepening structural adjustment, stable improvement in innovation capacity, and made new progress in sustainable development. In light of the PRC government's recent industry policies to encourage the development of high-technology and environmental protection industries, in order to expand our scale and realize business growth, we are now investing approximately US$222,000,000 to expand our polyester filament yarns business, which is expected to go into full operation by the end of 2018. Upon the completion of the expansion plan, the annual production capacity of the Group's polyester filament yarns products will increase by approximately 220,000 tons.

Under the government policies' tremendous support, the Group will leverage its established brand position in the same sector, its original marketing platform as well as its existing supply chain, sales channels and customer resources to expand the market in Vietnam with quality products and perfect after-sales service. The Group has established Billion Vietnam during the year under review to develop the polyester bottle chip business, polyester filament yarns production facility, and the polyester, POY and FDY production facilities in Vietnam. Currently, the project has fully entered into construction phase. The full operation of the facilities can be expected by the end of 2019. Vietnam's advantageous location in the region provides convenient conditions for procurement and transportation of raw and auxiliary materials, and a huge market capacity exists in neighbouring markets. The Group believes that these new investments will benefit the Group and generate good financial returns to its shareholders.

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

Sze Tin Yau
Co-chairman of the Board
12 March 2018

Production Sites

Production Site A and B

Situated in the Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, PRC

Production Site C and D

Located at Jinnan Industrial Zone, approximately two kilometers away from the production site in Fenglin Industial Zone

Production Site E under construction

Located at Jinnan Industrial Zone, approximately two kilometers away from the production site in Fenglin Industial Zone

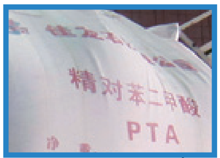
Production Sites

Designed capacity as at 31 December 2017:

FDY+POY	:	785,000 tons per year
DTY	:	548,600 tons per year
BOPET	:	182,500 tons per year
BOPET Chips	:	72,500 tons per year

Production Processes of Polyester Filament Yarns & Polyester Thin Films

PTA



MEG

Polymerizing Process

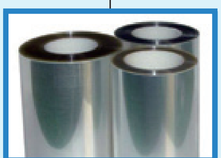
Mixes PTA and MEG together under high temperature and high pressure to produce polyester melt

Polyester Melt

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

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

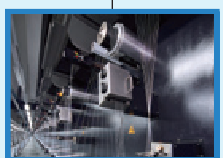
BOPET Chips



BOPET

Polyester melt is first biaxially stretched

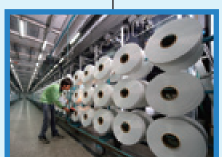
Polyester melt is first pushed through the spinning holes on the spinneret into polyester filaments which are then drawn and combined into polyester filament yarns



POY/FDY Spinning

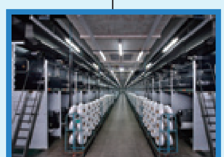
PET Chips

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



FDY

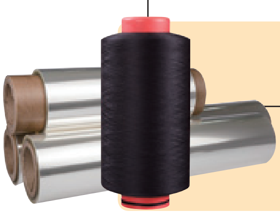
FDY is fully drawn through a heated drawing process



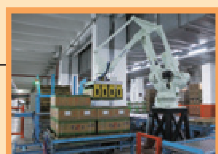
POY

POY is partially drawn processed through a pre-orientation process

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



Warehouse



Packaging

Quality Control

DTY

POY is processed through a texturing process to become DTY

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

Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

The global economy continued its recovery in 2017 with continued economic expansion and moderate inflation overall. The economies in U.S.A., Eurozone and Japan saw continuous improvements, while emerging economies showed rapid growth as a whole. The capital market was active while the bulk commodity market improved steadily. In addition, after the Brexit process is launched and the US presidential election concluded, the uncertainties of global policies significantly reduced and the desires of enterprises to invest and people to consume escalated.

In 2017, China's GDP exceeded RMB82.7 trillion, representing a growth of 6.9%, which continued the momentum of "making progress while maintaining stability" and the overall situation was better than expected. In 2017, the economic structure continued to optimize and consumption continued to serve as an important engine for economic growth, while domestic demand continued to be an important factor in supporting the stable economic growth in mainland China. In addition, China' foreign trade once again picked up its growth. After facilitating the "One Belt One Road" initiative in the past two to three years, many infrastructure projects along the route are under implementation and posed positive support for machinery and equipment and raw materials export from mainland China, benefiting its performance in foreign trade. Moreover, lowering production capacity was successful and the new economy and new industries also developed rapidly. According to data from the National Bureau of Statistics of the PRC, in 2017, the ultimate consumption in China contributed 58.8% to China's GDP growth, which was an important momentum in driving the growth of the economy. The retail sales of apparel, footwear, hats and textile products amounted to RMB1.4557 trillion in 2017, representing a year-on-year increase of 7.8%, among which, the sales in December 2017 was RMB166.4 billion, representing a year-on-year increase of 9.7%. With the continued support of policy stimulation, China's economy continued its steady and healthy development trend, industrial structure continued to optimize and employment rate was above expected target, resident income increased steadily, consumer sentiment continued to improve, and the sales and purchases in commodity markets recorded strong recovery.

INDUSTRY REVIEW

The textile industry in China is closely related to the nation's macro-economic development. The accelerating global economic recovery and bouncing back of international market demand stimulated textile products export in the PRC. The stable growth in domestic macro-economy provided positive support for demand in domestic market. The growth in urban and rural resident income, construction of new types of urbanization and full implementation of the Two-Child Policy had facilitated the growth in consumption of upgraded textile products. The growth rate in the value-added textile industry was gradually stabilized, and industrial development was basically transited from a slowing down period to a dull and stable period. In addition, the countries along the "One Belt One Road" of China are the major destinations of China's export in textile machinery, the progress of the "One Belt One Road" and the pace of "going out" in relation to the overseas layout of textile enterprises was accelerated and created favorable conditions for expanding the international markets of textile industry and maintaining its market share, and the Group has also prepared well for developing the overseas polyester bottle chip and polyester filament yarns production business in Vietnam.

The apparel industry entered a new re-stocking stage as a result of its rebound in 2017, which had driven the strong demand for polyester filament yarns and raw material price increase in polyester filament yarns. The continuous recovery in polyester filament yarns industry had demonstrated significant improvement in industry operation, inventory and profitability. On the other hand, the integration of polyester filament yarns supply-side capacity and improved industry supply pattern had driven the stable increase in polyester filament yarns price which saw a further growth in enterprise profitability.

The downstream industry of polyester thin films comprises mainly businesses engaged in production and sale of plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. With the constant application expansion of polyester thin films in downstream industry, product differentiated development is the trend of industry development. Investing and producing various functional thin films products with special features will become the direction of development for polyester thin films enterprises. There was no significant new player entering the polyester thin films industry in China during the year under review. The Group will strive to be a flagship enterprise in the polyester new material industry, further expand the scale, sharpen its competitive edge and leverage on its manufacturing advantages to enter into the high-end thin film products sector from a high starting point.

BUSINESS REVIEW

Stable growth in the Group's sales amount

The Group continued to strive for product quality improvement and development of differentiated products during the year under review. The market demand for the Group's products remained strong. Also, with the continuous recovery in the differentiated polyester filament yarn industry, the sales of the Group recorded a stable growth during the year under review.

The prominent research and development as well as our innovation capacity are the foundation of our sustainable development. We emphasize on and persist to pursuing the technology innovation approach of a combination of "Production, Learning, Research and Application". 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 innovative talents, and strives to research and develop new products and enhance product added value, and improve the brand values and competitive strengths of the Company.

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 ongoing launching of new products which served as a guidance to the market. The Group brought in scalable cost advantages through large-scale and advanced production equipment, most of our key equipment is imported from Germany and Japan which is of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation.

The Group has a research and development team which comprises over 550 senior technicians to develop new products based on a market oriented approach. The Group also has a sizable quality control team equipped with the world's advanced testing facilities to ensure stringent product quality and personalized quality service. During the year under review, the Group's product differentiation rate reached 72.0%. Such a high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales amount.

Intelligent automatic production technology

Billion Fujian, the "China's top 500 private enterprises", is the largest polyester filament yarns manufacturer in Southern China, and an "innovation enterprise" of technological and innovative projects of Fujian Province. By relying on technology innovation and striving to establish a digital and intelligent automatic chemical fiber production workshop, it is the front runner of realizing the full process intelligent automatic production in the industry. It meets the intelligent and digital requirements in processes such as design, process, manufacturing, testing and logistics for differential and functional polyester filament yarn products in segments covering sports, leisure, home furnishings and apparel, increases the proportion of functional and differential products, shortens the research and development cycle of new products, and improves labour productivity, significantly reduces labour works intensity, increases energy efficiency utilization and reduces the cost of enterprise operation.

By leveraging on the digitalization, networking and modularization of automatic equipment, the Group keeps on improving its products' quality and production volume. The Group has strengthened its effort in recruitment of talents to enhance the innovation capability of the Group in every aspect from chemical fiber to textile fabrics, improve labour productivity, product quality, research and development capacity of new products and energy efficiency utilization, so as to form a new model of reproducible polyester filament yarn melt-direct spinning intelligent manufacturing and promote for industry application, as well as leading the industry transformation and upgrade.

In addition, the Group strives to establish a digital and intelligent fully automatic chemical fiber production workshop, and is the front runner of realizing the full process of intelligent automatic production in the industry. Moreover, the second fully automated three-dimensional storage and retrieval system of the Group has commenced operation during the year under review. The automated storage and retrieval system adopts the double-shelf set-up with all DTY products stocking in automatically, which further shortens the time spent for stock in or stock out, improving space utilization, increasing management efficiency and saving labour costs. In addition, the automated three-dimensional storage and retrieval system was designed based on the specific environmental conditions. For example, in order to accommodate the local temperature and humidity in Quanzhou, it is designed with rust removal and four-proof measures, namely lightning-proof, damp-proof, typhoon-proof and stormproof and rustproof, to ensure the system life and stable operation.

The Group introduced the production lines and research and development equipment for BOPET thin films from Dornier in Germany. 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.

Market development

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, focus on customers' experience and timely communicate the feedback from customers to the technology and production center, thus ensuring bilateral interaction and providing fast and efficient product after-sales services. The Group has strived for the integration of differential and functional polyester filament with high quality, which has driven the technological progress of textile products in surrounding areas, enhanced and expanded the industrial chain of regional and even nationwide textile-related industries.

The Group not only has the largest differentiated chemical fiber production base in Southern China, but is also the first in Fujian Province to adopt the world advanced melt-direct spinning differentiated chemical fiber production line, and possesses the leading spinning and texturing equipment and technology in the industry. 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 feedback of downstream users in the emerging markets, we made functional improvement and technology upgrade to our existing product lines with suitable marketing strategy, strengthened quality control on export products, and maintained cost advantages. The Group's export sales for the year under review increased by RMB158,093,000 or 18.0%, which represented a further increase in brand popularity and market share in overseas markets.

Production capacity expansion

As of 31 December 2017, the Group's designed production capacity for FDY and POY was 785,000 tons per year, for DTY, it was 548,600 tons per year and for polyester thin films, it was 255,000 tons per year, of which, the designed production capacity of BOPET thin films was 182,500 tons per year. In addition, with an aim to achieve high-end upgrading from manufacturing to "intelligent manufacturing", 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, the Group is investing approximately US$222,000,000 to expand its polyester filament yarns businesses, which will go into full operation by the end of 2018. Upon completing the expansion plan, the annual production capacity of the Group's polyester filament yarns products will increase by approximately 220,000 tons.

By endeavoring to intensify its innovation facilitation and enhance new market expansion, and integrate with national planning and policies for the chemical fiber industry and polyester thin film industry and the opportunities brought by "One Belt One Road", the Group has established Billion Vietnam during the year under review to develop the polyester bottle chip business, polyester filament yarns production facility, and the polyester, POY and FDY production facility in Vietnam. Currently, the project has fully entered into construction phase. The full operation of the facilities can be expected by the end of 2019. It is believed that the new investments will benefit the Group and record favorable financial returns.

Product research and development

The management team of the Group applied scientific management software to (i) achieve networking and informationization management during the course of production; (ii) arrange production allocation among various products; and (iii) allocate equipment between production and research and development to maximize the usage of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enables the Group to constantly launch new products in time targeting at market demand with a view to increase the strengths of product differentiation.

The Group has strong scientific research strengths. Its technology center was awarded as the "State Enterprise Technology Centre" and its fiber testing center gained the recognition of CNAS National Laboratory. The Academician Expert Work Station was launched to carry out scientific research projects cooperation. The Group established a "polyester fiber joint research and development center" through collaboration with Donghua University to jointly develop new products. Its independently research and developed project of "melt direct-spun polyester filament yarn spinning project analog computer system and process optimization" was awarded the "First Prize for the Advancement of Science & Technology in Fujian Province". Billion Fujian and Billion High-tech, principal subsidiaries of the Company have been awarded as high technology enterprises.

As of 31 December 2017, the Group owned 112 national patents registered in China and had applied for 121 national patents. Among all of the Group's patented products, 77 of them have already been applied to our products sold to customers. Our research and development expenditure was RMB236,279,000 in 2017, representing 3.3% of our total revenue. Our research and development efforts mainly focus on improving product quality and production efficiency and enhancing the innovation capability of the Group in every aspect from chemical fiber to textile fabrics.

For the year ended 31 December 2017, revenue generated from the Group's differentiated products amounted to RMB5,055,545,000, accounting for 72.0% of its total revenue for the year, representing an increase of RMB1,089,198,000 or 27.5% as compared to 2016. The Group believes that its products, protected by national patents, will be well recognised in both domestic and international markets and will provide the Group with a strong competitive edge.

Laws and Regulations and Environmental Protection

The Group is in strict compliance with the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Conserving Energy" and other environmental protection regulations and rules while ensuring the highest quality standards in our products. The Group integrated the ISO9001 Quality Management System, ISO14001 Environmental Management System (passed the third review and accreditation in 2017) and OHSAS18001 Occupational Health and Safety Management System to achieve coordinated management and improved the management efficiency of the Group effectively. In addition, Billion Fujian and Billion High-tech under the Group have successively passed the review regarding the three levels of production safety standardization. The Group formulated enterprise standards which are more stringent than national standards for polyester filament yarns and conducted comprehensive inspection on the products used. In addition, the Group implemented product quality performance appraisal system comprehensively to all production departments. The Group also passed the EU textile products OEKO Environmental Protection Product First Class Recognition, with all products passed the random product quality inspection of relevant bureaus of quality and technical supervision.

The Group strictly complied with the national environmental protection requirements and pursued the environmental guidelines of "precaution and treatment with precaution as priority" to reinforce and plan environmental protection works. We practiced well clean production and energy saving and consumption cutting and improved the efficiency of resources utilization. The Group insisted on taking technical innovation as a driving force and adopted advanced contamination treatment technologies to control pollutant emissions during the production process, striving to fully complete the internal emission reduction plans (for details, please refer to the section headed "Environmental, Social and Governance Report").

Human-oriented, Factory is Home and Co-development

We believe a harmonious employment relationship is a key element of our success. Hence, we constantly adhere to the belief of "Human-oriented, Factory is Home and Co-development" to provide them an improved employment system and ensure fair and equitable protection to all staff, and we strictly comply with relevant labour laws, regulations and industry practices. Apart from providing good promotion prospects and training, the Group also provides a series of facilities and benefits for its staff and their families, which not only develop the career of our staff, but also have a harmonious family and establish a harmonious enterprise with the Group (for details, please refer to the section headed "Environmental, Social and Governance Report").

Business Outlook

Along with the continuous recovery in polyester filament yarns industry, the downstream enterprises have entered into the re-stocking stage, which will continue to drive the demand for polyester filament yarns and see further growth in the Group's business. As the largest polyester filament yarns manufacturer in Southern China and China's top 500 private enterprises, the Group will continue to intensify innovation facilitation and enhance new market expansion. Through integrating with national planning and policies for the chemical fiber industry and polyester thin film industry and the opportunities brought by "One Belt One Road", the Group established Billion Vietnam during the year under review for expanding the polyester bottle chip business with an annual capacity of 250,000 tons, polyester filament yarns production facilities with an annual capacity of 165,000 tons, as well as polyester, POY and FDY production facilities with an annual capacity of 220,000 tons in Vietnam, which are expected to be put into full production by the end of 2019.

Through technology innovation, we will continue to improve the processing system of functional differentiated products, improve labour productivity, product quality, research and development capacity of new products and energy efficiency utilization, so as to form a new model of reproducible polyester filament yarn melt-direct spinning intelligent manufacturing and promote for industry application, as well as leading the industry transformation and upgrade. In addition, the Group has introduced the biaxial oriented polypropylene film production lines from Dornier of Germany, as well as the complete set of equipment adopts programmed control where the whole production process is monitored through the central-controlled computer and various kinds of quality products are produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines of KAMPF of Germany have been introduced. This comprehensive and advanced equipment will enable the Group to attain and maintain high quality for its products.

The continuous launching of new products enables the products of the Company to cover wider application segments and penetrate into more differentiated segmented market. By leveraging on higher value-to-cost, certain products replaced similar imported products and alternative products in other materials, effectively resisted the risks brought by competition, and ensured the profitability and growth of the Group while integrating the technology and cost advantages whilst forming new sectors for profit growth. Upon the completion of expansion plan for functional and environmentally friendly polyester thin films production of the Group, the sales volume and sales of polyester thin films products recorded a significant growth, further increase is expected to the sales of polyester thin films products and also its proportion to the total revenue of the Group.

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 and regions such as Turkey, Italy, Belgium, Brazil, United States, Spain and Poland. The Group has established long-term business relationships with several domestic well-known garments and shoes manufacturers. The low customer concentration was beneficial to enhance corporate's risk resistance ability and bargaining power. The Group will continue to improve its channel and network layout of the relevant regions and continue to enhance corporate branding marketing and establishment to improve the international competitiveness of the Group's products.

By adhering to the mission of "providing eco-friendly products for the public, aspiring to be the world's premier supplier of consumer product materials", the Group implements the operation philosophy of "creating green products". We will continue to provide quality products and service to global customers with professional technology and serious attitude. Armed with strong technical strengths and financial resources, the management will capture development opportunities to further expand our scale, and improve returns to our shareholders.

Financial Review

Operational Performance

1. Revenue

Revenue of the Group for 2017 was RMB7,025,317,000, representing an increase of 14.7% as compared to RMB6,125,251,000 in 2016. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,720,028,000, accounting for 81.4% of total revenue. Revenue attributable to the sales of polyester thin films was RMB1,305,289,000, accounting for 18.6% of total revenue. The revenue analysis of the two products is as follows.

Polyester filament yarns

The Group adopts melt-direct spinning differentiated chemical fiber production line which is technologically advanced by global standard, and possesses the leading spinning and texturing equipment and technology in the industry. The Group positions its polyester filament yarn products in the middle and high-end markets both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame resistant, abrasion-resistant, super-soft, super-shining and antibacterial. The Group's products are widely used in the production of high-end fabrics and textiles for various apparels, footwear, home furnishings and industrial use. Satisfying the needs of the middle and high-end markets both domestically and abroad for textile raw materials is of great significance to the exploration of the industry chain in Southern China.

Revenue attributable to the sales of polyester filament yarn products for the year under review was RMB5,720,028,000, representing an increase of RMB260,130,000 or 4.8% as compared to RMB5,459,898,000 in 2016. The average selling price of polyester filament yarns in the year under review was RMB9,245 per ton, representing an increase of RMB1,734 or 23.1% as compared to RMB7,511 per ton in 2016.

During the year under review, using a market-oriented approach, the Group actively developed the research of the new functional products aspect of its differentiated products that has higher added-value. As affected by the factor of production process, there was a decline in production tons. However, the Group's polyester filament yarn products mainly focused on product quality and technology, whereby bringing a robust growth for the sales revenue of polyester filament yarn products.

Polyester thin films

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 positioned at the middle and high-end markets both domestically and abroad. The Group re-engineered its polyester thin film production lines to conduct research and development on various categories of thin film products under different raw material formulae and various technological conditions. For its products, the Group passed the ISO9001 quality control system and national QS audit certification, and obtained the "food use plastic packaging material" product permit, thereby having fulfilled entirely the standardized and regulating corporate management standard. The Group has introduced 5 biaxial oriented polypropylene film production lines successively from Dornier of Germany, and then the complete set of equipment adopts programmed control where the whole production process is monitored through the central-controlled computer and various kinds of quality products are produced through automatic adjustment based on different technological parameter instructions. In the cutting segment, the cutting machines of KAMPF of Germany have been introduced. This comprehensive and advanced equipment will enable the Group to attain and maintain high quality of its products. The Group's production capacity of polyester thin films reaches 255,000 tons per year. It has become the largest polyester thin film production enterprise in Southern China.

Revenue attributable to the sales of polyester thin film products for the year under review was RMB1,305,289,000, representing a significant increase of RMB639,936,000 or 96.2% as compared to RMB665,353,000 in 2016. The average selling price of polyester thin films in the year under review was RMB7,782 per ton, representing an increase of RMB842 or 12.1% as compared to RMB6,940 per ton in 2016.

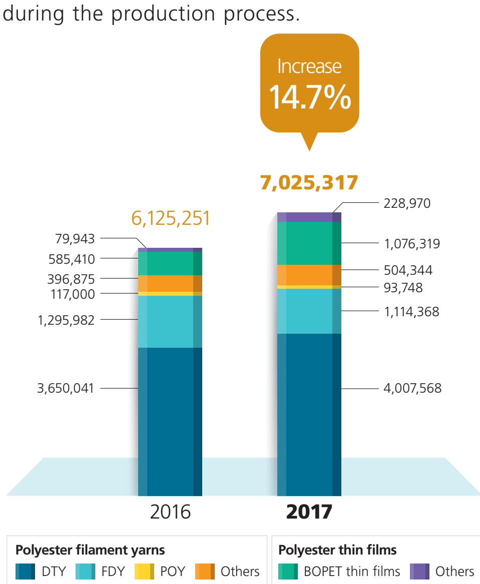
Management Discussion and Analysis

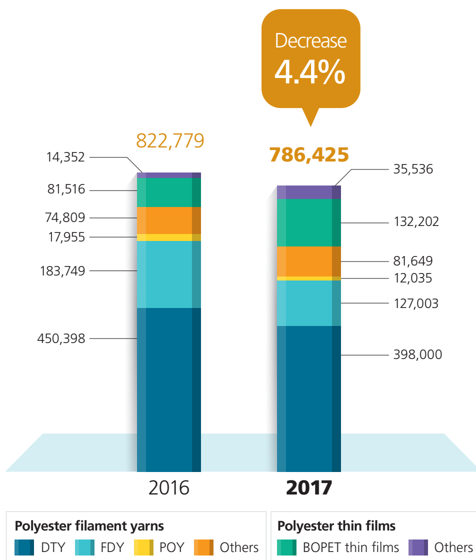
Revenue and Sales Volume by Product

	Revenue				Sales Volume			
	2017		2016		**2017**		2016	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**4,007,568**	**57.0%**	3,650,041	59.6%	**398,000**	**50.6%**	450,398	54.8%
FDY	**1,114,368**	**15.9%**	1,295,982	21.1%	**127,003**	**16.2%**	183,749	22.3%
POY	**93,748**	**1.3%**	117,000	1.9%	**12,035**	**1.5%**	17,955	2.2%
Other polyester filament yarn products*	**504,344**	**7.2%**	396,875	6.5%	**81,649**	**10.4%**	74,809	9.1%
Sub-total	**5,720,028**	**81.4%**	5,459,898	89.1%	**618,687**	**78.7%**	726,911	88.4%
Polyester thin films								
BOPET thin films	**1,076,319**	**15.3%**	585,410	9.6%	**132,202**	**16.8%**	81,516	9.9%
Other polyester thin film products**	**228,970**	**3.3%**	79,943	1.3%	**35,536**	**4.5%**	14,352	1.7%
Sub-total	**1,305,289**	**18.6%**	665,353	10.9%	**167,738**	**21.3%**	95,868	11.6%
Total	**7,025,317**	**100.0%**	6,125,251	100.0%	**786,425**	**100.0%**	822,779	100.0%

* Other polyester filament yarn products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.

** Other polyester thin film products represent polyester chips, polyester films and wasted filament generated during the production process.





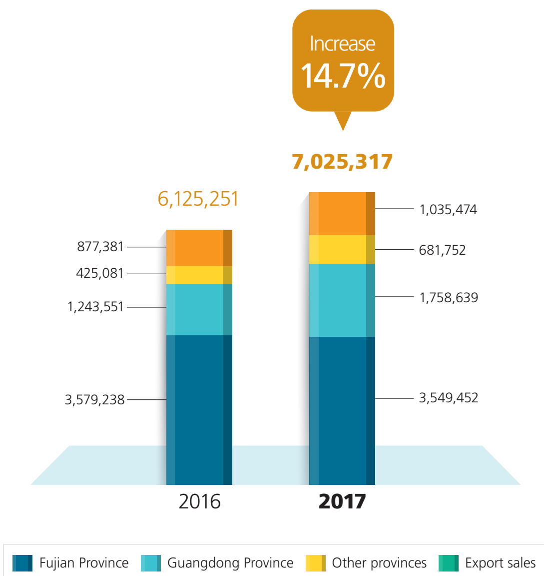
Sales by geographic region

The Group actively expanded and consolidated its market share in overseas market by constantly improving its service quality and increasing its brand recognition. The export sales revenue increased from RMB877,381,000 in 2016 to RMB1,035,474,000 during the year under review, the percentage of export sales revenue also slightly increased from 14.3% in 2016 to 14.7% during the year under review, representing an increase of 0.4 percentage point. Approximately 85.3% of the Group's revenue was generated from domestic market sales, of which 50.5% was from sales to customers in Fujian Province and 25.0% to customers in the adjacent Guangdong Province. The textile manufacturing industries in both provinces are booming, resulting in a strong demand for the Group's products. In addition, the Group's polyester chips shops were equipped with professional marketing staff in Ningbo in order to explore other provincial markets, where it provided customized product development services to its customers and developed strategic partners.

Geographic Breakdown of Revenue

	2017		2016	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**3,549,452**	**50.5%**	3,579,238	58.4%
Guangdong Province	**1,758,639**	**25.0%**	1,243,551	20.3%
Other Provinces	**681,752**	**9.8%**	425,081	7.0%
Export sales*	**1,035,474**	**14.7%**	877,381	14.3%
Total	**7,025,317**	**100.0%**	6,125,251	100.0%

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



2. *Cost of Sales*

The cost of sales of the Group in 2017 was RMB6,011,995,000, representing an increase of 11.1% as compared to RMB5,413,436,000 in 2016. Such an increase was primarily attributable to the increase in raw materials prices. The cost of sales for polyester filament yarns was RMB4,875,834,000, accounting for 81.1% of total cost of sales. The cost of sales for polyester thin films was RMB1,136,161,000, accounting for 18.9% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales revenue.

Polyester filament yarns

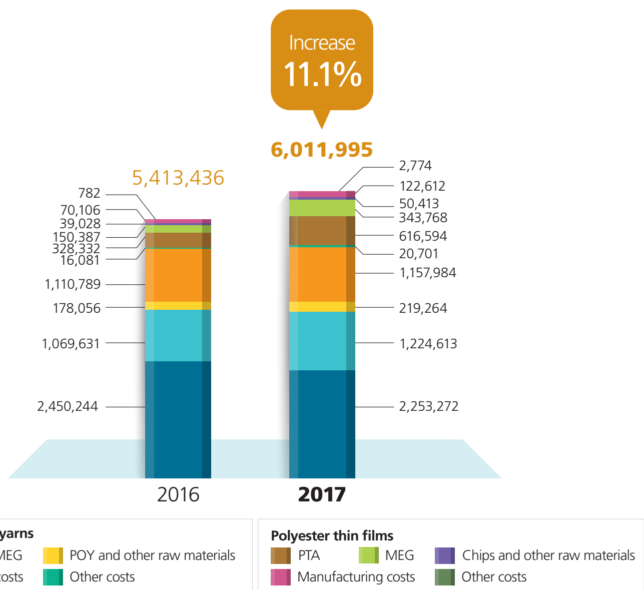
Average cost of sales for polyester filament yarns increased from RMB6,637 per ton in 2016 to RMB7,881 per ton during the year under review, representing an increase of RMB1,244 or 18.7% per ton, which was mainly due to the increase in the selling prices of purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the raw materials of polyester filament yarns products. The average price of raw materials for polyester filament yarns increased from RMB5,087 per ton in 2016 to RMB5,976 per ton during the year under review, representing an increase of RMB889 or 17.5% per ton. The Group's key raw materials, namely PTA and MEG, accounted for 71.3% of total cost of sales for polyester filament yarns, the prices of which were directly affected by crude oil price – a key raw material of PTA and MEG.

Polyester thin films

The average cost of sales for polyester thin films increased from RMB6,140 per ton in 2016 to RMB6,774 per ton during the year under review, representing an increase of RMB634 or 10.3% per ton, which was mainly due to the increase in raw materials selling prices of polyester thin films. In addition, the average price of raw materials for polyester thin films increased from RMB5,401 per ton in 2016 to RMB6,026 per ton during the year under review, representing an increase of RMB625 or 11.6% per ton.

Analysis of cost of sales

	2017 RMB'000	2017 Percentage	2016 RMB'000	2016 Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**2,253,272**	**37.5%**	2,450,244	45.3%
MEG	**1,224,613**	**20.4%**	1,069,631	19.7%
POY and other raw materials	**219,264**	**3.6%**	178,056	3.3%
Sub-total	**3,697,149**	**61.5%**	3,697,931	68.3%
Manufacturing costs	**1,157,984**	**19.3%**	1,110,789	20.5%
Other costs	**20,701**	**0.3%**	16,081	0.3%
Sub-total	**4,875,834**	**81.1%**	4,824,801	89.1%
Polyester thin films				
Cost of raw materials				
PTA	**616,594**	**10.3%**	328,332	6.1%
MEG	**343,768**	**5.7%**	150,387	2.8%
Chips and other raw materials	**50,413**	**0.8%**	39,028	0.7%
Sub-total	**1,010,775**	**16.8%**	517,747	9.6%
Manufacturing costs	**122,612**	**2.0%**	70,106	1.3%
Other costs	**2,774**	**0.1%**	782	0.0%
Sub-total	**1,136,161**	**18.9%**	588,635	10.9%
Total	**6,011,995**	**100.0%**	5,413,436	100.0%



Analysis of product sales cost (Average per ton)

	2017		2016	
	RMB (Per ton)	**Percentage**	RMB (Per ton)	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**3,642**	**46.2%**	3,371	50.8%
MEG	**1,979**	**25.1%**	1,471	22.2%
POY and other raw materials	**355**	**4.5%**	245	3.7%
Sub-total	**5,976**	**75.8%**	5,087	76.7%
Manufacturing costs	**1,872**	**23.8%**	1,528	23.0%
Other costs	**33**	**0.4%**	22	0.3%
Sub-total	**7,881**	**100.0%**	6,637	100.0%
Polyester thin films				
Cost of raw materials				
PTA	**3,676**	**54.3%**	3,425	55.8%
MEG	**2,049**	**30.2%**	1,569	25.6%
Chips and other raw materials	**301**	**4.4%**	407	6.6%
Sub-total	**6,026**	**88.9%**	5,401	88.0%
Manufacturing costs	**731**	**10.8%**	731	11.9%
Other costs	**17**	**0.3%**	8	0.1%
Sub-total	**6,774**	**100.0%**	6,140	100.0%
Total	**7,645**		6,579	

3. *Gross Profit*

The gross profit of the Group in 2017 was RMB1,013,322,000, which had been increased by RMB301,507,000, representing an increase of 42.4% as compared to RMB711,815,000 in 2016. Average selling price of products increased by RMB1,488 per ton, representing an increase of 20.0% from RMB7,445 per ton in 2016 to RMB8,933 per ton during the year under review, while average cost of products increased by RMB1,066 per ton, representing an increase of 16.2% from RMB6,579 per ton in 2016 to RMB7,645 per ton during the year under review. Therefore, the average gross profit of products per ton increased from RMB865 in 2016 to RMB1,288 during the year under review. As the increase in the average selling price of products per ton was much higher than the increase in the average cost of products per ton, the gross profit margin was increased by 2.8 percentage points from 11.6% in 2016 to 14.4% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarn increased by an average of RMB1,734 per ton, representing an increase of 23.1% from RMB7,511 in 2016 to RMB9,245 during the year under review. The average gross profit of polyester filament yarn per ton increased from RMB874 in 2016 to RMB1,364 during the year under review. The gross profit margin increased by 3.2 percentage points from 11.6% in 2016 to 14.8% during the year under review.

Polyester thin films

Average selling price of polyester thin films increased by an average of RMB842 per ton, representing an increase of 12.1% from RMB6,940 in 2016 to RMB7,782 during the year under review. The average gross profit of polyester thin films per ton increased from RMB800 in 2016 to RMB1,008 during the year under review. The gross profit margin increased by 1.5 percentage points from 11.5% in 2016 to 13.0% during the year under review.

During the year under review, the increase in gross profit and gross profit margin of the Group was primarily attributable to an increase in the sales price of the Group's products per ton arising from the Group's continuous development of functional new products featuring high quality and technology, as well as the continuous recovery of the differentiated polyester filament yarn.

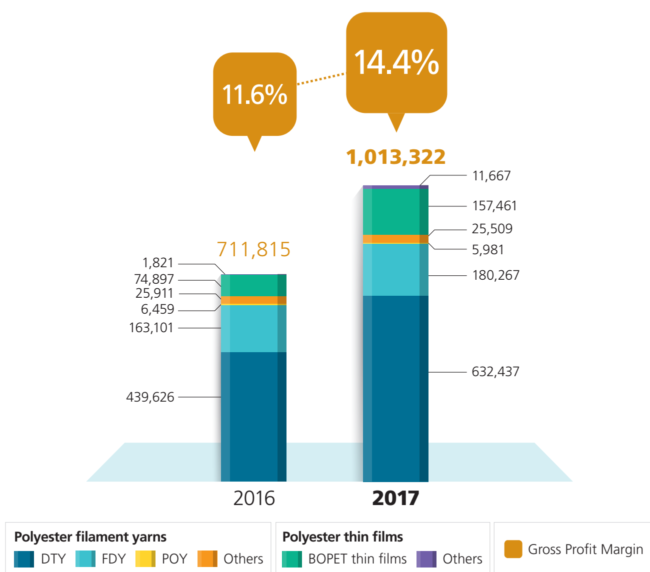
Management Discussion and Analysis

Analysis of gross profit by product

	2017		2016	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**632,437**	**62.4%**	439,626	61.8%
FDY	**180,267**	**17.8%**	163,101	22.9%
POY	**5,981**	**0.6%**	6,459	0.9%
Other polyester filament yarn products*	**25,509**	**2.5%**	25,911	3.6%
Sub-total	**844,194**	**83.3%**	635,097	89.2%
Polyester thin films				
BOPET thin films	**157,461**	**15.5%**	74,897	10.5%
Other polyester thin film products**	**11,667**	**1.2%**	1,821	0.3%
Sub-total	**169,128**	**16.7%**	76,718	10.8%
Total	**1,013,322**	**100.0%**	711,815	100.0%

* Other polyester filament yarn products represent PET chips and wasted filament generated during the production process.

** Other polyester thin film products represent polyester chips, polyester films and wasted filament generated during the production process.



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

	2017 **RMB**	2016 RMB
Polyester filament yarns		
Average selling price	**9,245**	7,511
Average cost of sales	**7,881**	6,637
Average gross profit	**1,364**	874
Average gross profit margin	**14.8%**	11.6%
Polyester thin films		
Average selling price	**7,782**	6,940
Average cost of sales	**6,774**	6,140
Average gross profit	**1,008**	800
Average gross profit margin	**13.0%**	11.5%

4. Other revenue

Other revenue of the Group in 2017 amounted to RMB84,807,000, representing an increase of 8.8% as compared to RMB77,979,000 in 2016. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such change was mainly attributable to the increase in gain from government grants as compared to that of the same period last year. During the year under review, government grants mainly included polyester filament yarn melt-direct spinning intelligent and digital workshop, leading enterprise innovation and development award, special fund for speeding up the development of machinery equipment industry and informatization and industrialization, special fund for provincial industry and information development and supporting fund for scientific and technological innovation award.

5. *Other net gain*

Other net gain of the Group in 2017 amounted to RMB32,500,000, representing an increase of 70.6% as compared to RMB19,052,000 in 2016. Other net gain mainly comprised the net income reclassified from equity under the available-for-sale securities, the net (loss)/gain on forward foreign exchange contracts and net exchange loss. Such change was mainly attributable to the combined effect of the net income reclassified from equity under the available-for-sale securities of RMB46,196,000 (2016: nil), net loss on forward foreign exchange contracts of RMB15,680,000 (2016: net gain amounted to RMB22,058,000) and net exchange loss of RMB5,572,000 (2016: RMB4,210,000).

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2017 amounted to RMB85,519,000, representing an increase of 39.1% as compared to RMB61,484,000 in 2016. Selling and distribution expenses mainly included transportation cost, wages of our sales staff, operation expenses and promotion expenses. Such increase was mainly due to the increase in relevant transportation costs due to the increase in sales volume in other provinces and overseas during the year under review.

7. *Administrative expenses*

Administrative expenses of the Group in 2017 amounted to RMB348,830,000, increased by 19.7% as compared to RMB291,358,000 in 2016. Administrative expenses mainly included research and development costs, depreciation of 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 year.

8. *Finance costs*

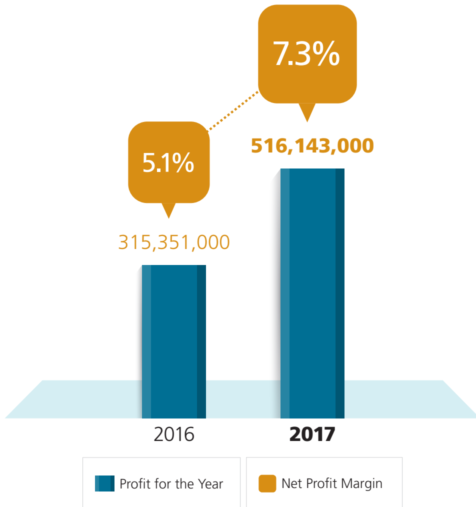
Finance costs of the Group in 2017 amounted to RMB64,988,000, decreased by 4.2% as compared to RMB67,851,000 in 2016. Such change was mainly due to the combined effect of the decrease in bills receivable discounting charges and the increase in interest on bank advances and other borrowings during the year under review.

9. *Income tax*

Income tax of the Group in 2017 amounted to RMB115,149,000, increased by 58.2% as compared to RMB72,802,000 in 2016. Such change was mainly due to an increase of profit before income tax of the Group resulting from the recovery of the differentiated polyester filament yarn industry and the increase in sales volumes of polyester thin film products upon the completion of entire expansion plan of the Group's polyester thin film production. Billion Fujian and Billion High-tech, principal subsidiaries of the Group, have been awarded as high technology enterprises and were able to enjoy corporate income tax at the concessionary rate of 15% in 2017.

10. Profit for the year

Profit of the Group for the year 2017 amounted to RMB516,143,000, increased by RMB200,792,000 or 63.7% as compared to RMB315,351,000 in 2016. Net profit margin was 7.3%, increased by 2.2 percentage points as compared to 5.1% in 2016. It was mainly due to the recovery of the differentiated polyester filament yarn industry and the increase in sales volumes of polyester thin film products upon the completion of entire expansion plan of the Group's polyester thin film production.



Financial Position

1. Liquidity and capital resources

As at 31 December 2017, cash and cash equivalent of the Group amounted to RMB161,241,000, decreased by RMB154,056,000 or 48.9% as compared to RMB315,297,000 as at 31 December 2016. Such a decrease was mainly due to the expansion of plants and the purchase of production equipment and the increase of other financing assets during the year under review.

During the year under review, net cash inflow generated from operating activities amounted to RMB275,814,000 and net cash outflow used in investing activities amounted to RMB1,677,919,000 and net cash inflow generated from financing activities amounted to RMB1,254,234,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year under review, inventory turnover days were 39.3 days (2016: 34.6 days), increased by 4.7 days as compared to the same period last year, which was mainly due to the increase in inventories by the Group for sales activities in the second half of the year due to the recovery of the industry. Accounts receivable turnover days were 18.1 days (2016: 29.3 days), representing a decrease of 11.2 days as compared to last year, which was mainly due to the efficiency gains resulting from improved accounts receivable collection procedures. The trade payable turnover days were 52.3 days (2016: 55.3 days), which were comparable to those of last year.

As at 31 December 2017, the Group had capital commitments of RMB4,138,090,000, which was mainly used in the expansion of production capacity of polyester filament yarn, the development of the polyester bottle chip business and production facility of polyester filament yarns and the production facilities of polyester POY and FDY in Vietnam.

2. *Capital Structure*

As at 31 December 2017, the total liabilities of the Group amounted to RMB4,989,247,000, and capital and reserves amounted to RMB5,485,864,000. The gearing ratio (total liabilities divided by total equity) was 90.9%. Total assets amounted to RMB10,475,111,000. The debt-to-assets ratio (total assets divided by total liabilities) was 2.1 times. Bank loans of the Group amounted to RMB3,142,646,000, of which RMB3,129,828,000 were repayable within one year and RMB12,818,000 were repayable after one year. Among the bank borrowings, 4.8% were secured by properties and restricted bank deposits.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquiring Capital Assets

As at 31 December 2017, as disclosed in notes 17 under the section headed "Notes to the Financial Statements" of the Annual Report, the Group held unlisted available-for-sale securities (collectively, the "Investments") totaling approximately RMB2,171,077,000. Information of the Investments as at 31 December 2017 is stated as follows:

Name of the wealth management products issuer	Name of the wealth management products	Initial investments cost (RMB'000)	Unrealised gains on fair vale change for the year ended 31 December 2017 (RMB'000)	Fair value as 31 December 2017 (RMB'000)	Percentage to the Group's net assets as at 31 December 2017
China Construction Bank	Qianyuan-Fuli Wealth Management Product	1,000,000	14,108	1,014,108	18.5
China Construction Bank	Qianyuan-Texiangxing Wealth Management Product	50,000	812	50,812	0.9
China Construction Bank	Qianyuan-Manyi Wealth Management Product	100,000	54	100,054	1.8
China Merchants Bank	Ju Yi Sheng Jin Wealth Management Product	200,000	2,162	202,162	3.7
Agricultural Bank of China	An Xin De Li Wealth Management Product	800,000	3,941	803,941	14.7

Qianyuan-Fuli Wealth Management Product, Qianyuan-Manyi Wealth Management Product and Qianyuan-Texiangxing Wealth Management Product (collectively, "CCB Wealth Management Product"), Ju Yi Sheng Jin Wealth Management Product of China Merchants Bank and An Xin De Li Wealth Management Product of Agricultural Bank of China represented 11.1%, 1.9% and 7.7% respectively of the total assets of the Group as at 31 December 2017.

China Construction Bank, China Merchants Bank and Agricultural Bank of China do not guarantee the principal or any return on the Investments. In the event that the value of the underlying asset in the respective relevant investment portfolio of China Construction Bank, China Merchants Bank and Agricultural Bank of China falls below the principal amount of the Investments purchased by the Group at the time of the redemption or maturity of the Investments, the Group may lose the entire amount of principal invested in the Investments.

We believe that the Investments offer better returns when compared to the fixed-term deposit interest rates offered by commercial banks in China and the Investments are for the purpose of optimizing the use of the Group's idle cash without adversely affecting the Group's working capital and operations of the main business of the Group. The directors are of the view that the terms of the Investments are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

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

The Group will continue to seek opportunities in utilising its idle cash by investing in appropriate financial products. The Company's future plan in the coming year for other material investments and additions of capital assets are primarily related to the expansion of domestic production and the development of production business in Vietnam. The Company intends to finance such plan through internally generated funds and bank loans.

Charges on Assets

Save as disclosed in this report, there was no other charge on Group's assets as of 31 December 2017.

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities (2016: nil).

Foreign Currency Risk

As most of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 31 December 2017, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in U.S. dollar of RMB79,762,000 and the net liabilities exposure denominated in Euro of RMB7,234,000.

Employees and Remuneration

As at 31 December 2017, the Group had a total of 4,083 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Guide

This report is the 2017 Environmental, Social and Governance (the "ESG") Report published by Billion Industrial Holdings Limited, which is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules on the Main Board of The Stock Exchange of Hong Kong Limited and the actual situation of the Company. This report aims to improve the stakeholders' understanding of the Company's environmental and social performance as well as the sustainable development strategy of the Company. The Board of the Company has reviewed this report and confirmed that it is accurate, true and complete in content.

Scope of Report

This report discloses the environmental and social performance of the Group during the period from 1 January 2017 to 31 December 2017, which covers the Group's two major businesses of polyester filament yarns and polyester thin films. All information contained in this report comes from the communication process of the related departments of the Group and stakeholders.

Feedback

We will continually improve and perfect the content and form of the ESG Report in the future. You are welcome to contact the Company at any time if you have any doubt or advice on this report. The contact information is as follows:

Billion Industrial Holdings Limited
Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
Tel: 852-3171-9999
Fax: 852-3174-9932

Sustainability Governance

The Group has all long been insisting on forging a flagship enterprise in the polyester new material industry and continues paying attention to the sustainable development trend associated with the industry, strives to enable the Group to constantly move towards sustainable development through effective governance measures and application of high-tech equipment.

As the largest polyester filament yarns manufacturer in Southern China, we continue to stress on the importance on creating eco-friendly and green low-carbon development model while pushing forward development and production. We are committed to achieving a recycling economy model through innovative means so as to play a leading role in the industry. We always pay attention to upstream resources, track and keep the technologies for upstream raw materials, as well as raising the proportion of recyclable products. At the same time, we achieve the on-line recycling of wasted filament and wasted film, reduce resource recycling process and improve recycling efficiency.

While constantly exploring the sustainable operation model, the Group insists on independent research and development and innovation, and forges a first-class technology research and development team to reach both the domestic and the world's leading standards in terms of various products and technologies development efforts. The Group will facilitate its industry to achieve high-end upgrading from manufacturing to "intelligent manufacturing" by relying on technology innovation and by virtue of the automatic equipment.

The Group attaches great importance to the experience and satisfaction of customers and other stakeholders on the Group's products. We collected feedback information from parties, combined with market research and analysis results, and timely communicated with the technology research and development and production center of the Group to achieve a sales model that primarily relies on product quality and personalized quality services.

As regards to talents nourishment and management, the Group attaches great importance to staff nourishment and has in place an all-round training system to implement staff training projects including orientation training, on-the-job training and technical training, with an aim to facilitate the progress of staff working skills. Meanwhile, we hope that not only can our staff in Billion able to achieve career development, but also feel about the caring and love from the Company and colleagues in Billion as a big family, thereby develop a family friendly corporate culture.

Environmental, Social and Governance Report

Stakeholder Engagement

The Group stresses great importance on internal and external communication and keeps abreast of the internal and external information trends on a timely basis to enable the Company's policies and management models to match with its internal demand, industry and regional industry development. In respect of the Company's sustainability governance, we communicate with stakeholders to review our own environmental and social performance and identify those topics that need to be highlighted or improved. During 2017, according to the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide, we summarized 19 topics relevant to corporate environmental and social performance and conducted the relevant questionnaire research and communication meeting works in the Group with a view to understand our internal focused sustainable development topics.

According to this research, the Company believed that all investigation topics are vital for the Company and the stakeholders, among which a total of 4 topics including talents management, environmental protection, patents and product quality have gained more prominent attention. Based on the results of this research, we shall disclose as much management methods and performance in related topics as possible in the report, so that each stakeholder can observe our efforts in sustainable development.

Materiality Assessment

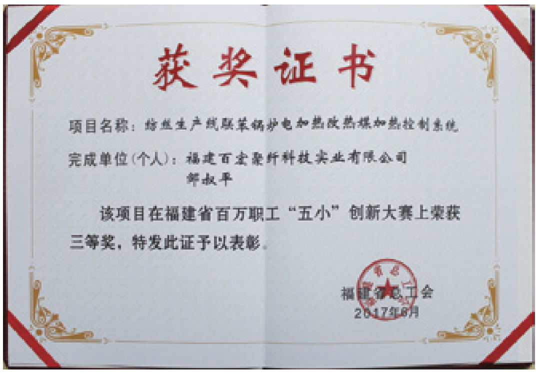
1 Waste gas emission
2 Wastewater
3 General waste management
4 Water resources consumption
5 Environmental protection
6 Greenhouse gas emissions reduction
7 Hazardous waste management
8 Energy consumption
9 Recyclable materials utilization

11 Occupational safety and health
12 Prohibition of child labor and forced labor
13 Equal recruitment
14 Talent management

21 Product quality
22 Customer's information protection
23 Community investment
24 Supply chain management
25 Patent
26 Anti- corruption

Green Production Model

The Group strictly complied with the national environmental protection requirements and pursued the environmental guidelines of "precaution and treatment with precaution as priority" to reinforce environmental protection. We practiced well clean production and energy saving and consumption cutting and improved the efficiency of resources utilization. The Group insisted on taking technical innovation as a driving force and adopted advanced contamination treatment technologies to control pollutant emissions during the production process, striving to fully complete the internal emission reduction plans.



Optimize the Management System

The Group pays very close attention to environmental performance during the production process in factor ies. We took strict precautionary measures against all occurrences of environmental breach through a range of management and precautionary control methods, and committed ourselves to improving the manufacturing process and quality of factory environment to lower the environmental impact of the Group's operation. With our unremitting efforts, we passed the ISO14001 environmental management system certification in 2010, and the third review certification of ISO14001 environmental management system in 2017.

Our management takes the lead to establish the Environmental Protection Management Committee and introduces many environmental management systems and operation processes to lead and control comprehensively the environmental impact caused by factories production. The Group's Environmental Protection Management Committee sets up an office to handle the daily operation of Environmental Protection Management Committee, which includes identifying the requirements related to environmental management applicable to state and local governments, formulates short, medium and long term environmental protection plans, enacts and reviews the rules and regulations of our environmental protection, and supervises the rectification and implementation of environmental pollution hazards. At the same time, each department sets up a working group on environmental protection, coordinates the environmental protection works within the department and responds to the work requirements from the Office of Environmental Protection Management Committee. Furthermore, the laboratory of quality assurance department has assigned monitoring staff, responsible for environmental supervision.

The Group sets up the environmental risk assessment and hidden risks rectification system to implement various rules and regulations of environmental protection and its accountability, reduces environmental risks caused by sudden events and prevents the occurrence of environmental incidents. It conducts comprehensive environmental risks inspection on each department by adopting the combination of periodic on-site investigation and ad hoc patrol inspection and formulates improvement plan and delegates personnel to implement such plans according to investigation results.

During the year, the Group established environmental emergency plans and filed the records in local governments. The Group's management issued emergency plans, and departments conducted regular trainings and drills accordingly. The effect of drills will be evaluated to improve emergency measures to enhance the ability to handle emergency.

In our daily works, the Company holds a meeting summarizing environmental protection issues and arranges environmental protection schedules once every year to deploy our environmental works throughout the year. While we also hold quarterly meetings on environmental protection every quarter to summarize the key emphasis in environmental works in the last quarter, regional prevention and seasonal environment issues, and supervises the environment schedules execution in next quarter. The full-time and part-time environmental protection administrators of each department are responsible for conducting inspection daily.

On the other hand, the Company puts forward the propaganda and education of environmental protection and training and enhances the environmental protection trainings for our employees to establish environmental protection concepts, strengthens environmental consciousness and improves environmental protection professional standard to avoid the occurrence of environmental incidents in ensuring pollutant is discharged within the standard.

Pollutant Emission Reduction

The Group controls stringently the emission of "three wastes" in plants, established the "Water Treatment and Emission Management System", "Emission Management System of Air Pollutants" and "Emission Management System of Hazardous Wastes" to conduct an systematic control on the treatment and disposal of waste water, waste gas and hazardous wastes, so as to strictly comply with the laws and regulations related to emissions.

The Company strictly complies with the government requirements regarding new projects and projects to be reconstructed or expanded, prepares the environment impact evaluation report to ensure the environmental facilities and main project are designed, constructed and put into use simultaneously.

Also, we require the related departments including Energy Department, Quality Control Department and Engineering Department to conduct real-time monitoring and periodic maintenance on emission control and treatment equipment, as so to ensure all the environmental protection treatment equipment are under normal operation, with standard emission of waste water and waste gas, and all the hazardous wastes are disposed in accordance with the requirements of local environmental protection department.

Wastewater Treatment

The Group adopts various measures to conduct an all-round treatment on waste water and domestic water in the plants during its production. Wastewater segregation collection system is established in the production sites to adopt segregated treatment measures for various wastewaters. Waste water treatment sites are set up inside the plants to ensure the standard drainage of waste water after being treatment.

The Group invested in constructing the RO reclaimed water reuse system to achieve the reuse of wastewater, turn waste water into useful resources, saved water consumption cost for the Company, reduced total discharge cost of wastewater and wastewater treatment costs. The Group actively responded to the national energy conservation and emission reduction policy to create economic benefits, environmental benefits, and social benefits for the Company. In 2017, our waste water pollutant discharge included 0.12 tons of ammonia nitrogen and 7.36 tons of chemical oxygen demand.

Waste Gas Treatment

The waste gas emission at the Group's plants is mainly come from boiler. We have taken corresponding treatment measures for coal-fired flue gas to ensure the emission of exhaust will eventually comply with the respective requirements of "Emission Standards of Boiler Air Pollutants"(《鍋爐大氣污染物排放標準》). The Group constructed a flue gas online monitoring system to conduct real-time detection and analysis of different factors to monitor emissions and ensure compliance with discharge standards. In 2017, our pollutants emissions included 153 tons of nitrogen oxides, 91 tons of sulfur dioxide and 46 tons of soot and dust.

Waste Disposal

The waste produced in the production and operation process of the Company included hazardous waste, general industrial solid waste and domestic waste. We set up applicable storage and disposal systems for different kinds of waste, aiming to achieve reduction, recycling and harmless disposal. For hazardous waste, we strictly control their production process to minimize its output.

We constructed temporary warehouse for hazardous waste in the factory according to the requirements to set exhaust, holes washing, collection and other measures, and set up warning signs with centralized placement and classification management. Each department will collect hazardous waste together and transfer to temporary warehouse at regular intervals and the quantity is under good labelling. The Company signs agreements with recognized and qualified environmental regulators to entrust them to transfer, treat and dispose of hazardous waste upon a certain amount of such waste, and no transfer of waste was made during the year.

For general industrial solid waste generated in the factory, which includes wasted filament, boiler ashes and wasted packing bags and so on, we will conduct internal recycling and reuse or sell them to downstream manufacturers as raw materials. As for domestic waste, we will collect them at designated locations in accordance with the sanitary requirements and entrust local sanitation department for clearing and disposal. In 2017, we generated a total of 3,455 tons of general waste during the production process.

Resources Conservation

The Company attaches great importance in controlling resources utilization, conserves resources from source as far as possible and achieves resources reuse at the same time. The main type of energy used in factory production are electricity and type II and III bituminous coals. We construct an integrated power station in the factory and is responsible for the standardized preparation of steam, compressed air, cold water, nitrogen and other resources used in production process. We ensure normal energy consumption and continue to improve energy efficiency through frequent equipment maintenance and replacement, and achieve the efficient utilization of energy through unified allocation. At the same time, we regularly check and improve, constantly replace factory equipment to minimize energy consumption intensity and endeavor to achieve energy efficiency maximization.

The Group, in cooperation with a third-party photovoltaic power generation company and financed by a third party, built a 30MW rooftop distributed photovoltaic power generation project in Billion's factory areas. After connecting the grid, the factories have the priority to use photovoltaic clean energy to reduce carbon dioxide emissions and make contribution to local energy-saving and emission reduction.

During the year under review, the electricity, coal and diesel oil consumption of the Group's factories was 1,027,784 MWh, 99,000 tons and 447,000 liters, respectively, translating into 3,700 TJ, 2068 TJ and 17 TJ, respectively. In addition, we introduced a photovoltaic power generation system that uses clean power of 122,523,700 units in 2017 to effectively reduce traditional energy consumption, as well as the pollutants and greenhouse gas emissions caused by it.

Energy Consumption	Unit	2017
Electricity	MWh	**1,027,784**
Coal	tons	**99,000**
Diesel	liters	**447,000**

Pursuant to GHG Protocol, in translating the greenhouse gas emission resulted from energy consumption, we came up with a total greenhouse gas emission of approximately 714,731 tons of carbon dioxide equivalent during the year, of which, Scope 1 accounted for 24% and Scope 2 accounted for 76%.

The factories of the Group use municipal tap water and installed various water supply systems, including living water supply, production water supply, fire water supply, desalinated water, and soft water systems based on water types. Integrated water supply stations are set up in the factory for standardized allocation of the above water supply systems. By setting up the integrated water supply stations with special person in charge of the daily maintenance of water supply pipes and networks, different wastage of water resources, such as running, dripping, emitting and leaking can be avoided.

In addition, we also have circulating cooling water system in place and water reuse system in the factory to achieve the cyclical utilization of water resources in the factory. Pus water from the water reuse system and strong brine from the soft water system of the factory will be reused as waste gas dust removal water, while the effluent from the sewage station will be used for greening irrigation inside the factory. Through cyclical regeneration and secondary recycling, the consumption of municipal water resources is significantly reduced. During the year under review, the Group consumed a total of approximately 3,445,200 tons of municipal water resources.

Packing materials consumed

On the other hand, we strive to control packing materials utilization and pay attention to the national requirements on use of packaging. We make optimal design for packaging involving environmental protection requirements to reduce product size and save packaging and storage space. Under the conditions of meeting customer needs and operating requirements for product transportation, we strive to cut down the usage of packaging materials. The main packaging materials for the Company's polyester filament yarns products include plastics, foam boards and carton boxes, while the packaging materials for polyester film products include PE films, bubble films and pear pads. Moreover, pallets, wooden supports and iron trays used for product storage and auxiliary transportation will be used in the factory in cycles and be disposed of as general industrial waste until their functions are damaged.

Packing materials consumed	Unit	2017
Paper rolls	piece	**99,525,700**
Paper boxes	piece	**17,579,900**
Foam boards	piece	**9,249,100**
HD bags	kg	**563,900**
Pear pads (Foam boards)	piece	**234,100**
Bubble films	kg	**40,900**

Environment-friendly Industry

As an upstream production enterprise, we are fully aware of the environmental impact of the product environmental performance of the Company on the entire industry. The Group strives to incorporate environmental factors in the product design and development stage for preventive purpose, conducts an environmental impact assessment on product life cycle, understand in full the nature and extent of product impact at every stage on environmental intervention, so as to identify the opportunities for preventing pollution on products, puts more efforts in reducing the negative impact of product on environment on product design.

At this stage, we focus our works on resources recycling. We strive to arrange reasonable recycling for all recyclable industrial resources through conducting internal recycling on production materials and leftover materials of product or selling to downstream manufacturers for recycling, collecting packaging materials of raw materials and assign manufacturers for recycling, and has significantly reduced the produce of industrial wastes. During the year under review, the internally recycled wasted filaments of the Group was 9,000 tons, and the recycled wasted films was 5,900 tons, and recycled paper rolls were 5,436,000 units and wasted film sales of 1,600 tons respectively.

2017 Recycling and Sale of Resources	Unit	2017
Internally recycled wasted filaments	tons	**9,000**
Recycled wasted films	tons	**5,900**
Recycled paper rolls	million	**5,436,000**
Wasted film sales	tons	**1,600**

Looking forward, we will adhere to the green product strategy, gradually extend the product environment considerations from production process to its use and waste treatment process, and strive to develop and provide environment-friendly product for our society.

Human-based Management

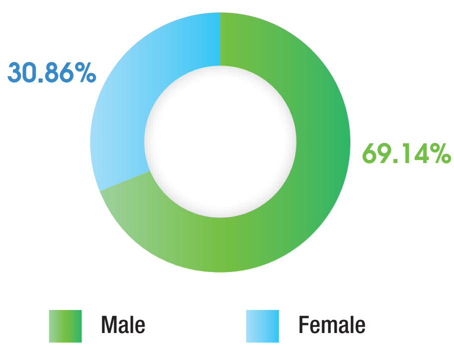
The Group believes a harmonious employment relationship is a key success element of an enterprise. Hence, we strictly comply with labour laws, regulations and industry practices to ensure fair and equitable protection to all staff. In addition, we adhere to the principle of human-oriented, factory is home and co-development with staff to provide them an improved employment system. Apart from providing good promotion prospects and training, the Group also provides a series of facilities and benefits for its staff and their families, which not only develop the works of staff, but also having a harmonious family and progress with the Group.

Compliance Employment

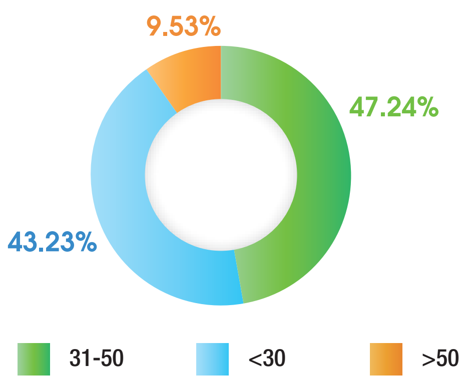
In preventing child labour employment, the Group strictly provides that all staff must be at least 16 years old and possessed respective statutory official documents. The Personnel Department shall strictly checks the identity card, grading certificate of related operation skills and graduation certificate of each staff when handling the employment-entry formalities, and make sure staff is qualified for the recruitment requirements of the Company. The Group will pay staff the minimum salary standard which is not less than those required by local government in accordance with government regulations during the probation period. It will determine staff salary by reference to the importance, technical requirements and skills level of the position. Meanwhile, the Group actively created employment opportunities for local residents in its operating locations.

For the year 31 December 2017, the Group engaged a total of 4,083 staff, of which, 69.14% are male staff and 30.86% are female staff. In respect of ages, we have an even age distribution among our staff, of which, 47.24% of our workforce is between 30 to 50 years old, 43.23% of our employees are below 30 years old and about 9.53% are over 50 years old. As for education background, a total of 549 staff hold a junior college degree or higher, accounted for 13.45% of the total staff. While for positions, we have 191 managerial staff (the management), representing 4.68% of the total staff.

2017 Gender Distribution of Staff



2017 Age Distribution of Staff



Employee Benefits

The Group strives to create a friendly working environment like home for staff, attaches great importance to staff's welfare treatment, and apart from providing social security, mutual medical care insurance and work-related injury insurance for enterprise's staff, it also established charitable fund for staff to solve their pressing needs financially, as well as providing a series of livelihood care measures for staff, which enable all staff to live and work peacefully and with contentment.

Comfortable Living Environment

The Group provides free accommodations for employees. Accommodations have separate balconies and separate washrooms, and equipped with beds, desks, air conditioners, water heaters and televisions and other facilities to meet staff's different needs.

The Group attaches great importance on staff privacy, offers separate dormitory for married couple workers to promote family harmony. The Group strives to provide a complete family environment for our staff. Employees from the same family will be allocated to a separate dormitory or suite where children and elderly can stay together. Through the above measures, it has effectively resolved the problem of staff's left-behind children in hometowns, thus creating a harmonious family atmosphere for reunion.

Environmental, Social and Governance Report

The Group has a number of canteens and catering windows to provide a wide range of flavors and foods, which are regularly renewed to meet the catering needs of employees in different geographical regions. The canteens have neat dining chairs, wireless internet and soft background music to provide staff with a convenient, clean, hygienic and atmospheric dining venue.

The Group is equipped with commuter cars to provide free pick-up services for workers in different factories. The group has dedicated employee car parking space which are free. The Group has set up an electric car parking lot, which provides employees for electric car parking and charging free of charge.

Employees' Children Education

The Group runs a kindergarten inside the factory to provide care and education for pre-school children of our staff. The kindergarten strictly complies with the establishment standards required by national regulations to resolve employees' children pre-school education problems.

The Group actively seeks policy support, pays attention to local school enrollment requirements and timely communicates with employees. Employees may apply for enrollment or transfer from their children's primary and secondary education to the group as required, which shall be handled by the group uniformly.

The Group union set up activities such as "four o'clock" schools, summer camps, winter camps and so on, and inviting volunteer teachers to organise singing, dancing, painting, handicraft, homework counseling, calligraphy and other activities to enrich children's extra-curricular knowledge and talent.

Through the above measures, the Group has effectively resolved the education problem of employees' children, thus enabling staff to live and work in Billion peacefully and with contentment. In addition, the Group purchased school buses that meet national standards and provide free pick-up services for the children of our staff from different factories to our in-house kindergarten and primary schools and secondary schools in town for classes. We also recruited security personnel in school buses to make sure children safety of our staff on their way to and from school.

Cohesion Building

To enhance staff's cohesion and sense of belongings and increase their joyfulness in spare time life, the Group set up the "Home of Staff" that integrates cultural, leisure and entertainment in one stop. The "Home of Staff" has library, game rooms, movie theatres and gymnasium in place and engages professional coaches to provide professional guidance for staff. There is also a swimming pool inside the factory with external professional lifeguards, offering a good place for our staff to relieve summer heat and keep fit in summer.

During the year, the Group organized various leisure and festival activities for our staff to take part during spare time. Apart from a series of activities regularly held every year to celebrate festivals like Chinese New Year and Women's Day, the Group also introduced other diversified events, such as inviting external intuitions to have art performances and movie on outdoor large screen. Moreover, the Group organized physical and recreational activities which included yoga class, staff travel, outdoor hill climbing and team-building trainings, aiming at providing a balanced living and working environment for our staff.

The Group offered 3-day all-expense-covered Hong Kong tour for honorary staff with over 10-year of services, annual advanced management and outstanding employees.

Broadening information communication channel between staff

The Group is committed to establishing an open information and communication feedback channel for staff.

The Group set up a platform for collecting reasonable opinions where staff can express their opinions directly for work and life improvement. They would be awarded should their opinions were being considered and tangible progresses were made in such aspects as efficiency and quality improvement, cost control and energy saving.

The Group has put a number of suggestion boxes in place to collect opinions from staff on a regular basis and report to the directors of the Group. The Group also created working Wechat group to establish a "Daily Caretaker" Wechat platform to listen voices from staff regarding work and life and help them solving problems responsively.

Talent Development

Equal Development Opportunity

The Group will identify the underlying positions and number of employees to be recruited and specify position responsibilities and job qualifications in which they will be announced to internal staff. The Group applauds the practice of self-recommendation and gives priority to internal staff in selecting position promotion.

In addition, the Group pays high attention to the principle of fair competition and promotion opportunities for all employees are equal. The Company has a series of appraisal methods in place, including written test, same level-based evaluation and manager evaluation, which aim at seeking the most capable and morally matured staff for promotion.

Comprehensive Training System

The Group positions itself as a learning-oriented enterprise, established a comprehensive hierarchical human resources training mechanism, assists employees to tailor their own career plans and encourages them to improve and hone their educational backgrounds and professional skills through various measures to enhance competitiveness.

The Group cooperates with Internet Educational College of Tianjin University and Internet Educational College of Fujian Normal University to set up specialty courses on business administration, logistics management, machinery manufacturing and automation, electrical automation technology and chemical engineering and bears all tuition fees. Since their establishments in 2012, a total of 268 employees have obtained diplomas from junior college and above with national recognition.

To encourage employees to sharpen their working skills, other than periodic trainings, the Group also holds all kinds of operational skill competitions and conducts performance appraisals, including "Monthly Outstanding Staff Contest", "Monthly Top Three Students in Tests" and "Winning Team Contest" every month and "Advanced Management Contest", "Outstanding Employees Contest" and "Honorary Employees" every year. By putting awarding mechanism in place, the Group galvanizes employees to keep on working hard to enhance their professional competence.

For new employees, the Group provides a series of trainings for them within the first month of employment, including induction training, occupational health and safety management training, departmental job responsibilities and operational skills training. Through these trainings, the Group hopes to help new employees to integrate into our community in a fast but better manner, strengthen their recognitions on missions, visions and core values of the Company and assist them to solve essential issues in their daily works and lives.

During the year under review, the Group continued to encouraging its staff to attend trainings. A total number of 336,090 staff attended trainings by batches. Of which, training coverage rate of both male and female staff were above 80%, with a per capita training hours of more than 80 hours. By functionalities, the number of general staff attended trainings was 320,361, with training coverage rate of 82% and per capita training hours of 100 hours and the number of managerial personnel attended trainings was 15,729, with a training coverage rate of 87% and a per capita training hours of 94 hours.

Implementation of Safety Operation

The Group attaches great importance to staff's occupational health and safety as well as the working environment security. While complying with the relevant national laws and regulations, the Group further channeled its resources on the occupational health and safety management systems and obtained internationally-recognized occupational health and safety management system certification. The coverage of the Group's occupational health and safety management systems is comprehensive, which includes employees' occupational health and safety education, production safety management and emergencies prevention and handling. We will keep on improving the relevant systems to satisfy all parties.

Stringent Safety Management

The Group puts a high value on staff's workplace safety and strictly complies with the relevant national laws and regulations, such as the Production Safety Law of the PRC（《中華人民共和國安全生產法》）, the Fire Services Law of the PRC（《中華人民共和國消防法》）and the Prevention and Control of Occupational Diseases Law of the PRC（《中華人民共和國職業病防治法》）during our operation process.

The Group is committed to creating an efficient and safe working environment and has set up relevant occupational safety and health management systems. Based on the GB/T28001-2011 Occupational Health and Safety Management System Specification（《職業健康安全管理體系規範》）and the actual situation of the Company, the Group formulated occupational health and safety management manual and obtained the OHSAS18001 occupational health and safety management system certification. In addition, the Group also gained recognition in creating a safe production environment. Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd. and Fujian Billion High-tech Material Industrial Co., Ltd. under the Group have successively passed the review regarding the three levels of production safety standardization.

Efficient Safety Management Structure

The Group established the Safety Production Committee with the president himself as the director of the Safety Production Committee, and vice-president and general manger serve as deputy director to coordinate safety production work of the Group.

The president of the Group is responsible for the management and coordination of the safety production tasks of each department. The General Manager's Office is in charge of the daily supervision and management to ensure that the Group will maintain the safety production standards. Meanwhile, several functional departments in the factory will establish a safety production group with full-time and part-time management personnel to work closely with the General Manager's Office to jointly complete the safety management process.

Department	Key safety tasks	
Production Departments	• Supervision and management over the production equipment maintenance	• Conduct emergency drill
Engineering Department	• Organize safety education for and supervision over the outsourcing project teams	• Implement occupational health and safety requirements for contractors
General Manager's Office	• Supervise the safety management and occupational health of production departments	• Formulate occupational health and safety management system
Marketing Department and Purchasing Department	• Collect and identify customers' and related party's requirements for occupational health and safety	

Implementation of the Three Simultaneities（三同時）System

The Group earnestly implemented the provisions of the Three Simultaneities by the government administrators, i.e. simultaneous design, construction, and checking and acceptance, for production and utilization of the safety facilities of the engineering projects that are newly created, reconstructed or expanded, preventive measures for occupational diseases and the principal part of a construction project, so as to ensure the projects of the Group meet the relevant safety standards during the construction and operation period.

The Engineering Department, Power Department, Equipment Department and other On-site Departments of the Group are responsible for the provision of relevant plans of the project and the collection of technical information and data. After technical assessment, the above departments will put forward specific technical safeguarding measures, such as fire resistance design, firefighting system design and lightning protection systemic facilities, and participate in the review and acceptance of engineering projects to ensure the simultaneous operation of the "Three Simultaneity" facilities and the principal projects.

Emergency Response

To prevent emergencies, the Group formulated a series of environmental safety production accountability system and management system, such as the Environmental Supervision and Survey Control Procedures (《環境監視和測量控制程序》), Fire-fighting Security System of the Warehouse Logistics Department (《倉儲物流部消防安全制度》) and Abnormal Production System Treatment (《生產系統異常處理》).

In addition, the Group has designated personnel to conduct safety inspection on production facilities and safety facilities and will take follow-up improvement immediately when any exceptional situation is found, so as to ensure the safe operation of production devices and safety facilities.

The Group, in line with its actual condition, makes proper amendments to its contingency plan for safety production emergency, conducts regular drills and evaluates its results. When an emergency occurs, different departments of the Group will set up a control headquarters in accordance with the guidance set out in the emergency program and the accident ratings, and designate relevant personnel to perform repair and evacuation works, provide subsequent services, deal with the post-event matters and conduct investigation, in order to minimize the environmental and social impact caused by emergencies. The post-event review is also necessary to avoid occurrence of similar incidents.

During the year, the Group set up a micro-fire station and formed a voluntary fire fighter team to conduct regular trainings regarding fire prevention and extinguish fire and invite local professional firemen to deliver on-site trainings and perform joint emergency drills. The Group is equipped with walkie-talkie to enable staff to make direct contact with local fire station. It has fire-fighting equipment, such as professional suits, water pistols and water bands fully reserved to strengthen its capability in firefighting and emergency.

In 2017, there was no severe injuries or fatalities of employees. There was no occupational disease reported by our employees, and there was no fire or explosion accident causing a direct economic loss of RMB5,000 or above either.

Allocation of Safety and Health Equipment

To safeguard the health of staff, the Group offers staff various personal preventive equipment, including masks, gloves, and earplugs, etc. In addition, to provide a comprehensive protection for staff working in every production segment, the Group establishes a comprehensive fire-fighting alarm system, air conditioning system and others. The Group also reserves different emergency materials, such as rescue ambulances, air-breathing apparatus, fire-fighting equipment, etc., to cope with emergent cases, strives to provide a safe production environment for staff.

Comprehensive Safety Education

To enhance the safety production effect, the Group offers a series of safety and health trainings to our staff. During the year, the total training hours of occupational health and safety education were 27,720. The cumulative percentage of our new staff attended the safety training was 100%. Apart from basic safety knowledge, the trainings are also closely related to daily works and production of staff and covered safety production, workshop safety operation and exceptional incidents analysis. Besides, the Group strictly requires that plans must be researched and respective operators must receive safety education training before new technology, new processes and new equipment is put into use, so as to assure safety.

The Group arranges newly-promoted management staff to attend safety trainings organized by local government with the purpose of helping them to improve the safety awareness and management standard of ordinary staff. Furthermore, the Group also sends full-time and part-time safety management staff to local safety education center to receive multi-dimensional safety know-how trainings, including safety production methods, safety production management, hazardous item management, safety knowledge, transportation safety, mechanical safety, and electrical safety and learns such skills as cardiopulmonary resuscitation first aid, use of fire-fighting equipment and emergency escape to enhance their overall safety management standard.

Unfolding Assessment of Hidden Risks

The safety committee of the Group organizes thorough safety inspections on a monthly basis. If problems are found, it will arrange each department to formulate rectification plans, implement preventive measures and achieve rectification within a limited time period. Every department will conduct weekly assessment of internal hidden risks and reports regularly. Every class/group will report to superior its level once problems are found.

The Group, pursuant to its requirements, regularly submits to local government the progress of assessing and rectifying hidden risks, accepts supervision and guidance from local government and continues to improve safety management standards.

Product Responsibility

The Group strives to provide quality and safe products for customers, and implements various measures for improving product quality, which include inspection and control on product quality, automatic production and raw materials safety management. The product quality management of the Group has obtained ISO9001 Quality Management System Certification, and the products manufactured have also passed the random inspection of Quality and Technical Supervision Department. Such outstanding results are the recognition of the product quality assurance of the Group.

Improving Product Quality

The Group is committed to keeping on improving the quality and safety of its own products, provides the best quality products for customers. Hence, the Group formulates standards that are more stringent than national standards for polyester filament yarns and conducted full inspection on products. The Quality Control Department of the Group conducts stringent inspection and quality control on raw materials, semi-finished products and finished products, so as to ensure every production process is in compliance with the requirements of the Company.

In addition, Billion High-tech and Billion Polymerization under the Group both obtained the ISO 9001 Quality Management Certificate, which when integrated with the ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System will improve the product quality of the Group. The nature of our Group's products determined that our products pose no safety and health risks to their users. During the year, we passed the factory inspections regarding product quality and social responsibilities by over 30 customers.

During the year under review, after we received complaints regarding product quality, we resolved properly through our timely communication with customers. The Group established an aftersales customer service team handling complaints related to our products and services and verifying customer's feedback, suggestions and complaints. At the same time, we delegated technological professionals to actively communicate with customers to jointly analyze and find out the cause and carefully verify and timely improve the problems that exist. We also obtain regular customer feedbacks in using our products and provide them with relevant technological assistance. Through the above measures, the Company can identify the project inadequacies and the management deficiency appropriately and seek for feasible solutions.

Automatic Operation

The Group's factories adopt the mechanic and automatic production approach, which promotes the processing system of functional differentiated products and improves labour productivity, product quality, research and development capacity of new products and energy efficiency utilization, so as to form a new model of reproducible polyester filament yarn melt-direct spinning intelligent manufacturing and promote for industry application, as well as lead the industry transformation and upgrade.

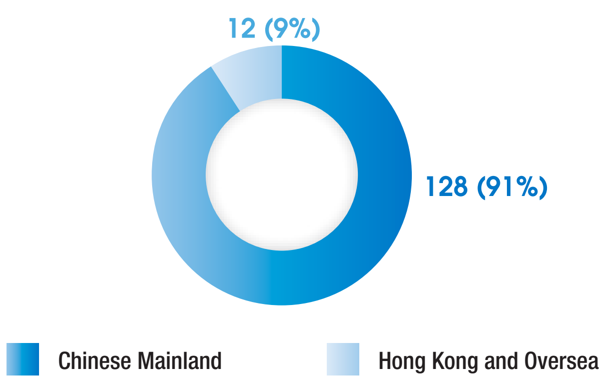
The Group streamlines production lines and product packaging lines for spinning, conducts technical reform and achieves automatic production. The mechanical automation reduces employees' workload in production lines and helps in paying more attention in monitoring and maintaining the normal operation of production equipment and product quality inspection, which brings greater assurance on product quality safety.

In addition, automatic production also enables the Group to implement the round-the-clock production model. Employees work in three shifts and not only does this ensure sufficient rest for employees, but also makes sure the continuous normal operation of production lines, so as to satisfy the increasing demand from customers.

Reliable Procurement

The supply of raw material has a considerable impact on product quality of the Group and as such, the Group attaches great importance to safety procurement. In 2017, the Group had 140 major suppliers mainly distributed in Fujian, Guangdong, Jiangsu and other regions, of which, 128 suppliers are in Chinese Mainland and 12 are in Hong Kong and overseas. When liaising with a new supplier, the purchaser shall be responsible for confirming with care whether the supplier possesses relevant business license, quality system certificate and environmental safety system certificate. Also, the Group shall conduct a full evaluation on suppliers, of which it includes material quality, supply stability, safety and environmental protection assessment. Only those suppliers that have passed such evaluation could become our qualified suppliers.

2017 Suppliers Distribution



Information Privacy

The Group attaches great importance to information privacy and personal privacy. We established rules and regulations for keeping the commercial secret of the Company, of which the contents of commercial secret include customer information, customer credit line, customer procurement volume and core technology information. All employees are prohibited using or disseminating the customer information of the Company privately without the authorization of the Group.

The Group attaches great importance to data security and cyber security. It gives permission to connect external network to staff that have different needs according to their demand, installs anti-virus software and kills virus regularly for each computer and makes backups for server data and database.

Achieving Efficient Innovation

The Group is committed to keep on developing differentiated products in the industry to provide quality and customized product services for customers. Accordingly, we dedicate lots of efforts in research and development as well as innovation.

During the year under review, we applied 9 new patents, of which 7 were patents for invention and 2 were patents for new models. We obtained 14 authorized patents, of which 12 were patents for invention and 2 were patents for new models, which provides adequate support to the research and development of the Group.

The Group attaches great importance to the protection of technology and intellectual property for safeguarding innovation results. We also set up the Branding and Intellectual Property Department, responsible for managing the patents of the Company. Also, the Group cooperates with intellectual property service companies and further assures the quantity and quality of future patents applications through means of independent innovation, industry-university-research cooperation and others, so as to develop a sustainable enterprise innovation model.

Ensure Integrity of Operations

The Group aims at keeping high transparency, probity and accountability, and strives to ensure non-occurrence of any incident that is harmful to the interests of shareholders, investors, customers and the public. For this, the Group formulates whistleblowing policies to improve employees' consciousness to upkeep the internal integrity of enterprise. The president of the Company or authorized person(s) are entrusted to receive the whistleblowing incident and set up an independent investigation team according to the nature of the event, and will be engaged to conduct investigation or refer the incident to relevant regulatory authorities of local government.

The Group entered the "Establish hand-in-hand by police and enterprise" agreement with local police department, invited the leader of the police department and related persons to visit the workshops of Billion and gave lectures on common laws and fraternity activities.

Community Care

Apart from paying high attention to self-development and also for employees, the Group also cares about the community development where it locates. Not only will the Group provide financial support to those in need, it also organizes employees to participate in community activities to jointly build a perfect and harmonious community.

The Group believes children are pillars of our future society, and is very concerned about their education. Apart from donations for schools, the Group also provided books and stationery to offer all-round support to their studies. During the year under review, the Group donated over RMB200,000 to schools at our community and social organizations and provided 300 hours of voluntary services.

As the electrical loading in the area where the Group locates was increasing year by year, to support local electricity demand of people's livelihood, the Group raised its own fund to construct an 110KV substation and commenced operation in the first half of 2017. Not only does it meet the electricity demand of the Group, it also mitigates the tense situation of local electricity demand.

CONTENT INDEX

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Perfect the Management Model Pollutant Emission Reduction
KPI A1.1	The types of emissions and respective emissions data.	Waste Water Treatment Waste Gas Treatment
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Economical Use of Resources
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Disposal
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Disposal
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Wastewater Treatment Waste Gas Treatment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Pollutant Emission Reduction

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Economical Use of Resources Packing Materials Consumed
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Resources Conservation
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resources Conservation
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resources Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resources Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packing Materials Consumed
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment-friendly Industry
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment-friendly Industry

Environmental, Social and Governance Report

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
B. Social		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human-based Management Talents Development – Equal Development Opportunity
KPI B1.1	Total work force by gender, employment type, age group and geographical region.	Human-based Management
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Implementation of Safety Operation
KPI B2.1	Number and rate of work-related fatalities.	During the reporting period, there was no work-related fatality
KPI B2.3	Description of occupational health and safety measures adopted, how they are being implemented and monitored.	Implementation of Safety Operation

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Development
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Human-based Management – Compliance Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Human-based Management
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	During the reporting period, there was no recorded incidents
Aspect B5	**Supplier Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Reliable Procurement
KPI B5.1	Number of suppliers by geographical region.	Reliable Procurement
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Reliable Procurement

Environmental, Social and Governance Report

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Liability
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the reporting period, there was no recall for safety and health reasons
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Improving Product Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Achieving Efficient Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Improving Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Privacy

KPIs	Requirements of HKEX ESG Reporting Guide	Section/Remark
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Assure Honest Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	During the reporting period, there was no reporting of corrupt practices
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Assure Honest Management
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care about Community Development
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care about Community Development
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Care about Community Development

Corporate Governance Report

The Company believes that corporate governance is essential to its success and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board is committed to upholding a high standard of good corporate governance practices and procedures with a view to enhancing investors' confidence and the Company's accountability and transparency. The Company complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2017.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. All the Directors confirmed, following specific enquiries by the Company, that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2017.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2017. In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Board of Directors

Composition and role

As at 31 December 2017, the Board comprised five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for corporate strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, directors' appointments, risk management, major acquisitions, disposals and capital transactions. The Board is also responsible for the establishment of the internal control and risk management systems of the Company and discusses with the management regularly to ensure that internal control and risk management systems are operating effectively. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

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

Independent non-executive Directors

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

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

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

Meetings

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

Corporate Governance Report

The individual attendance record of each Director for the meetings of the Board and the general meetings held during the year ended 31 December 2017 is set out below:

	Attendance/Number of Meetings	
Name of Director	Board Meetings	Shareholders Meetings
Executive Directors		
Mr. Sze Tin Yau *(Co-chairman)*	6/6	1/1
Mr. Wu Jinbiao *(Chief Executive Officer)*	6/6	1/1
Mr. Wu Zhongqin (re-designated from a non-executive Director to an executive Director on 19 May 2017)	6/6	1/1
Mr. Liu Jingui (appointed on 10 March 2017)	5/5	1/1
Mr. Wang Li (resigned on 14 January 2018)	5/6	1/1
Mr. Xue Mangmang (resigned on 10 March 2017)	1/1	0/0
Non-executive Director		
Mr. Zeng Wu *(Co-chairman)*	6/6	1/1
Independent non-executive Directors		
Mr. Chan Shek Chi	6/6	1/1
Mr. Ma Yuliang	6/6	1/1
Mr. Lin Jian Ming	5/6	1/1

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

Chairman and chief executive officer

For the year ended 31 December 2017, the Co-chairmen of the Board were Mr. Sze Tin Yau and Mr. Zeng Wu. For the year ended 31 December 2017, the Chief Executive Officer of the Company was Mr. Wu Jinbiao. The Company has complied with code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Relationships between members of the Board

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

Continuous professional development

The Directors have been informed of the requirement under code provision A.6.5 of the CG Code regarding continuous professional development. Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Details of attendance record of professional training by each Director during the year ended 31 December 2017 is set out below. The Directors as at 31 December 2017 confirmed that they had complied with such requirements for the period under review.

Name of Director	**Professional Training attended**
Executive Directors	
Mr. Sze Tin Yau *(Co-chairman)*	Yes
Mr. Wu Jinbiao *(Chief Executive Officer)*	Yes
Mr. Wu Zhongqin (re-designated from a non-executive Director to an executive Director on 19 May 2017)	Yes
Mr. Liu Jingui (appointed on 10 March 2017)	Yes
Mr. Wang Li (resigned on 14 January 2018)	Yes
Mr. Xue Mangmang (resigned on 10 March 2017)	–
Non-executive Director	
Mr. Zeng Wu *(Co-chairman)*	Yes
Independent non-executive Directors	
Mr. Chan Shek Chi	Yes
Mr. Ma Yuliang	Yes
Mr. Lin Jian Ming	Yes

Directors' and officers' insurance

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

Board diversity policy

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

Summary of the Board Diversity Policy

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

Measurable objectives

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

Monitoring and reporting

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

Appointment, re-election and removal of Directors

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

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

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

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

Remuneration Committee

During the year ended 31 December 2017, members of the Remuneration Committee comprised Mr. Chan Shek Chi (chairman), Mr. Sze Tin Yau and Mr. Ma Yuliang. The majority of the Remuneration Committee members are independent non-executive Directors. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of Directors and senior management. The composition and written terms of reference of the Remuneration Committee are in line with the CG Code provisions.

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

During the year ended 31 December 2017, the Remuneration Committee mainly performed the following duties:

- recommended the remuneration of Mr. Liu Jingui to the Board; and

- reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2017.

During the year ended 31 December 2017, one meeting was held by the Remuneration Committee to review and approve the remuneration package for Directors and senior management. The individual attendance record of each member for the meeting(s) of the Remuneration Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meetings**
Mr. Chan Shek Chi *(Chairman)*	1/1
Mr. Sze Tin Yau	1/1
Mr. Lin Jian Ming	1/1

Nomination Committee

During the year ended 31 December 2017, members of the Nomination Committee comprised Mr. Sze Tin Yau (Chairman), Mr. Chan Shek Chi and Mr. Lin Jian Ming. The majority of the Nomination Committee members are independent non-executive Directors.

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

During the year ended 31 December 2017, the Nomination Committee mainly performed the following duties:

- reviewed the qualifications of Mr. Liu Jingui and recommended his appointment to the Board;
- reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and
- reviewed the structure, size and composition of the Board, and whether the composition of the Board complied with the requirements of the board diversity policy during the year of 2017.

During the year ended 31 December 2017, one meeting was held by the Nomination Committee. The individual attendance record of each member for the meeting(s) of the Nomination Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meetings**
Mr. Sze Tin Yau *(Chairman)*	1/1
Mr. Lin Jian Ming	1/1
Mr. Chan Shek Chi	1/1

Audit Committee

During the year ended 31 December 2017, members of the audit committee of the Board (the "Audit Committee") comprised Mr. Chan Shek Chi (chairman), Mr. Lin Jian Ming and Mr. Ma Yuliang, all being independent non-executive Directors. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and supervise the financial reporting process, internal control and risk management systems of the Group. The composition and written terms of reference of the Audit Committee are in line with the CG Code provisions.

During the year ended 31 December 2017, the Audit Committee mainly performed following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2016 and the unaudited interim results for the six months ended 30 June 2017, met with the external auditors to discuss such annual results and interim results, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;

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

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

During the year ended 31 December 2017, four meetings were held by the Audit Committee. The individual attendance record of each member for the meeting(s) of the Audit Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meetings**
Mr. Chan Shek Chi *(Chairman)*	4/4
Mr. Ma Yuliang	4/4
Mr. Lin Jian Ming	4/4

Corporate Governance Committee

The Company's corporate governance function is carried out by the corporate governance committee of the Board (the "Corporate Governance Committee"). During the year ended 31 December 2017, members of the Corporate Governance Committee initially comprised four executive Directors, namely Mr. Sze Tin Yau (Chairman), Mr. Wu Jinbiao, Mr. Wang Li and Mr. Liu Jingui. The primary duties of the Corporate Governance Committee are to: (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2017, the Corporate Governance Committee mainly performed following duties:

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

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

During the year ended 31 December 2017, one meeting was held by the Corporate Governance Committee. The individual attendance record of each member at the meeting(s) of the Corporate Governance Committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meetings**
Mr. Sze Tin Yau *(Chairman)*	1/1
Mr. Wu Jinbiao	1/1
Mr. Wu Zhongqin	1/1
Mr. Liu Jingui	1/1
Mr. Wang Li (resigned on 14 January 2018)	1/1

Accountability and Audit

The Directors acknowledge their responsibility for the preparation of the financial statements for the year ended 31 December 2017, which give a true and fair view of the state of affairs of the Group as at that date and of the Group's results and cash flows for the year then ended. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards (HKFRS) and Hong Kong Accounting Standards (HKAS) which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

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

Auditor's Remuneration

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of external auditors. The Company engages KPMG as its external auditors. During the year ended 31 December 2017, the Group was required to pay an aggregate amount of approximately RMB1,520,000 (2016: RMB1,470,000) to the external auditors for their audit services relating to financial information. Fees for non-audit services for the financial year comprise service charges for the following:

	2017 **RMB'000**	2016 RMB'000
Review of interim results	**580**	530
Tax advisory (service rendered by KPMG Advisory (China) Limited)	**600**	–
Total	**1,180**	530

Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems that are in place are adequate.

The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal control. The Company also has a process for identifying, evaluating, and managing the significant risks in achieving its operational objective. This process is subject to continuous improvement and was in place throughout 2017 and up to the date of this report. The day-to-day operation is entrusted to a separate department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance control and risk management. The Group's independent internal audit department was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes.

Such review covered the financial, compliance and operational control as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

Company Secretary

The secretary of the Company is Mr. Lai Wai Leuk, whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Lai has been informed of the requirements under Rule 3.29 of the Listing Rules and had taken not less than 15 hours of relevant professional training for the year ended 31 December 2017.

Shareholders' Rights

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

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

Procedures by which enquiries may be put to the Board

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

Relationship with investors and shareholders

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

Members of the Board and chairmen of various Board committees will attend the forthcoming annual general meeting of the Company to be held on 30 April 2018 (the "AGM") to answer questions raised by shareholders. The resolution of every important proposal will be proposed at general meetings separately.

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

Constitutional Documents

During the year ended 31 December 2017, there had not been any change in the Company's memorandum and articles of association.

Directors and Senior Management

Executive Directors

Mr. Sze Tin Yau, aged 48, is an executive Director, a co-chairman of the Board, a co-founder of the Group, an authorized representative of the Company and a director of Billion Fujian and Billion High-tech. Mr. Sze is also the chairmen of the nomination committee and the corporate governance committee of the Board, and a member of the remuneration committee of the Board. Mr. Sze has approximately 27 years of experience in the polyester filament yarn industry and is primarily responsible for the overall corporate strategies, planning and business development of the Group. Prior to establishing the Group in 2003, he was the general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.*（福建晉江裕華服裝實業有限公司）from March 1990 to April 2000 and was the chairman of the board of directors of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd*（福建百凱紡織化纖實業有限公司）from May 2000 to October 2003. He is a founder and shareholder of Billion H.K. and has been the chairman of the board of directors of Billion H.K. since its incorporation in 1996. Mr. Sze was elected and appointed as a member of the 9th and 10th sessions of the Chinese People's Political Consultative Conference of Fujian Province*（福建省政協委員）in 2007 and 2012. He has also been appointed as an executive member of the 8th session of the Standing Committee of Business Association of Fujian Province*（福建省工商業聯合會總商會第八屆執行委員會執行委員）in July 2002. His other social undertakings include acting as the vice-chairman of the Chamber of International Commerce of Fujian Province*（中國國際商會福建商會副會長）and lifelong honorary president of Jinjiang City Charity Federation*（晉江市慈善總會永遠榮譽會長）. He is currently studying Executive Master of Business Administration ("EMBA") program in Peking University（北京大學）. Mr. Sze joined the Company in November 2010.

As at 31 December 2017, Mr. Sze was the sole shareholder and director of Kingom Power Limited ("Kingom Power"). Kingom Power and Hong Kong Rong An are parties acting in concert, and are companies deemed to be interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), which in aggregate were interested in 68.12% of the issued shares capital of the Company as at 31 December 2017 (The Supplemental Deed of parties acting in concert was not renewed on 13 January 2018). Mr. Sze is also a director of both Billion Fujian and Billion High-tech. Mr. Sze is a brother-in-law of Mr. Wu Jinbiao, an executive Director and the chief executive officer of the Company. Mr. Sze is also the uncle of Mr. Wu Zhongqin, a non-executive Director, and a brother-in-law of Mr. He Wenyao, vice president of the Company. Save as disclosed above, Mr. Sze does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in Listing Rules), or controlling shareholders (as defined in Listing Rules) of the Company.

Directors and Senior Management

Mr. Wu Jinbiao, aged 55, is an executive Director, the chief executive officer of the Company, a co-founder of the Group and a director of Billion Fujian and Billion High-tech. Mr. Wu is also a member of the corporate governance committee of the Board. Mr. Wu Jinbiao has approximately 32 years of experience in the differentiated polyester filament yarn industry and is primarily responsible for the daily operations of the Group. Prior to establishing the Group in 2003, Mr. Wu Jinbiao is also a founder and shareholder of Billion H.K. and has been a director of Billion H.K. since its incorporation in 1996. He was the deputy general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.*（福建晉江裕華服裝實業有限公司）from May 1985 to April 2000 and was the executive director and general manager of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd*（福建百凱紡織化纖實業有限公司）from May 2000 to October 2003. Mr. Wu Jinbiao was elected and appointed as a member of the 11th session of the Standing Committee of the Chinese People's Political Consultative Conference of Jinjiang City*（晉江市政協委員會常委）and a committee member of the Political Consultative Conference of Quanzhou City, Fujian Province*（福建省泉州市政協委員會委員）. He was recognised as an Advanced Individual of Textile Industry of Fujian Province*（福建省紡織工業先進個人）on 26 February 2007. Mr. Wu Jinbiao is also the honorary president of Jinjiang City Charity Federation*（晉江市慈善總會榮譽會長）. He is currently undertaking a Tsinghua University business administration program organised by Yangtze Delta Region Institute of Tsinghua University*（清華長三角研究院）. Mr. Wu joined the Company in November 2010.

As at 31 December 2017, Mr. Wu was the sole shareholder and director of Winwett Investments Limited, which was interested in 6.43% of the issued share capital of the Company as at 31 December 2017 and is a company deemed to be interested in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Wu is a brother-in-law of Mr. Sze Tin Yau, an executive Director and co-chairman of the Board, and the father of Mr. Wu Zhongqin, a non-executive Director. Save as disclosed above, Mr. Wu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wu Zhongqin, aged 31, joined the Group in April 2011. Mr. Wu served as the manager of the External Relations Department of Billion Fujian from April 2011 to September 2012 and was promoted to be the assistant to the chairman of the Company in October 2012. Mr. Wu was appointed to non-executive director on 19 March 2014 and was re-designated to executive director on 19 May 2017. Mr. Wu was appointed as a committee member of the 12th session of the Political Consultative Conference of Jinjiang City（晉江市第十二屆政協委員）in 2012. Mr. Wu was also an officer of the sales department of Xiamen Chinese Cuisine Trading Limited*（廈門中菜貿易有限公司）from August 2009 to March 2011. He graduated from the East China University of Science and Technology（華東理工大學）in July 2009 with a bachelor's degree in finance.

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

Directors and Senior Management

Mr. Liu Jingui, aged 44, has over 20 year of experience in finance and management. Mr. Liu has been appointed as the Assistant of General Manager of CECEP Chongqing since March 2017. He worked at China Environmental Protection Group Co., Ltd. *（中國環境保護集團有限公司）and was served as the deputy general manager and the chairman of the labour union of its subsidiaries, and he was promoted to be the head of the Finance Department of China Environmental Protection Group Co., Ltd. in March 2016. He was the chief financial officer of Hanwang Manufacturing Co., Ltd.*（漢王制造有限公司）from May 2011 to July 2012; a senior manager of the finance department at China Energy Conservation Technology Investment Company Limited*（中節能環保科技投資有限公司）and the deputy general manager and chief financial officer of its subsidiary from June 2010 to May 2011; a senior manager responsible for financial management at various departments in Beijing Siemens Ceberus Electronics Ltd.（北京西門子西伯樂斯電子有限公司）from November 2005 to June 2010; a business manager at Siemens Ltd., China（西門子中國有限公司）and its subsidiary Siemens Shanghai Mobile Communications Co., Ltd.（上海西門子移動通訊有限公司）from December 2000 to September 2005; and various positions in the finance and accounting departments at Zhejiang Yangshengtang Pharmaceutical Co., Ltd.*（浙江養生堂藥業有限公司）and its subsidiaries from June 1996 to December 2000.

Mr. Liu graduated from Tsinghua University with a master's degree in business administration degree in June 2006 and from Zhejiang College of Finance and Economic（浙江財經學院）with a bachelor's degree in accounting in June 1996; and obtained the qualification of a PRC Certified Public Accountant (as a non-practising member).

Non-executive Director

Mr. Zeng Wu, aged 55, has over 24 years of experience in business and project management. In December 1992, Mr. Zeng joined China Energy Conservation Investment Corporation*（中國節能投資公司）(formerly known as State Energy Investment Company Energy Conservation Company*（國家能源投資公司節能公司）) and served as a project manager of the technology development department. In May 1994, he was transferred to project team number 2 and served as a project manager and senior engineer. In January 1995, he was transferred to the consultancy department and served as a supervisor and senior engineer. In October 2002, he joined China Energy Conservation Lantian Investment Advisory Management Company Limited*（中節藍天投資諮詢管理有限公司）and served as the chairman of the board. In February 2006, he joined CECTIC as the general manager, and was subsequently appointed as the chairman of the board of CECTIC in January 2008. Mr. Zeng is currently the supervisor of the strategic management department and assistant to general manager of CECEP since May 2011 and March 2015 respectively. Mr. Zeng has also been appointed as a non-executive director of CECEP COSTIN New Materials Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, on 6 June 2016.

Mr. Zeng was awarded a bachelor's degree in ferrous metallurgy and a master's degree in metallurgical thermal engineering from Northeastern University（東北大學）(formerly known as Northeastern Institute of Technology*（東北工學院）) in July 1983 and March 1987, respectively.

Independent Non-executive Directors

Mr. Chan Shek Chi, aged 40, was appointed as an independent non-executive Director on 26 May 2014. Mr. Chan is also the chairmen of both the audit committee and the remuneration committee of the Board, and a member of the nomination committee of the Board. Mr. Chan has extensive experience and knowledge in auditing and accounting. Mr. Chan joined Cheng & Cheng Limited, CPA, in January 2004 and has been an audit partner there since January 2012. Prior to that, he worked as an accountant and assistant manager of KPMG in Hong Kong from September 1999 to January 2003.

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

Mr. Ma Yuliang, aged 79, was appointed as an independent non-executive Director on 31 March 2011. Mr. Ma is also a member of both the audit committee and the remuneration committee of the Board. Mr. Ma is currently retired. He was appointed as the division chief (處長) of No. 4 Division of the Reforming Bureau* (改革局四處) of State Economic Commission* (國家經濟委員會) in 1987, the deputy head (副司長) of Textile Industry Department Reforming Section* (紡織工業部體制改革司) in 1988 and an officer (主任) of Economic and Trade Department* (經濟貿易部) of the Textile Association of China* (中國紡織總會) in 1998. Mr. Ma was an independent director of Jilin Chemical Fiber Co., Ltd.* (吉林化纖股份有限公司), a company listed on the Shenzhen Stock Exchange, from 2001 to 2008, and Zhejiang Furun Co., Ltd.* (浙江富潤股份有限公司), a company listed on the Shanghai Stock Exchange, from 2002 to 2008. He obtained a bachelor's degree in management engineering from Jilin University of Technology* (吉林工業大學) currently known as Jilin University* (吉林大學), in 1963. Mr. Ma was accredited as a senior engineer by Bureau of Personnel, State Economic and Trade Commission* (國家經委人事局) in 1988.

Mr. Lin Jian Ming, aged 56, was appointed as an independent non-executive Director on 31 March 2013 and has also been a member of both the audit committee and the nomination committee of the Board since 19 March 2014. Mr. Lin has many years of experience in education and research. He was a graduate of Huaqiao University* (華僑大學). He was also a visiting scholar of the Chinese University of Hong Kong in 1995. He also received a doctorate degree from the Tianjin University* (天津大學) in 2002.

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

Directors and Senior Management

Senior management

Mr. Wu Jianshe, aged 63, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu has more than 30 years of experience in the textile industry. He joined the Group upon its establishment in 2003 as a director of Billion Fujian and has been primarily responsible for sales and marketing of the Group. Prior to joining the Group, from May 1985 to April 1998, he was the general business manager of Jinjiang Longhu Henglong Zip Textile Co., Ltd*（晉江龍湖 隆拉鍊織造有限公司）. He was also the sales manager of Fujian Jinjiang City Hengxinglong Polyester Co. Ltd.（福建省晉江市 興隆化纖滌綸有限公司）from May 1998 to August 2003. Mr. Wu Jianshe is currently studying a MBA program in Huaqiao University*（華僑大學）. Mr. Wu joined the Company in November 2010.

Mr. He Wenyao, aged 51, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He has approximately 27 years of experience in the textile industry. He joined our Group upon its establishment in 2003 and has been primarily responsible for procurement of raw materials, formulating the budget, market research, cost control management and logistics arrangement for our Group. Prior to joining our Group, he was the deputy general manager of Shishi City Yaofu Garment and Knitting Co., Ltd.*（石獅市耀富製衣織造有限公司）from June 1988 to September 2003. He is currently studying a MBA program in Huaqiao University*（華僑大學）.

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

Mr. Ye Jingping, aged 59, is a vice president of the Company and a senior engineer. He has approximately 34 years of experience in polyester filament yarn industry and is primarily responsible for our overall product manufacturing and research and development. He joined the Group in 2003. Prior to joining the Group, he was a technician, engineer, workshop manager and deputy general manager of Xiamen Chemical Polyester Factory*（廈門化纖廠）from August 1983 to May 2000. Mr. Ye graduated from the Faculty of Textile Chemical Engineering of East China Institute of Textile Engineering*（華東紡織工學院）, currently known as Donghua University*（東華大學）, majored in chemical fiber, in July 1983. Mr. Ye was accredited as the Model Worker in Quanzhou*（泉州市勞動模範）in April 2006 and as the advanced worker for technology development in light textile industry*（輕紡技術開發先進工作者）by Fujian Province Light Industry Bureau*（福建省輕工業廳）in 1993. He achieved the second award for science and technology progress*（科學進步成果二等獎）by his program named trial-manufacture of polyester lan cable*（滌綸網絡絲新產品試製）in 1988.

Mr. Wang Jinyu, aged 40, is a vice president of the Company. He has approximately 20 years of experience in polyester filament yarn industry. He participated in the operation of Billion Fujian since its establishment in 2003 and has been an assistant to the chairman since joining. Prior to joining the Group, he worked as the assistant to the chairman of the board of directors in Fujian Baikai Textile Chemical Fiber Industrial Co., Ltd.*（福建百凱紡織化纖實業有限公司）from March 2003 to October 2003. Mr. Wang worked as the head of the Public Relations Department of Jinxing (Fujian) Fiber Textile Industry Co., Ltd.*（錦興（福建）化纖紡織實業有限公司）from February 1998 to February 2003. Mr. Wang is currently studying a MBA program in Peking University HSBC Business School*（北京大學滙豐商學院）.

Mr. Lai Wai Leuk, aged 41, joined the Group in October 2013 and is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Mr. Lai has more than 17 years of experience in auditing and accounting. Prior to joining the Group, he served as the chief financial officer of Aujet Industry Limited from May 2012 to August 2013. He also served successively as accountant, assistant manager and manager of KPMG from January 2004 to October 2009. Mr. Lai was transferred to KPMG Advisory (China) Limited from November 2009 to May 2012 and was a senior manager at the time of leaving. From May 2000 to January 2004, Mr. Lai worked at Fung, Yu & Co., Certified Public Accountants. Mr. Lai received his bachelor's degree of commerce majoring in accountancy from the University of Wollongong in Australia in December 1999 and obtained the Master of Corporate Governance from The Hong Kong Polytechnic University in September 2017. Mr. Lai is a member of Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries.

Mr. Xu Xiaofeng, aged 42, joined our Group in August 2004 and is the finance manager. Mr. Xu is primarily responsible for the daily finance-related work of our Group. Prior to joining the Group, he worked at the Finance Department of Fujian Jinjiang Hongyu Coating Knitting Co., Ltd.*（福建晉江鴻裕塗層織物有限公司）from October 1997 to June 2004. Mr. Xu obtained his diploma in banking accounting in June 1997 from Fuzhou University*（福州大學）. He was also qualified as a Medium Level Accountant of the PRC in December 2003 and was qualified as a Senior Level Accountant of the PRC in September 2015.

* *For identification purposes only*

Report of the Directors

The Directors are pleased to present the annual report of the Company together with the audited financial statements of the Group for the year ended 31 December 2017.

Principal place of business

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

Principal activity

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 14 to the consolidated financial statements of the Company. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

Business review

The business review of the Group as at 31 December 2017 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 15 to 35.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2017 are set out in note 14 to the consolidated financial statements of the Company.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2017, and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 103 to 177.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB516,143,000 (2016: profit of RMB315,351,000) has been transferred to reserves.

An interim dividend of HK5.9 cents per share (2016: HK3.5 cents per share) was paid on 12 September 2017.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and note 24 to the consolidated financial statements of the Company, respectively.

Distributable reserves

As at 31 December 2017, the Company's reserves, including the share premium account but after offsetting the accumulated losses, available for distribution and calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately HK$179,720,000, of which approximately HK$178,612,000 has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, plant and equipment

During the year ended 31 December 2017, the Group held property, plant, equipment and other fixed assets of approximately RMB5,389,694,000. Details of the movements in fixed assets are set out in note 12 to the consolidated financial statements of the Company.

Major suppliers and customers

During the year ended 31 December 2017, the aggregate sales attributable to the Group's five largest customers accounted for approximately 15.4% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 8.7% of the Group's total sales. During the year ended 31 December 2017, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 41.7% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 9.7% of the Group's total purchases.

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

Charitable donations

Charitable and other donations made by the Group during the year ended 31 December 2017 amounted to approximately RMB100,000 (2016: approximately RMB292,000).

Share capital

Details of the movement in share capital of the Company during the year are set out in note 24 to the consolidated financial statements of the Company.

Pre-emptive rights

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

Purchase, sale or redemption of the Company's shares

During the year ended 31 December 2017, the Company bought back its own shares on the Stock Exchange, the details of which are as follows:

Month/Year	**Number of shares bought back**	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** RMB'000
January 2017	444,000	5.64	5.25	2,124
March 2017	730,000	5.49	5.17	3,390
April 2017	1,264,000	5.63	5.29	6,079
May 2017	2,558,000	5.84	5.17	12,092
June 2017	760,000	5.66	5.44	3,642
July 2017	12,214,000	5.65	3.65	46,495
August 2017	622,000	5.55	5.45	2,917
September 2017	3,398,000	6.29	5.45	16,543
October 2017	1,998,000	7.70	6.40	12,248
November 2017	2,498,000	8.20	6.95	15,453
December 2017	362,000	9.27	8.48	2,738
Total	26,848,000			123,721

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 26,848,000 shares were bought back in 2017 and the shares bought back 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 RMB226,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$143,168,000 (equivalent to RMB123,495,000) was charged to share premium.

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

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

Results and dividends

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements of the Company.

The Directors propose to recommend the payment of a final dividend of HK8.4 cents per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on 9 May 2018, and the payment of final dividends will be in cash.

The final dividend of HK8.4 cents per share is subject to approval by the shareholders at the AGM. Such dividend will be distributed from the share premium of the Company. In the opinion of the Directors, such distribution is in compliance with the articles of association adopted by the Company, which states that dividend may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of a special resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law; subject to the provisions of its Memorandum of Association or Articles of Association and provided that immediately following the distribution or paying of dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 178 of this annual report. Such summary does not form part of the audited financial statements.

Directors

The Directors during the year ended 31 December 2017 and up to the date of this annual report are as follows:

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao *(Chief Executive Officer)*
Mr. Wu Zhongqin (re-designated from a non-executive Director to an executive Director on 19 May 2017)
Mr. Liu Jingui (appointed on 10 March 2017)
Mr. Wang Li (resigned on 14 January 2018)

Non-executive Directors

Mr. Zeng Wu *(Co-chairman)*

Independent non-executive Directors

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically upon expiration until terminated by either party giving to the other not less than three months' notice in writing or in accordance with the terms set out in the respective service contracts. The service contracts of Mr. Sze Tin Yau and Mr. Wu Jinbiao commenced on 18 May 2011. The service contract of Mr. Liu Jingui commenced on 10 March 2017. The letter of appointment of Mr. Wu Zhongqin commenced on 19 March 2014 and was renewed on 19 March 2017 and 19 May 2017.

The non-executive Director, Mr. Zheng Wu, has signed a letter of appointment with the Company for a term of three years commencing on 6 June 2016.

The independent non-executive Directors Mr. Ma Yuliang and Mr. Chan Shek Chi has signed a letter of appointment with The Company for a term of three years. The letter of appointment of Mr. Chan Shek Chi commenced on 26 May 2015, the letter of appointment of Mr. Ma Yuliang commenced on 18 May 2011 and renewed on 18 May 2014. Upon the expiry of his letter of appointment in 2017, his letter of appointment was further reviewed for a further term of one year. Mr. Lin Jian Ming initially signed a letter of appointment with the Company for a term of three years commencing from 31 March 2013. Upon the expiry of his initial letter of appointment in 2016, his letter of appointment was renewed for a further term of one year in 2016 and 2017 respectively. In 2018, his letter of appointment was further renewed for a term of one year commencing from 31 March 2018. The letters of appointment may be terminated by one month's notice in writing served by the non-executive Directors or the independent non-executive Directors on the Company or in accordance with the terms set out in the respective letters of appointment.

In accordance with article 84 of the Articles of Association, Mr. Sze Tin Yau, Mr. Wu Jinbiao and Mr. Ma Yuliang will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

Remuneration of Directors and senior management

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

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of employees
HK$Nil to HK$500,000	4
HK$500,000 to HK$1,000,000	2

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

Directors' and senior management's biographical details

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

Directors' interests in competing business

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2017 and up to and including the date of this annual report.

Directors' rights to purchase shares or debentures

At no time during the year ended 31 December 2017 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, nor were there any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Confirmation of independence

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

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

As at 31 December 2017, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital (3)
Mr. Sze Tin Yau (1)	Interest in controlled corporation	643,720,000	30.27%
Mr. Wu Jinbiao (2)	Interest in controlled corporation	136,820,000	6.43%

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. Accordingly, Mr. Sze Tin Yau was deemed to be interested in 643,720,000 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 136,820,000 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) Based on a total of 2,126,944,000 issued shares of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2017, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital [3]
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An")	Beneficial owner	805,012,808	37.85%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") [1]	Interest in controlled corporation	805,012,808	37.85%
China Energy Conservation and Environmental Protection Group ("CECEP Chongqing") [2]	Interest in controlled corporation	805,012,808	37.85%
Kingom Power Limited ("Kingom Power")	Beneficial owner	643,720,000	30.27%
Winwett Investments Limited	Beneficial owner	136,820,000	6.43%
Mr. Huang Shao Rong	Beneficial owner	19,587,000	0.92%
	Nominee for another person (other than a bare trustee)	208,532,000	9.80%
Ever Luxuriant Global Trading Limited	Beneficial owner	208,532,000	9.80%
Lin Haibin	Beneficial owner	27,723,000	1.30%
	Nominee for another person (other than a bare trustee)	167,300,000	7.87%
Haibin International Investments Limited	Beneficial owner	167,300,000	7.87%
Export – Import Bank of China	Person having a security interest in shares	300,000,000	14.10%

Notes:

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

(2) 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.

(3) Based on a total of 2,126,944,000 issued shares of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Emolument policies

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

Share option scheme

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

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

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

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

The exercise of any option which may be granted under the Share Option Scheme shall be determined by the Board and shall be not less than the higher of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the date of grant;

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

(c) the nominal value of the Shares.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised; however, the Board may, subject to the provisions of the Listing Rules, in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme. As at 31 December 2017, the remaining life of the Share Option Scheme was about 3 years and 6 months.

No options have been granted under the Share Option Scheme since its adoption up to 31 December 2017.

Retirement scheme

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

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

For the year ended 31 December 2017, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB5,960,000 (2016: RMB5,714,000).

Details of the Group's pension scheme are set out in note 6(b) to the consolidated financial statements of the Company.

Connected transactions and related party transactions

(A) Connected transactions – continuing connected transactions

During the year ended 31 December 2017, the Group entered into the following continuing connected transactions which are subject to the reporting and annual review requirements set out in Chapter 14A of the Listing Rules.

Details of the continuing connected transactions are set out below:

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

During the year ended 31 December 2017, pursuant to a sales agreement entered into between Billion Fujian and Baikai Elastic Weaving on 28 November 2014, Billion Fujian sold DTY, FDY and POY to Baikai Elastic Weaving at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

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

For the year ended 31 December 2017, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB199,770,000, which is within the approved cap of RMB199,800,000 as disclosed in the Company's announcement dated 28 November 2014 and circular dated 15 January 2015.

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

During the year ended 31 December 2017, pursuant to a sales agreement entered into between Billion Fujian and Baikai Wrap Knitting on 28 November 2014, Billion Fujian sold DTY and FDY to Baikai Wrap Knitting at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

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

For the year ended 31 December 2017, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB255,571,000, which is within the approved cap of RMB255,600,000 as disclosed in the Company's announcement dated 28 November 2014 and circular dated 15 January 2015.

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

During the year ended 31 December 2017, pursuant to a sales agreement entered into between Billion Fujian and Baikai Textile on 28 November 2014, Billion Fujian sold semidull PET chips, POY to Baikai Textile at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

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

For the year ended 31 December 2017, sales to Baikai Textile by Billion Fujian amounted to approximately RMB128,633,000, which is within the approved cap of RMB245,000,000 as disclosed in the Company's announcement dated 28 November 2014 and circular dated 15 January 2015.

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

During the year ended 31 December 2017, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Zipper on 28 November 2014, Billion Fujian sold DTY to Baikai Zipper at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

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

For the year ended 31 December 2017, sales to Baikai Zipper by Billion Fujian amounted to approximately RMB2,056,000, which is within the approved cap of RMB10,300,000 as disclosed in the Company's announcement dated 28 November 2014 and circular dated 15 January 2015.

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

During the year ended 31 December 2017, pursuant to a purchase agreement and a processing agreement both entered into between Billion Fujian and Baikai Paper on 28 November 2014, Baikai Paper provided paper boxes and rolls and related processing services to Billion Fujian at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion Fujian paid to other independent suppliers. Pursuant to a purchase agreement and a processing agreement both entered into between Billion High-tech and Baikai Paper on 28 November 2014, Baikai Paper agreed to provide paper boxes and rolls and related processing services to Billion High-tech at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion High-tech paid to other independent suppliers.

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

For the year ended 31 December 2017, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB258,804,000 and RMB2,872,000 respectively, which are within the approved cap of RMB323,000,000 and RMB86,200,000 respectively as disclosed in the Company's announcement dated 28 November 2014 and circular dated 15 January 2015.

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

On 21 December 2015, Billion Fujian entered into a framework agreement with the Subsidiaries of CECEP COSTIN Group ("Framework Agreement") with respect to the sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to CECEP COSTIN Group and purchase of non-woven materials by Billion Fujian from the Subsidiaries of CECEP COSTIN Group. The Framework Agreement is valid for a term of three years from 1 January 2016 to 31 December 2018. The product price shall be determined based on the then market price.

CECEP Chongqing is a substantial shareholder of the Company which was deemed to be interested in 37.85% of the Company's issued share capital as at 31 December 2017, thus also a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing is also a controlling shareholder of CECEP COSTIN and controls the composition of a majority of the board of directors of CECEP COSTIN Group which in turn owns 100% of the shares of each of the Subsidiaries of CECEP COSTIN Group. Therefore, each of the Subsidiaries of CECEP COSTIN Group is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules.

For the year ended 31 December 2017, aggregate sales to, and aggregate purchases from, the Subsidiaries of CECEP COSTIN Group by Billion Fujian pursuant to the Framework Agreement amounted to approximately RMB5,587,000 and RMB0, respectively, which were within the approved cap of RMB50,000,000 and RMB500,000, respectively, as disclosed in the Company's announcement dated 21 December 2015.

(g) Supply of Electricity by Billion Fujian to Fujian Baikai Wrap Knitting

During the year ended 31 December 2017, pursuant to an electricity supply agreement entered into between Billion Fujian and Baikai Wrap Knitting on 24 July 2017, Billion Fujian supplied electricity to Baikai Wrap Knitting at a unit price which shall be calculated based on such price of electricity as prescribed by the relevant governmental authorities plus RMB0.018 per KWh.

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

For the year ended 31 December 2017, sales of electricity to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB25,961,000, which is within the approved cap of RMB40,000,000 as disclosed in the Company's announcement dated 24 July 2017.

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

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

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

(ii) on normal commercial terms or better; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company, KPMG, to perform certain agreed-upon procedures on the continuing connected transactions.

Based on the work performed, the auditors of the Company provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the board of directors;

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

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

(iv) did not exceed the annual caps for the year ended 31 December 2017.

(B) Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 27 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described above in the paragraphs headed "(A) Connected transactions – continuing connected transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Directors' interests in contracts of significance

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

Contracts with controlling shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2017.

Sufficiency of public float

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2017 and the subsequent period ended the date of this report.

Bank loans

Details of bank loans of the Company and the Group as at 31 December 2017 are set out in note 21 to the consolidated financial statements of the Company.

Audit committee

The audit committee of the Board had reviewed, together with the management, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2017. The financial statements had been agreed by the external auditors of the Company.

Auditors

The consolidated financial statements for the year ended 31 December 2017 have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution for the reappointment of KPMG as the auditors of the Company is to be proposed at the annual general meeting.

Dividend

The Board has recommended the payment of a final dividend of HK8.4 cents per share of the Company for the year ended 31 December 2017. The proposed final dividend, if approved by the shareholders at the annual general meeting, will be paid to the shareholders whose names appear on the register of members of the Company on 9 May 2018.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 25 April 2018 to Monday, 30 April 2018 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 April 2018.

Further, the register of members of the Company will be closed from Monday, 7 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 May 2018.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Wednesday, 16 May 2018, to shareholders whose names appear on the register of members of the Company on Wednesday, 9 May 2018.

On behalf of the Board

Sze Tin Yau
Co-chairman

Hong Kong, 12 March 2018

* *For identification purpose only*

Independent Auditor's Report

KPMG

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

Opinion

We have audited the consolidated financial statements of Billion Industrial Holdings Limited ("the Company") and its subsidiaries ("the Group"), set out on pages 103 to 177, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policy 1(t) on page 123.

The Key Audit Matter	How the matter was addressed in our audit
Each year, the Group enters into a framework sales agreement with each customer and sells its polyester filament yarns products and polyester thin films products according to the terms of separate purchase orders. The Group recognises revenue from domestic sales when the customers have received and accepted the goods which is acknowledged by the customer signing the goods delivery notes. The Group recognises revenue from export sales when the significant risk and rewards of ownership of the goods have been transferred to the buyer which is generally considered to be when the goods are loaded on board a shipping vessel in line with contractual arrangements and related agreed commercial shipping terms. The Group's polyester filament yarns business is facing excess supply and intense competition in the industry which has placed significant downward pressure on the selling prices of its products. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and may be subject to manipulation by management to achieve expectations or targets particularly in light of the competition in the polyester filament yarns business.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting key customer contracts to identify terms and conditions relating to goods acceptance and the right of return and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, revenue transactions recorded before and after the financial year end date with signed goods delivery notes and shipping documents (as appropriate) to assess whether the revenue had been recognised in the appropriate financial period; • inspecting credit notes issued subsequent to the year end to assess whether management had made the necessary accounting adjustments in the appropriate financial period; • inspecting underlying documentation for manual journal entries raised during the year relating to revenue which were considered to be material or met other specific risk-based criteria; • selecting a sample of sales transactions recorded during the year and comparing the details to customer signed goods delivery notes (for domestic sales) and shipping documents, which included bills of lading (for export sales).

Valuation of wealth management product investments

Refer to note 17 and 25 (e) to the consolidated financial statements and the accounting policies 1(e) and 1(k)(i) on page 112 and pages 115 to 117.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017 Group held significant wealth management product investments which were issued by banks in mainland China. There are no fixed or determinable returns for these wealth management product investments and the principal is not secured or guaranteed. The wealth management product investments are stated at their fair value at the reporting date. Management adopted the discounted cash flow model to calculate the fair value of each wealth management product investment which involved the exercise of significant judgement, particularly in respect of the assumptions adopted relating to the risk free rate and the discount rate. We identified the valuation of wealth management product investments as a key audit matter because of their significance to the consolidated financial statements and because the valuation of these products requires the exercise of significant management judgement in determining the appropriate assumptions and in considering the methodology adopted in the valuation models.	Our audit procedures to assess the valuation of wealth management product investments included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation of wealth management product investments; • utilising our internal valuation specialists to assist us in evaluating the assumptions, inputs and methodologies adopted by management in their valuations of the wealth management product investments by performing our own valuations and comparing the results with the fair values determined by management; • considering the disclosures in the consolidated financial statements of the fair value risks and sensitivities with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
12 March 2018

Consolidated Income Statement

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**7,025,317**	6,125,251
Cost of sales		**(6,011,995)**	(5,413,436)
Gross profit		**1,013,322**	711,815
Other revenue	4	**84,807**	77,979
Other net gain	5	**32,500**	19,052
Selling and distribution expenses		**(85,519)**	(61,484)
Administrative expenses		**(348,830)**	(291,358)
Profit from operations		**696,280**	456,004
Finance costs	6(a)	**(64,988)**	(67,851)
Profit before taxation	6	**631,292**	388,153
Income tax	7	**(115,149)**	(72,802)
Profit for the year attributable to equity shareholders of the Company		**516,143**	315,351
Earnings per share			
Basic and diluted (RMB)	11	**0.24**	0.15

The notes on pages 109 to 177 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Profit for the year attributable to equity shareholders of the Company		**516,143**	315,351
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss (after tax):			
Exchange differences on translation of financial statements of operations outside mainland China		**105,344**	(94,088)
Available-for-sale securities: net movement in the fair value reserve	10	**12,849**	5,067
		118,193	(89,021)
Total comprehensive income for the year attributable to equity shareholders of the Company		**634,336**	226,330

The notes on pages 109 to 177 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in Renminbi)

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	12		
– Other property, plant and equipment		**4,834,198**	4,949,225
– Construction in progress		**130,127**	44,979
– Interests in leasehold land held for own use under operating leases		**425,369**	422,078
		5,389,694	5,416,282
Intangible assets	13	**8,324**	–
Deposits and prepayments	16	**470,418**	236,927
		5,868,436	5,653,209
Current assets			
Inventories	15	**797,742**	496,442
Trade and other receivables	16	**1,340,875**	598,064
Other financial assets	17	**2,171,077**	1,255,848
Restricted bank deposits	18	**135,740**	165,488
Fixed deposit held at banks with maturity over three months		**–**	150,000
Cash and cash equivalents	19(a)	**161,241**	315,297
		4,606,675	2,981,139
Current liabilities			
Trade and other payables	20	**1,597,376**	1,632,592
Bank loans	21	**3,129,828**	1,592,240
Current portion of deferred income	22	**7,539**	17,365
Current taxation	23(a)	**85,383**	59,793
		4,820,126	3,301,990
Net current liabilities		**(213,451)**	(320,851)
Total assets less current liabilities		**5,654,985**	5,332,358

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current liabilities			
Bank loans	21	**12,818**	15,505
Deferred income	22	**792**	7,810
Deferred tax liabilities	23(b)	**155,511**	137,389
		169,121	160,704
NET ASSETS		**5,485,864**	5,171,654
CAPITAL AND RESERVES	24		
Capital		**17,886**	18,112
Reserves		**5,467,978**	5,153,542
TOTAL EQUITY		**5,485,864**	5,171,654

Approved and authorised for issue by the Board of Directors on 12 March 2018.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 109 to 177 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Share capital note 24(c)(i) RMB'000	Share premium note 24(d)(i) RMB'000	Capital redemption reserve note 24(d)(ii) RMB'000	Statutory reserve note 24(d)(iii) RMB'000	Capital reserve note 24(d)(iv) RMB'000	Exchange reserve note 24(d)(v) RMB'000	Fair value reserve note 24(d)(vi) RMB'000	Retained profits RMB'000	Total RMB'000
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 2016:										
Profit for the year		–	–	–	–	–	–	–	315,351	315,351
Other comprehensive income		–	–	–	–	–	(94,088)	5,067	–	(89,021)
Total comprehensive income		–	–	–	–	–	(94,088)	5,067	315,351	226,330
Dividends approved in respect of the previous year	24(b)	–	(54,854)	–	–	–	–	–	–	(54,854)
Purchase of own shares	24(c)(ii)									
– par value paid		(205)	–	–	–	–	–	–	–	(205)
– premium paid		–	(98,485)	–	–	–	–	–	–	(98,485)
– transfer between reserves		–	(205)	205	–	–	–	–	–	–
Dividends declared in respect of the current year	24(b)	–	(65,118)	–	–	–	–	–	–	(65,118)
Appropriation to statutory reserve		–	–	–	32,757	–	–	–	(32,757)	–
Balance at 31 December 2016 and 1 January 2017		**18,112**	**589,275**	**1,221**	**357,883**	**1,805,631**	**(206,102)**	**5,067**	**2,600,567**	**5,171,654**
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	–	–	516,143	516,143
Other comprehensive income		–	–	–	–	–	105,344	12,849	–	118,193
Total comprehensive income		–	–	–	–	–	105,344	12,849	516,143	634,336
Dividends approved in respect of the previous year	24(b)	–	(91,127)	–	–	–	–	–	–	(91,127)
Purchase of own shares	24(c)(ii)									
– par value paid		(226)	–	–	–	–	–	–	–	(226)
– premium paid		–	(123,495)	–	–	–	–	–	–	(123,495)
– transfer between reserves		–	(226)	226	–	–	–	–	–	–
Dividends declared in respect of the current year	24(b)	–	(105,278)	–	–	–	–	–	–	(105,278)
Appropriation to statutory reserve		–	–	–	54,216	–	–	–	(54,216)	–
Balance at 31 December 2017		**17,886**	**269,149**	**1,447**	**412,099**	**1,805,631**	**(100,758)**	**17,916**	**3,062,494**	**5,485,864**

The notes on pages 109 to 177 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	19(b)	**349,631**	1,753,616
Income tax paid		**(73,817)**	(46,788)
Net cash generated from operating activities		**275,814**	1,706,828
Investing activities			
Payment for the purchase of property, plant and equipment		**(1,678)**	(306)
Expenditure on construction in progress		**(476,406)**	(225,993)
Payment for interests in leasehold land held for own use under operating lease		**(44,481)**	(1,000)
Payment for intangible assets		**(8,978)**	–
Proceeds from disposal of property, plant and equipment		**395**	44
Interest received		**26,432**	33,737
Payment for other financial assets		**(2,250,000)**	(1,250,000)
Proceeds from the disposal of other financial assets		**1,396,196**	–
Placement of the structured deposits		**(1,000,000)**	–
Uplift of the structured deposits		**500,000**	–
Uplift of restricted bank deposits		**166,341**	1,307,753
Placement of restricted bank deposits		**(135,740)**	(165,485)
Uplift of fixed deposits held at banks with maturity over three months		**150,000**	–
Placement of fixed deposit held at bank with maturity over three months		**–**	(150,000)
Net cash used in investing activities		**(1,677,919)**	(451,250)
Financing activities			
Payments of repurchase of shares	24(c)(ii)	**(123,721)**	(98,690)
Proceeds from new bank loans	19(c)	**4,240,413**	3,434,628
Repayment of bank loans	19(c)	**(2,600,863)**	(4,599,196)
Interest paid		**(65,190)**	(86,536)
Dividend paid to equity shareholders of the Company		**(196,405)**	(119,972)
Net cash generated from/(used in) financing activities		**1,254,234**	(1,469,766)
Net decrease in cash and cash equivalents		**(147,871)**	(214,188)
Cash and cash equivalents at 1 January		**315,297**	518,690
Effect of foreign exchange rate changes		**(6,185)**	10,795
Cash and cash equivalents at 31 December	19(a)	**161,241**	315,297

The notes on pages 109 to 177 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

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

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

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

1 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "the Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except the other financial assets classified as available-for-sale (see note 1(e)), and the derivative financial instruments (see note 1(f)) that are stated at their fair value.

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

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

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

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

As at 31 December 2017, the Group recorded net current liabilities totalling RMB213,451,000 (2016: RMB320,851,000). In view of such circumstance, 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 end of the reporting period of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 19(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: *Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries

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

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

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

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

1 Significant accounting policies (Continued)

(e) Other financial assets

Other financial assets represented unlisted wealth management product investments, which are classified as available-for-sale securities. The financial assets are initially stated at fair value, which is their transaction price including attributable transaction costs, 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.

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 Significant accounting policies (Continued)

(g) Property, plant and equipment (Continued)

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

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

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

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

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– emission rights of nitrogen oxides	5 years
– software	10 years

Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies (Continued)

(i) Construction in progress

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

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

(j) Operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

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

1 Significant accounting policies (Continued)

(k) Impairment of assets

(i) Impairment of receivables and other financial assets

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

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in other financial asset below its cost.

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of receivables and other financial assets (Continued)

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

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

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

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of receivables and other financial assets (Continued)

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

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– intangible assets;

– construction in progress; and

– investments in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

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

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1 Significant accounting policies (Continued)

(l) Inventories

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

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

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

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

(m) Trade and other receivables

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

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

1 Significant accounting policies (Continued)

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

(p) Cash and cash equivalents

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

(q) Employee benefits

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

1 Significant accounting policies (Continued)

(r) Income tax

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

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

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

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

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

1 Significant accounting policies (Continued)

(r) Income tax (Continued)

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

1 Significant accounting policies (Continued)

(u) Translation of foreign currencies

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

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

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

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

(v) Borrowing costs

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

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

(w) Research and development expenditure

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

1 Significant accounting policies (Continued)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(y) Segment reporting

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

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

No segment information is presented for the Group's business segment as the Group operates in a single business, manufacture and sales of polyester products in a single geographical region, which is the PRC. An analysis on the Group's revenue by product category is set out in note 3.

2 Significant accounting judgement and estimates

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

(a) Depreciation and amortisation

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

2 Significant accounting judgement and estimates (Continued)

(b) Impairment of trade and other receivables

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

(c) Net realisable value of inventories

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

3 Revenue

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

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

	2017 **RMB'000**	2016 RMB'000
Polyester filament yarns products	**5,720,028**	5,459,898
Polyester thin films products	**1,305,289**	665,353
	7,025,317	6,125,251

The Group's customer base is diversified. No individual customer (2016: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2017.

4 Other revenue

	2017 **RMB'000**	2016 RMB'000
Bank interest income	**25,055**	29,517
Government grants	**38,786**	29,853
Sales of raw materials	**20,627**	18,554
Others	**339**	55
	84,807	77,979

Government grants include RMB21,334,000 (2016: RMB24,083,000) were received from several local government authorities for the Group's contribution to local economies of which the entitlement was unconditional and at the discretion of the relevant authorities. The remaining amounted to RMB17,452,000 (2016: RMB5,770,000) were transferred from deferred income to consolidated income statement (see note 22).

5 Other net gain

	2017 RMB'000	2016 RMB'000
Net gain on sale of property, plant and equipment	**374**	7
Donation	**(100)**	(292)
Net exchange loss	**(5,572)**	(4,210)
Net (loss)/gain on forward foreign exchange contracts	**(15,680)**	22,058
Available-for-sale securities:		
reclassified from equity on disposal (note 10)	**46,196**	–
Insurance compensation	**4,722**	374
Others	**2,560**	1,115
	32,500	19,052

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2017 RMB'000	2016 RMB'000
Interest on bank advances and other borrowings	**55,894**	43,991
Other interest expenses	**9,094**	23,860
	64,988	67,851

* No borrowing costs have been capitalised in 2017 (2016: nil).

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

	2017 RMB'000	2016 RMB'000
Contributions to defined contribution retirement plan	**5,960**	5,714
Salaries, wages and other benefits	**219,924**	203,715
	225,884	209,429

6 Profit before taxation (Continued)

(c) Other items:

	2017 RMB'000	2016 RMB'000
Amortisation of interests in leasehold land held for own use under operating leases	**9,935**	9,676
Amortisation of intangible assets	**654**	–
Depreciation	**327,916**	296,186
Auditors' remuneration	**2,100**	2,000
Operating lease charges in respect of properties	**1,191**	852
Research and development costs*	**236,279**	189,888
Cost of inventories**	**6,011,995**	5,413,436

* Research and development costs include RMB98,285,000 (2016: RMB69,857,000) relating to staff costs in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

** Cost of inventories include RMB395,230,000 (2016: RMB386,542,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated income statement

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

	2017 RMB'000	2016 RMB'000
Current tax – PRC Income Tax		
Provision for the year	**100,903**	53,383
(Over)/under-provision in respect of prior years	**(1,496)**	986
	99,407	54,369
Deferred tax (note 23(b))		
Origination and reversal of temporary differences	**15,742**	18,433
	115,149	72,802

7 Income tax in the consolidated income statement (Continued)

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

	2017 **RMB'000**	2016 RMB'000
Profit before taxation	**631,292**	388,153
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**161,530**	100,256
Tax effect of non-deductible expenses	**7,804**	8,292
Tax effect of non-taxable income	**(2)**	(1,734)
Tax effect of unused tax losses not recognised	**2,843**	1,547
(Over)/under-provision in prior years	**(1,496)**	986
Tax concessions (note (iv))	**(55,530)**	(36,545)
Actual tax expenses	**115,149**	72,802

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits during the years ended 31 December 2017 and 2016.

(iii) The PRC's statutory tax rate is 25%.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) ("Billion Fujian") was granted the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2015 to 2017 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

(v) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China, Fujian Billion High-tech Material Industrial Co., Ltd.* (福建百宏高新材料實業有限公司) ("Billion High-tech") was approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2017 to 2019 which entitles Billion High-tech to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,077	–	15	1,092
Mr. Wu Jinbiao	–	1,025	–	15	1,040
Mr. Wang Li (i)	390	–	–	–	390
Mr. Xue Mangmang (ii)	74	–	–	–	74
Mr. Wu Zhongqin (iii)	228	–	–	–	228
Mr. Liu Jingui (iv)	316	–	–	–	316
Non-executive directors					
Mr. Zeng Wu (v)	433	–	–	–	433
Mr. Wu Zhongqin (iii)	162	–	–	–	162
Independent non-executive directors					
Mr. Chan Shek Chi	120	–	–	–	120
Mr. Ma Yuliang	78	–	–	–	78
Mr. Lin Jian Ming	78	–	–	–	78
Total	1,879	2,102	–	30	4,011

8 Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2016 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	883	–	15	898
Mr. Wu Jinbiao	–	857	–	15	872
Mr. Wang Li (i)	278	–	–	–	278
Mr. Xue Mangmang (ii)	278	–	–	–	278
Non-executive directors					
Mr. Yang Yihua (vi)	368	–	–	–	368
Mr. Zeng Wu (v)	243	–	–	–	243
Mr. Wu Zhongqin (iii)	278	–	–	–	278
Independent non-executive directors					
Mr. Chan Shek Chi	120	–	–	–	120
Mr. Ma Yuliang	78	–	–	–	78
Mr. Lin Jian Ming	78	–	–	–	78
Total	1,721	1,740	–	30	3,491

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

(i) Mr Wang Li has resigned as an executive director, with effect from 14 January 2018.

(ii) Mr. Xue Mangmang has resigned as an executive director, with effect from 10 March 2017.

(iii) Mr. Wu Zhongqin has been re-designated from non-executive director to executive director with effect from 19 May 2017.

(iv) Mr. Liu Jingui has been appointed as an executive director, with effect from 10 March 2017.

(v) Mr. Zeng Wu has been appointed as a non-executive director, with effect from 6 June 2016.

(vi) Mr. Yang Yihua has resigned as a non-executive director, with effect from 6 June 2016.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2016: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	**1,261**	1,607
Retirement scheme contributions	**15**	15
	1,276	1,622

The emoluments of the two (2016: three) individuals with the highest emoluments are with the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**2**	3

10 Other comprehensive income

(a) Available-for-sale securities

	2017 RMB'000	2016 RMB'000
Changes in fair value recognised during the year	**61,425**	5,848
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal (note 5)	**(46,196)**	–
Net deferred tax charged to other comprehensive income	**(2,380)**	(781)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**12,849**	5,067

(Expressed in Renminbi unless otherwise indicated)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB516,143,000 (2016: RMB315,351,000) and the weighted average of 2,141,832,477 ordinary shares (2016: 2,167,330,186 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	**2,153,792,000**	2,178,160,000
Effect of shares repurchased (note 24(c)(ii))	**(11,959,523)**	(10,829,814)
Weighted average number of ordinary shares	**2,141,832,477**	2,167,330,186

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016, and therefore, diluted earnings per share is the same as the basic earnings per share.

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(Expressed in Renminbi unless otherwise indicated)

12 Property, plant and equipment

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2016	1,829,727	3,307,775	530,897	71,764	5,740,163	832,831	483,824	7,056,818
Exchange adjustments	3,568	–	57	102	3,727	–	–	3,727
Additions	–	–	431	–	431	242,287	–	242,718
Transfers	189,262	813,034	23,971	3,872	1,030,139	(1,030,139)	–	–
Disposals	–	–	(28)	(173)	(201)	–	–	(201)
At 31 December 2016	2,022,557	4,120,809	555,328	75,565	6,774,259	44,979	483,824	7,303,062
Accumulated depreciation and amortisation:								
At 1 January 2016	(318,385)	(991,715)	(164,945)	(53,396)	(1,528,441)	–	(52,070)	(1,580,511)
Exchange adjustments	(413)	–	(57)	(101)	(571)	–	–	(571)
Charge for the year	(62,830)	(197,317)	(29,199)	(6,840)	(296,186)	–	(9,676)	(305,862)
Written back on disposals	–	–	–	164	164	–	–	164
At 31 December 2016	(381,628)	(1,189,032)	(194,201)	(60,173)	(1,825,034)	–	(61,746)	(1,886,780)
Net book value:								
At 31 December 2016	1,640,929	2,931,777	361,127	15,392	4,949,225	44,979	422,078	5,416,282

12 Property, plant and equipment (Continued)

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2017	2,022,557	4,120,809	555,328	75,565	6,774,259	44,979	483,824	7,303,062
Exchange adjustments	(3,686)	–	(59)	(105)	(3,850)	–	–	(3,850)
Additions	–	–	310	1,368	1,678	299,621	13,226	314,525
Transfers	20,876	190,171	3,426	–	214,473	(214,473)	–	–
Disposals	–	–	–	(3,027)	(3,027)	–	–	(3,027)
At 31 December 2017	2,039,747	4,310,980	559,005	73,801	6,983,533	130,127	497,050	7,610,710
Accumulated depreciation and amortisation:								
At 1 January 2017	(381,628)	(1,189,032)	(194,201)	(60,173)	(1,825,034)	–	(61,746)	(1,886,780)
Exchange adjustments	497	–	59	53	609	–	–	609
Charge for the year	(67,191)	(226,758)	(29,225)	(4,742)	(327,916)	–	(9,935)	(337,851)
Written back on disposals	–	–	–	3,006	3,006	–	–	3,006
At 31 December 2017	(448,322)	(1,415,790)	(223,367)	(61,856)	(2,149,335)	–	(71,681)	(2,221,016)
Net book value:								
At 31 December 2017	1,591,425	2,895,190	335,638	11,945	4,834,198	130,127	425,369	5,389,694

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

(b) As at 31 December 2017, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB78,215,000 (2016: RMB78,215,000) from the relevant PRC government authorities.

(c) A building held for own use, with net book value of RMB44,914,000 (2016: RMB49,342,000), was secured to a bank loan (see note 21).

12 Property, plant and equipment (Continued)

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

	2017 **RMB'000**	2016 RMB'000
In Hong Kong		
– medium-term leases (note 21)	**44,914**	49,342
Outside Hong Kong		
– medium-term leases	**1,971,880**	2,013,665
	2,016,794	2,063,007
Representing:		
Buildings held for own use	**1,591,425**	1,640,929
Interests in leasehold land held for own use under operating leases	**425,369**	422,078
	2,016,794	2,063,007

13 Intangible Assets

	Software RMB'000	Emission rights of nitrogen oxides RMB'000	Total RMB'000
Cost:			
At 31 December 2016 and 1 January 2017	–	–	–
Additions	4,658	4,320	8,978
At 31 December 2017	4,658	4,320	8,978
Accumulated amortisation:			
At 31 December 2016 and 1 January 2017	–	–	–
Charge for the year	(78)	(576)	(654)
At 31 December 2017	(78)	(576)	(654)
Net book value:			
At 31 December 2017	4,580	3,744	8,324
At 31 December 2016	–	–	–

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

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14 Investments in subsidiaries

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

Name of company	Place of incorporation and operation	Particulars of issued and fully paid up capital	Proportion of equity interest attributable to the Company: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Billion Industrial Investment Limited	BVI	US$1	100%	100%	–	Investment holding
Billion Development (Hong Kong) Limited ("Billion Development")	Hong Kong Special Administrative Region of the PRC ("Hong Kong")	HK$1	100%	–	100%	Investment holding and sales of raw materials
Billion Fujian (note (i))	PRC	US$494,497,000	100%	–	100%	Manufacturing and sales of polyester filament yarns products
Billion High-tech (note (i))	PRC	US$72,646,000	100%	–	100%	Manufacturing and sales of polyester thin films products
Treasure Full Global Industrial Limited ("Treasure Full")	BVI	US$1	100%	–	100%	Investment holding
Billion Industrial (Viet Nam) Co., Ltd. ("Billion Vietnam")	Vietnam	US$9,040,000	100%	–	100%	Manufacturing and sales of polyester bottle chip and polyester filament yarns

Note:

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

15 Inventories

	2017 **RMB'000**	2016 RMB'000
Raw materials	**278,290**	154,380
Work in progress	**31,049**	24,420
Finished goods	**488,403**	317,642
	797,742	496,442

Inventories recognised as expenses and included in profit or loss are the carrying amount of inventories sold, amounting to RMB6,011,995,000 (2016: RMB5,413,436,000).

16 Trade and other receivables

	2017 **RMB'000**	2016 RMB'000
Trade debtors	**85,913**	207,402
Bills receivable	**214,207**	188,111
Deposits, prepayments and other receivables	**1,011,173**	418,018
Derivative financial assets		
– forward exchange contracts	**–**	21,460
Structured deposits	**500,000**	–
	1,811,293	834,991
Less: Non-current portion of deposits and prepayments	**(470,418)**	(236,927)
	1,340,875	598,064

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

16 Trade and other receivables (Continued)

As at 31 December 2017, the Group had discounted bank acceptance bills totalling RMB62,099,000 (2016: RMB518,455,000) and endorsed bank acceptance bills totalling RMB144,961,000 (2016: RMB81,709,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

The Group placed principal-guaranteed structured deposits in a reputable bank in the PRC amounting to RMB500,000,000 (31 December 2016: nil) with term of 178 days. The expected annual rate of returns include a fixed rate of 1.75% and floating rates ranged from 2.31% to 2.35% which are indexed to the price of gold in London Gold Market.

Non-current portion of deposits and prepayments represents deposits for acquisition of interests in leasehold land, property, plant and equipment, construction materials and deposits for construction service.

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

(a) Ageing analysis

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

	2017 **RMB'000**	2016 RMB'000
Within 1 month	**186,579**	181,470
1 to 2 months	**73,693**	89,969
2 to 3 months	**26,760**	80,682
Over 3 months	**13,088**	43,392
	300,120	395,513

Trade debtors are due within 90 to 210 days from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

16 Trade and other receivables (Continued)

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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**295,253**	394,314
Less than 1 month past due	**4,042**	848
1 to 3 months past due	**477**	282
3 months to 1 year past due	**348**	69
	4,867	1,199
	300,120	395,513

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

The trade and bills receivables as at 31 December 2017 were not impaired. Receivables that were past due but not impaired relate to the trade balance with related parties which were repayable on demand and a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17 Other financial assets

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

As at 31 December 2017, the Group had invested in wealth management products issued by reputable banks in the PRC with the aggregate principals amount of RMB2,150,000,000 (31 December 2016: RMB1,250,000,000). There are no fixed or determinable returns of these bank wealth management products and the returns of principals are not guaranteed.

18 Restricted bank deposits

The restricted bank deposits of RMB135,740,000 (2016: RMB118,904,000) were pledged to the banks to secure certain bank loans (see note 21). At 31 December 2016, the restricted bank deposits of RMB46,584,000 was pledged to secure certain bills payable.

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2017 **RMB'000**	2016 RMB'000
Deposits with banks and other financial institutions within three months to maturity when placed	**–**	200,000
Cash at bank and on hand	**161,241**	115,297
	161,241	315,297

At 31 December 2017, cash at bank balances were placed with banks in the PRC amounted to RMB138,935,000 (2016: RMB296,816,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

19 Cash and cash equivalents and other cash flow information (Continued)

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

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		**631,292**	388,153
Adjustments for:			
– Bank interest income	4	**(25,055)**	(29,517)
– Net gain on sale of property, plant and equipment	5	**(374)**	(7)
– Net loss/(gain) on forward foreign exchange contracts	5	**15,680**	(22,058)
– Net realised gain on the other financial assets	10	**(46,196)**	–
– Finance costs	6(a)	**64,988**	67,851
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	**9,935**	9,676
– Amortisation of intangible assets	6(c)	**654**	–
– Depreciation	6(c)	**327,916**	296,186
– Government grant from deferred income	22	**(17,452)**	–
– Net exchange loss	5	**5,572**	4,210
		966,960	714,494
(Increase)/decrease in inventories		**(301,300)**	33,381
(Increase)/decrease in trade and other receivables		**(264,397)**	237,135
(Decrease)/increase in trade and other payables		**(52,240)**	743,431
Increase in deferred income		**608**	25,175
Cash generated from operations		**349,631**	1,753,616

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19 Cash and cash equivalents and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans
At 1 January 2017	**1,607,745**
Changes from Financing cash flows:	
Proceeds from new bank loans	**4,240,413**
Repayment of bank loans	**(2,600,863)**
Total changes from financing cash flows	**1,639,550**
Exchange adjustments	**(104,649)**
At 31 December 2017	**3,142,646**

20 Trade and other payables

	2017 RMB'000	2016 RMB'000
Trade creditors and bills payable	**787,829**	992,199
Other payables and accrued charges	**224,385**	209,790
Equipment payables	**47,527**	50,154
Construction payables	**29,039**	962
Receipts in advance	**507,899**	377,710
	1,596,679	1,630,815
Derivative financial liabilities		
– forward exchange contracts	**697**	1,777
	1,597,376	1,632,592

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

20 Trade and other payables (Continued)

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

	2017 RMB'000	2016 RMB'000
Within 3 months	680,522	719,697
More than 3 months but within 6 months	105,387	222,686
More than 6 months but within 1 year	84	49,453
More than 1 year	1,836	363
	787,829	992,199

21 Bank loans

At 31 December 2017, the bank loans were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	3,129,828	1,592,240
After 1 year but within 2 years	1,672	1,789
After 2 years but within 5 years	5,015	5,367
After 5 years	6,131	8,349
	12,818	15,505
	3,142,646	1,607,745

21 Bank loans (Continued)

At 31 December 2017, the bank loans were secured or guaranteed as follows:

	2017	2016
	RMB'000	RMB'000
Bank loans		
– secured	**150,230**	136,198
– guaranteed	**1,618,416**	1,263,437
– unsecured	**1,374,000**	208,110
	3,142,646	1,607,745

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

	2017	2016
	RMB'000	RMB'000
Properties (note 12(c))	**44,914**	49,342
Restricted bank deposits (note 18)	**135,740**	118,904
	180,654	168,246

As at 31 December 2017, certain bank loans of Billion Development amounted to RMB1,474,416,000 (2016: RMB1,263,437,000) were jointly guaranteed by the Company, Billion Fujian and Billion High-tech at nil consideration. And certain bank loans of Billion High-tech amounted to RMB144,000,000 (2016: nil) were guaranteed by Billion Fujian at nil consideration.

Further details of the Group's interest rate risk are set out in note 25(c) and management of liquidity risk are set out in note 25(b).

22 Deferred income

	2017 RMB'000	2016 RMB'000
At 1 January	**25,175**	–
Received during the year	**608**	30,945
Credit to profit or loss	**(17,452)**	(5,770)
At 31 December	**8,331**	25,175

	2017 RMB'000	2016 RMB'000
Current	**7,539**	17,365
Non-current	**792**	7,810
	8,331	25,175

Deferred income represented incentives received from two local government authorities for the Group's technology innovation research projects and recognised in profit or loss over the periods of the projects (ranged from 2 years to 4 years), from which the Company recognises as expenses the related costs for which the grants are intended to compensate.

23 Income tax in the consolidated statement of financial position

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

	2017 RMB'000	2016 RMB'000
Provision for the year	**100,903**	53,383
(Over)/under-provision in respect of prior years	**(1,496)**	986
Tax paid	**(73,817)**	(46,788)
	25,590	7,581
Balance of tax provision relating to prior years	**59,793**	52,212
	85,383	59,793

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

(b) Deferred tax liabilities recognised:

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

	Depreciation and amortisation of property, plant and equipment RMB'000	Available-for-sale securities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	135,234	–	(17,059)	118,175
Charged to profit or loss (note 7(a))	18,019	–	414	18,433
Charged to reserves	–	781	–	781
At 31 December 2016	153,253	781	(16,645)	137,389
At 1 January 2017	**153,253**	**781**	**(16,645)**	**137,389**
Charged/(credit) to profit or loss (note 7(a))	**17,954**	**–**	**(2,212)**	**15,742**
Charged to reserves	**–**	**2,380**	**–**	**2,380**
At 31 December 2017	**171,207**	**3,161**	**(18,857)**	**155,511**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB153,208,000 (2016: RMB127,930,000) 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.

23 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 31 December 2017, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB3,223,063,000 (2016: RMB2,767,802,000). Deferred tax liabilities of RMB161,153,000 (2016: RMB138,390,000) 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.

24 Capital, reserves and dividends

(a) Movement in components of equity

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

The Company

	Note	Share capital note 24(c)(i) RMB'000	Share premium note 24(d)(i) RMB'000	Capital redemption reserve note 24(d)(ii) RMB'000	Exchange reserve note 24(d)(v) RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016		18,317	807,937	1,016	(59,043)	(59,980)	708,247
Changes in equity for 2016:							
Total comprehensive income for the year		–	–	–	37,462	(5,637)	31,825
Dividends approved in respect of the previous year	24(b)	–	(54,854)	–	–	–	(54,854)
Purchase of own shares	24(c)(ii)						
– par value paid		(205)	–	–	–	–	(205)
– premium paid		–	(98,485)	–	–	–	(98,485)
– transfer between reserves		–	(205)	205	–	–	–
Dividends declared in respect of the current year	24(b)	–	(65,118)	–	–	–	(65,118)
Balance at 31 December 2016 and 1 January 2017		**18,112**	**589,275**	**1,221**	**(21,581)**	**(65,617)**	**521,410**
Changes in equity for 2017:							
Total comprehensive income for the year		**–**	**–**	**–**	**(25,312)**	**(6,525)**	**(31,837)**
Dividends approved in respect of the previous year	24(b)	**–**	**(91,127)**	**–**	**–**	**–**	**(91,127)**
Purchase of own shares	24(c)(ii)						
– par value paid		**(226)**	**–**	**–**	**–**	**–**	**(226)**
– premium paid		**–**	**(123,495)**	**–**	**–**	**–**	**(123,495)**
– transfer between reserves		**–**	**(226)**	**226**	**–**	**–**	**–**
Dividends declared in respect of the current year	24(b)	**–**	**(105,278)**	**–**	**–**	**–**	**(105,278)**
Balance at 31 December 2017		**17,886**	**269,149**	**1,447**	**(46,893)**	**(72,142)**	**169,447**

24 Capital, reserves and dividends (Continued)

(b) Dividends

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

	2017 RMB'000	2016 RMB'000
Interim dividend declared and paid of HK5.9 cents per share (2016: HK3.5 cents per share)	**105,278**	65,118
Final dividend proposed after the end of the reporting period of HK8.4 cents per ordinary share (2016: HK4.8 cents per share)	**144,309**	91,719
	249,587	156,837

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

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

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.8 cents per ordinary share (2016: HK3.0 cents per share)	**91,127**	54,854

(Expressed in Renminbi unless otherwise indicated)

24 Capital, reserves and dividends (Continued)

(c) Share capital:

(i) Authorised and issued share capital

	Par value HK$	Number of shares	Nominal value of ordinary shares HK$
Authorised			
At 31 December 2016 and 31 December 2017	0.01	10,000,000,000	100,000,000

	Note	Par value HK$	Number of shares	Nominal value of ordinary shares HK$	RMB
Issued and fully paid:					
At 1 January 2016		0.01	2,178,160,000	21,781,600	18,317,073
Repurchase of shares	24(c)(ii)	0.01	(24,368,000)	(243,680)	(204,921)
At 31 December 2016 and 1 January 2017		0.01	2,153,792,000	21,537,920	18,112,152
Repurchase of shares	24(c)(ii)	0.01	(26,848,000)	(268,480)	(225,776)
At 31 December 2017		0.01	2,126,944,000	21,269,440	17,886,376

24 Capital, reserves and dividends (Continued)

(c) Share capital: (Continued)

(ii) Purchase of own shares

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

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
January 2017	444,000	5.64	5.25	2,124
March 2017	730,000	5.49	5.17	3,390
April 2017	1,264,000	5.63	5.29	6,079
May 2017	2,558,000	5.84	5.17	12,092
June 2017	760,000	5.66	5.44	3,642
July 2017	12,214,000	5.65	3.65	46,495
August 2017	622,000	5.55	5.45	2,917
September 2017	3,398,000	6.29	5.45	16,543
October 2017	1,998,000	7.70	6.40	12,248
November 2017	2,498,000	8.20	6.95	15,453
December 2017	362,000	9.27	8.48	2,738
	26,848,000			123,721

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 26,848,000 shares were repurchased in 2017 (2016: 24,368,000) 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 RMB226,000 was transferred from share premium to the capital redemption reserve in 2017 (2016: RMB205,000). The premium paid on the repurchase of the shares of approximately HK$143,168,000 (equivalent to RMB123,495,000) and HK$114,852,000 (equivalent to RMB98,485,000) were charged to share premium for the year of 2017 and 2016 respectively.

24 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves:

(i) Share premium and distributability of reserves

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

The aggregate amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2017 was HK$179,720,000 (2016: HK$559,910,000).

(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 and Billion High-tech are 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 subsidiaries. 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 subsidiaries.

(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.

24 Capital, reserves and dividends (Continued)

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

(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.

(vii) Capital management

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

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

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. As at 31 December 2017 and 2016, the Group's debt ratio, being the Group's total liabilities over its total assets, was 47.6% and 40.1% respectively.

25 Financial risk management and fair values

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

(a) Credit risk

(i) Trade and other receivables

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

Trade receivables are due within 90 to 210 days from the date of billing. Normally, the Group does not obtain collateral from customers.

25 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, nil and 12% (2016: 45% and 51%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

As set out in note 16, at 31 December 2017, the Group had discounted bank acceptance bills totalling RMB62,099,000 (2016: RMB518,455,000) and endorsed bank acceptance bills totalling RMB144,961,000 (2016: RMB81,709,000), which are derecognised as financial assets. The transferees have the right to recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. The Group's maximum loss in case of default is RMB207,060,000 for these discounted or endorsed bills. Nonetheless, the Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

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

(ii) Deposits with banks

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

(b) Liquidity risk

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

25 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	As at 31 December 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position RMB'000
Bank loans	3,129,828	1,982	5,687	8,172	3,145,669	3,142,646
Trade creditors and bills payable	787,829	–	–	–	787,829	787,829
Other payables and accrued charges	224,385	–	–	–	224,385	224,385
Equipment payables	47,527	–	–	–	47,527	47,527
Construction payables	29,039	–	–	–	29,039	29,039
	4,218,608	1,982	5,687	8,172	4,234,449	4,231,426
Derivatives settled gross						
– outflow	(10,496)	–	–	–	(10,496)	
– inflow	9,799	–	–	–	9,799	

25 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position RMB'000
Bank loans	1,592,240	2,103	6,077	10,645	1,611,065	1,607,745
Trade creditors and bills payable	992,199	–	–	–	992,199	992,199
Other payables and accrued charges	587,500	–	–	–	587,500	587,500
Equipment payables	50,154	–	–	–	50,154	50,154
Construction payables	962	–	–	–	962	962
	3,223,055	2,103	6,077	10,645	3,241,880	3,238,560
Derivatives settled gross						
– outflow	(397,200)	–	–	–	(397,200)	
– inflow	416,883	–	–	–	416,883	

25 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

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

	As at 31 December			
	2017		2016	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	**1.15%-4.35%**	**1,167,776**	1.80%	208,110
Cash and cash equivalents	**–**	**–**	3.60%	(200,000)
Restricted bank deposits	**1.50%**	**(135,740)**	0.30%-2.00%	(165,488)
Fixed deposit held at banks with maturity over three months	**–**	**–**	4.25%-4.30%	(150,000)
		1,032,036		(307,378)
Variable rate borrowings/ (deposits):				
Bank loans	**1.92%-2.59%**	**1,974,870**	1.92%-2.68%	1,399,635
Cash and cash equivalents	**0.0001%-0.35%**	**(161,241)**	0.0001%-0.40%	(110,543)
		1,813,629		1,289,092
Total net borrowings		**2,845,665**		981,714

25 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB24,188,000 (2016: RMB8,345,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expenses that would arise assuming that the change in interest rates had occurred at the respective end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow, interest rate risk arising from floating rate non-derivative held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. This analysis has been performed in the same basis for 2016.

(d) Currency risk

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

25 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in RMB) As at 31 December					
	2017			2016		
	USD RMB'000	**HK$ RMB'000**	**EUR RMB'000**	USD RMB'000	HK$ RMB'000	EUR RMB'000
Trade and other receivables	**95,438**	**–**	**–**	63,196	–	–
Restricted bank deposits	**–**	**–**	**–**	100,466	–	–
Cash and cash equivalents	**7,505**	**132**	**275**	8,387	142	258
Trade and other payables	**(192,506)**	**–**	**(7,509)**	(205,544)	–	(11,506)
Bank loans	**–**	**–**	**–**	(208,110)	–	–
Gross exposure arising from recognised assets and liabilities	**(89,563)**	**132**	**(7,234)**	(241,605)	142	(11,248)
Notional principal amounts of forward contracts	**9,801**	**–**	**–**	317,077	–	–
Net exposure arising from recognised assets and liabilities	**(79,762)**	**132**	**(7,234)**	75,472	142	(11,248)

In response to the foreign currency risk of loans denominated in USD, HK$ and EUR, the Group has entered into forward exchange rate contracts which are accounted for as financial derivative instruments. These derivatives had not been designated as hedges for accounting purposes. Accordingly, the fair value gain/(loss) were recognised in the Group's income statement. The settlement date of the forward exchange contract held by the Group as at 31 December 2017 is 12 January 2018.

25 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	As at 31 December			
	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**5%**	**(3,390)**	5%	3,208
	(5%)	**3,390**	(5%)	(3,208)
HK$	**5%**	**6**	5%	6
	(5%)	**(6)**	(5%)	(6)
EUR	**5%**	**(307)**	5%	(478)
	(5%)	**307**	(5%)	478

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

25 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2016.

(e) Fair values measurement

(i) Fair value hierarchy

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

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

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

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

25 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (continued)

		Fair value measurements as at 31 December 2017 using		
	Fair value at 31 December 2017	Quoted prices in active market for identified assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale				
– Unlisted	**2,171,077**	–	**2,171,077**	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	**697**	–	**697**	–

25 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 using		
		Quoted prices in active market for identified assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity instruments				
– Unlisted	1,255,848	–	1,255,848	–
Derivative financial instruments:				
– Forward exchange contracts	21,460	–	21,460	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	1,777	–	1,777	–

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

25 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

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

The fair value of 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.

26 Commitments

(a) Capital commitments outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2017 **RMB'000**	2016 RMB'000
Authorised but not contracted for	**3,176,350**	250,325
Contracted for	**961,740**	284,792
	4,138,090	535,117

(b) At 31 December 2017, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**1,272**	1,272
After 1 year but within 5 years	**5,089**	5,089
Over 5 years	**3,567**	4,840
	9,928	11,201

The Group is the lessee in respect of oil storage area and warehouse held under an operating lease. The lease runs for an initial period of 10 to 20 years. It does not include contingent rentals.

27 Material related party transactions

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

Name of related party	Relationship
Mr. Sze Tin Yau	Director of the Company and is deemed to be interested in 68.12% of the Company's issued share capital with Hong Kong (Rong An) Investment Limited ("Rong An")
Mr. Wu Jinbiao	Director of the Company and holding 6.43% of the Company's issued share capital
Mr. Wu Jianshe	Key management personnel during the year
CECEP Costin New Materials Group Limited* ("CECEP Costin") 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group")	Subsidiaries of Rong An

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

(a) Key management personnel remuneration

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

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits	**6,090**	5,573
Post-employment benefits	**93**	86
	6,183	5,659

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

27 Material related party transactions (Continued)

(b) Transactions with related parties

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

	2017 RMB'000	2016 RMB'000
Sales of goods		
CECEP Costin Group	5,587	22,963
Purchase of materials		
CECEP Costin Group	–	80

Notes:

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

(c) Balances with a related party

	2017 RMB'000	2016 RMB'000
Trade payable to CECEP Costin Group	6	50
Receipt in advances from CECEP Costin Group	1	3,126

27 Material related party transactions (Continued)

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

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

28 Company-level statement of financial position

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Investments in subsidiaries	14	**–**	–
Current assets			
Trade and other receivables		**418,224**	519,047
Cash and cash equivalents		**5,117**	3,459
		423,341	522,506
Current liabilities			
Trade and other payables		**253,894**	1,096
		253,894	1,096
Total assets less current liabilities		**169,447**	521,410
NET ASSETS		**169,447**	521,410
CAPITAL AND RESERVES	24(a)		
Capital		**17,886**	18,112
Reserves		**151,561**	503,298
TOTAL EQUITY		**169,447**	521,410

(Expressed in Renminbi unless otherwise indicated)

29 Jointly controlling parties

Kingom Power Limited and Mr. Sze Tin Yau were parties acting in concert with Rong An and jointly controlled the Group from 13 January 2014 to 13 January 2018.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

The Group is in the process of making an assessment of the impact of the new standard is expected to be in the period of initial application. As the Group has not completed its assessment, further impacts may be identified in due course.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(t). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(c) Sales with a right of return

Currently the customers are not allowed to return the Group's products.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

HKFRS 16, Leases

As disclosed in note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB9,928,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements. Now the Group is in the process of making an assessment of the impact of the new standards is expected to be in the period of initial application.

Financial Summary

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,025,317**	6,125,251	5,461,403	6,301,466	6,152,700
Cost of sales	**(6,011,995)**	(5,413,436)	(4,870,772)	(5,715,541)	(5,425,918)
Gross profit	**1,013,322**	711,815	590,631	585,925	726,782
Profit before taxation	**631,292**	388,153	273,123	253,929	434,504
Income tax	**(115,149)**	(72,802)	(71,235)	(50,384)	(76,163)
Profit for the year	**516,143**	315,351	201,888	203,545	358,341

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**4,606,675**	2,981,139	3,183,218	4,080,620	3,005,752
Non-current assets	**5,868,436**	5,653,209	5,718,562	5,737,324	5,594,724
Total assets	**10,475,111**	8,634,348	8,901,780	9,817,944	8,600,476
Current liabilities	**4,820,126**	3,301,990	3,603,422	4,461,792	3,323,980
Non-current liabilities	**169,121**	160,704	134,372	117,137	101,122
Total liabilities	**4,989,247**	3,462,694	3,737,794	4,578,929	3,425,102
Net assets	**5,485,864**	5,171,654	5,163,986	5,239,015	5,175,374
Share capital	**17,886**	18,112	18,317	18,572	18,694
Reserves	**5,467,978**	5,153,542	5,145,669	5,220,443	5,156,680
Total equity	**5,485,864**	5,171,654	5,163,986	5,239,015	5,175,374