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

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

2018
Interim Report 中期報告

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 yarn 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 30 June 2018, the designed capacity of FDY and POY of the Group was 785,000 tons per year, while that of DTY was 593,700 tons per year. The Group's combined designed capacity for DTY, FDY and POY was 1,378,700 tons per year, which made it the largest differentiated chemical fiber production base in Fujian Province.

As at 30 June 2018, 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 per year.

In addition, in order to further expand the overseas markets, the Group has established Billion Industrial (Viet Nam) Co., Ltd. ("Billion Vietnam") in Vietnam, 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.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Wang Li
(resigned on 14 January 2018)
Mr. Wu Zhongqin
(resigned on 1 June 2018)
Mr. Liu Jingui
(resigned on 1 June 2018)

Non-executive Director

Mr. Zeng Wu *(Co-chairman)*

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao
Mr. Wang Li
(resigned on 14 January 2018)
Mr. Wu Zhongqin
(resigned on 1 June 2018)
Mr. Liu Jingui
(resigned on 1 June 2018)

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 six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**4,000,869**	3,271,633	22.3%
Gross profit	**621,361**	471,868	31.7%
Profit from operations	**492,066**	297,353	65.5%
Profit for the period	**347,142**	218,391	59.0%

	As at 30 June		
	2018	2017	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**6,474,332**	5,667,125	14.2%
Non-current liabilities	**180,442**	161,803	11.5%
Current assets	**5,015,374**	3,300,172	52.0%
Current liabilities	**5,644,059**	3,472,894	62.5%
Net current liabilities	**628,685**	172,722	264.0%
Total equity	**5,665,205**	5,332,600	6.2%
Earnings per Share (RMB)	**0.16**	0.10	
Interim dividend (HK cent) *(Note 1)*	**4.7**	5.9	
Key Ratio Analysis			
Gross profit margin	**15.5%**	14.4%	
Operating profit margin	**12.3%**	9.1%	
Net profit margin	**8.7%**	6.7%	
Return on equity *(Note 2)*	**6.1%**	4.1%	
Current ratio *(Note 3)*	**0.89**	0.95	
Gearing ratio *(Note 4)*	**102.8%**	68.2%	

Notes:

1: The interim dividend of HK4.7 cents per share in cash will be paid on 5 October 2018

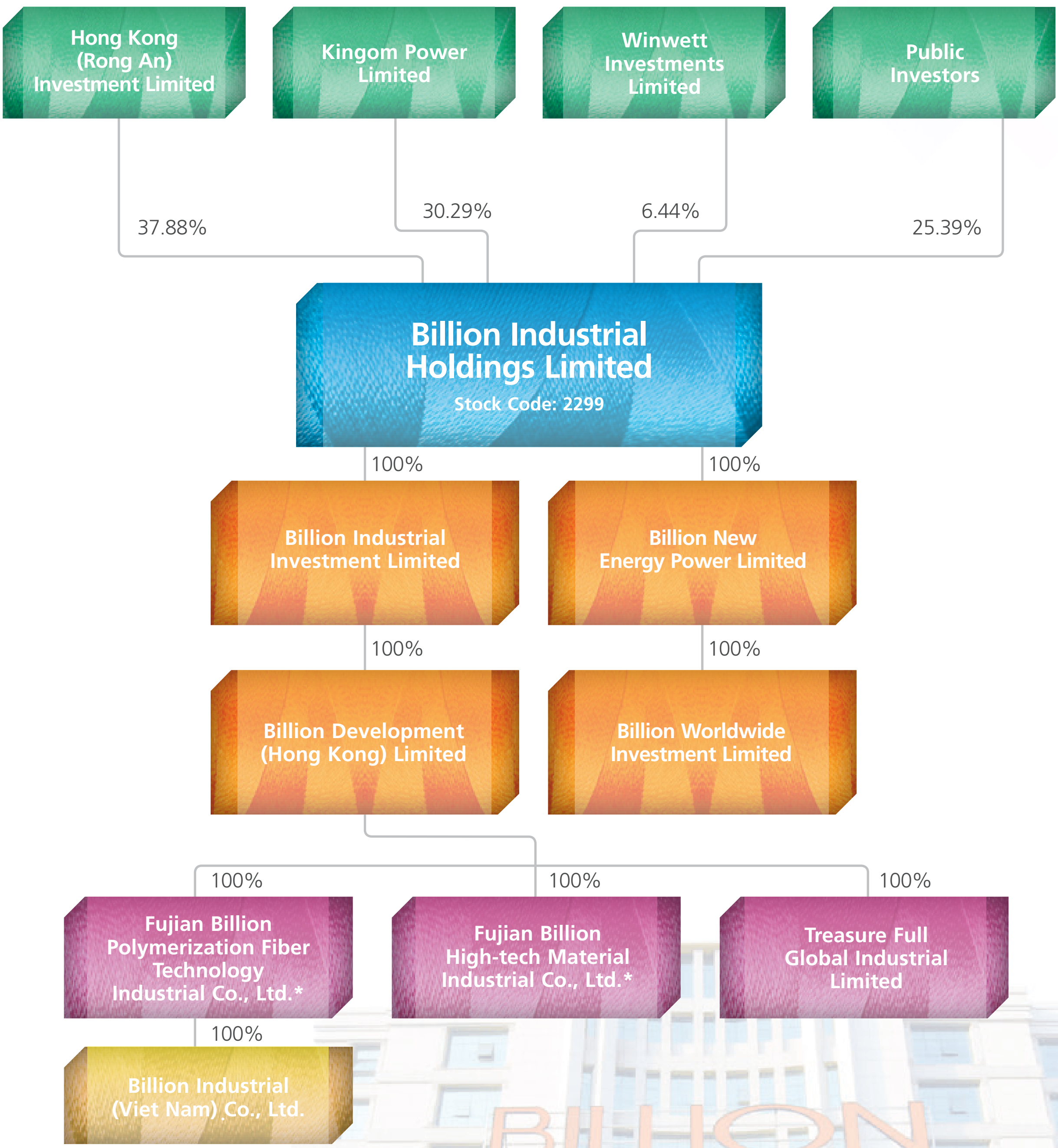
2: Return on equity: Profit for the period divided by total equity

3: Current ratio: Current assets divided by current liabilities

4: Gearing ratio: Total liabilities divided by total equity

Company Structure

as at 30 June 2018



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*

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 30 June 2018:

FDY+POY	:	785,000 tons per year
DTY	:	593,700 tons per year
BOPET	:	182,500 tons per year
BOPET Chips	:	72,500 tons per year

Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

The trend of global economic expansion remained strong in the first half of 2018, however, its incremental growth momentum had diminished. At present, the global economy is encountering two major risks, trade protectionism initiated by USA and the reversion of global monetary-easing policy. While emerging markets play increasingly important roles in fueling future global economic expansion, under the premise of Federal Reserve interest rate hikes, these markets will face challenges in their financial stability and growth. International oil price has already been on its upward trend since the beginning of 2018, and with the significant depletion of crude oil inventory in the USA as well as geopolitical crisis, crude oil prices are expected to continue to climb up in the second half of the year.

China's GDP exceeded RMB41.89 trillion in the first half of 2018, representing a year-on-year increase of 6.8%, whereas the year-on-year increase of the retail sales of apparel, footwear, hats and textile products in the first half of 2018 was 9.2%. In facing the extremely complicated and serious environment both domestically and abroad, China's national economy continued its overall steady and progressing development trend, maintained its stability, deepened its structural adjustment and sustained its improvement in quality efficiency. Despite intensifying frictions in international trade during the period, with the continuous support of policy stimulation, China's economy continued its steady and healthy development trend with its industrial structure continued to optimise, and the fast growth in industry profit and growth rate in service industry import amount reaching new highs. Accordingly, the pace of economic growth still corresponded with the development momentum of "maintaining stability while making progress slowly, making progress while maintaining stability".

INDUSTRY REVIEW

The textile industry in China is enjoying its promising rising stage and saw benefits from the growth in urban and rural resident income, construction of new types of urbanization and full implementation of the Two-Child Policy. The above had facilitated the growth in the consumption of upgraded textile products, all-round facilitation of efficiency improvement in supply chain and channel structure optimisation and resulted in continuous improvement in business environment of apparel and textile manufacturers. Moreover, the pace of "going out" regarding textile enterprises overseas layout was accelerating and the progress of "One Belt One Road" initiative in China had created favorable conditions for expanding international markets of textile industry and stabilising its market share. On the other hand, China has become an important production base for global polyester thin films products. With the constant application expansion of polyester thin films in downstream industry, high-end, functionalization and diversification had become the directions of development for polyester thin films industry. The integration of polyester filament yarns and polyester thin films supply-side capacity and the orderly industry supply had driven the stable increase in price which gave a continuous promising outlook.

BUSINESS REVIEW

The prominent research and development as well as our innovation capacity are the foundation of the Group's 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 enterprise competitive strength", the Group formulates the deepening 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 brand values and competitive strengths of the Company. Through our strong research and development team, the Group continued to carry out in-depth cooperation with colleges and institutions to form a multi-disciplinary project research and development chain; obtain patent and proprietary technology results; vigorously support the implementation of the differentiated operating philosophy; and strive for product quality improvement and development of differentiated products. The market demand for the Group's products remained strong. Also, with the continuous recovery in the differentiated polyester filament yarns industry, the sales of the Group recorded a stable growth during the period under review.

Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian"), a subsidiary of the Company, 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 technological innovation and striving to establish a digital and intelligent fully automatic chemical fiber production workshop, it is the front runner of realising the full process intelligent automatic production in the industry. By leveraging on the digitalisation, networking and modularisation of automatic equipment, the Group keeps on improving its products' quality and production volume. The Group not only has the largest differentiated chemical fiber production base in Southern China, but also the first enterprise in Fujian Province to adopt the world's advanced melt-direct spinning differentiated chemical fiber production line and possesses the leading spinning and texturing equipment and technology in the industry. Furthermore, the Group completed the construction of "polyester filament yarns melt-direct spinning intelligent manufacturing digital workshop" with intelligent manufacturing integrated standardisation and new mode application and has passed the inspection and acceptance successfully. The intelligent logistics and warehousing system mainly comprises spinning automatic doffing, automatic packaging, automatic stereoscopic warehouse, transportation system, electronic control system and computer information system. The production information can be intelligently and automatically identified, tracked, categorized, stored and managed, such that the production operation can be completed in an intelligent and full automated manner.

Management Discussion and Analysis

At present, the Group possesses the leading polyester filament yarns melt-direct spinning intelligent manufacturing digital workshop in the PRC, which presents the following advantages: total process digital simulation optimisation and tracking of production research and development, production control, quality management, energy consumption control and logistics sales, improved production efficiency, lowered corporate cost, reduced defective product rate, shortened research and development cycle and increased energy utilisation rate. The Group designed and developed independently its on-line inspection system and equipment as well as its online tensile force supervision and monitoring system for external appearance of polyester filament yarns products and achieved a breakthrough in the research and development of key technology and equipment to address shortcomings for core intelligent manufacturing in the industry. The Group enjoyed scalable cost advantages through introducing large-scale and advanced production equipment. Most of our key equipments are imported from Germany and Japan which are of international first-class equipment standards. High quality equipment provides the Group with strong guarantee of product innovation and technology innovation. During the period under review, the Group's research and development expenses amounted to RMB137,159,000, representing 3.4% of its revenue. Our research and development efforts mainly focus on improving product quality, and production efficiency, and enhancing our innovation capability in every aspect from chemical fiber to textile fabrics. During the six months ended 30 June 2018 (the "Review Period"), Billion Fujian was awarded the Fifth "China's Top Ten Textile Science and Technology Award. New Technology Award" for the project of "melt-direct spinning online adding functional polyester fiber and its key manufacturing technology", which recognised the achievements of our innovative and research and development efforts.

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 aftersales services. 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 period under review increased by RMB151,878,000 or 30.4% as compared to the same period in 2017, which represented a further increase in brand popularity and market share in overseas markets.

The polyester filament yarns business expansion project of the Group located in Jinnan Industrial Zone is now in full swing development. At present, some texturing machines have already been installed, while others are under installation, testing and tuning, and are 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.

By endeavoring to intensify its innovation facilitation and enhance new market expansion, as well as integrating with national planning and policies for the chemical fiber industry and polyester thin films industry and the opportunities brought by "One Belt One Road", the Group established Billion Vietnam in Vietnam 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 its construction phase. It is expected that full operation of the facilities will commence by the end of 2019.

FINANCIAL REVIEW

Operational Performance

1. *Revenue*

Total revenue of the Group for the period under review amounted to RMB4,000,869,000 (for the first half of 2017: RMB3,271,633,000), representing an increase of 22.3% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB3,078,965,000, accounting for 77.0% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB921,904,000, accounting for 23.0% of the total revenue. The revenue analysis of the two products is as follow:

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 yarns 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 cottonlike 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 yarns products for the period under review was RMB3,078,965,000, representing an increase of RMB379,737,000 or 14.1% as compared to RMB2,699,228,000 in the first half of 2017. The average selling price of polyester filament yarns in the period under review was RMB10,197 per ton, representing an increase of RMB1,089 or 12.0% as compared to RMB9,108 per ton in the first half of 2017. The sales volume of the Group's polyester filament yarns products during the period under review increased from 296,349 tons in the first half of 2017 to 301,962 tons during the period under review or an increase of 1.9%, the overall revenue and sales volume of the Group's polyester filament yarns products maintained a stable growth.

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 films production lines to conduct research and development on various categories of thin films 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 standardised and regulating corporate management standard. It has become the largest polyester thin films production enterprise in Southern China.

Revenue attributable to the sales of polyester thin films products for the period under review was RMB921,904,000, representing an increase of RMB349,499,000 or 61.1% as compared to RMB572,405,000 in the first half of 2017. The average selling price of polyester thin films in the period under review was RMB8,523 per ton, representing an increase of RMB757 or 9.7% as compared to RMB7,766 per ton in the first half of 2017. The sales volume of the Group's polyester thin films products during the period under review increased from 73,705 tons in the first half of 2017 to 108,167 tons during the period under review or an increase of 46.8%, the overall revenue and sales volume of the Group's polyester thin films products maintained a stable growth.

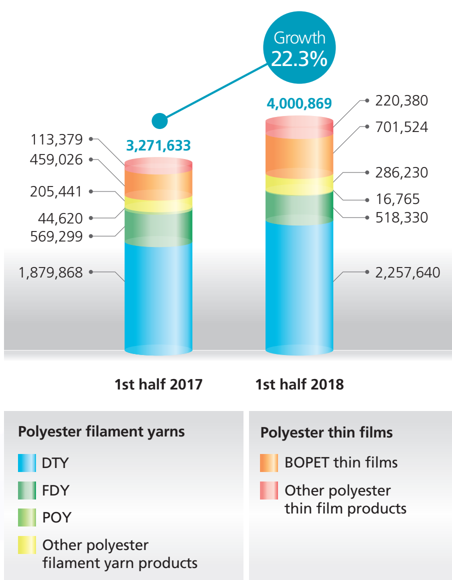
Breakdown of Revenue and Sales Volume (By Product)

	Revenue For the six months ended 30 June				Sales volume For the six months ended 30 June			
	2018		2017		**2018**		2017	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**2,257,640**	**56.4%**	1,879,868	57.4%	**204,340**	**49.8%**	188,919	51.1%
FDY	**518,330**	**13.0%**	569,299	17.4%	**54,409**	**13.3%**	67,073	18.1%
POY	**16,765**	**0.4%**	44,620	1.4%	**1,905**	**0.5%**	5,912	1.6%
Other polyester filament yarns products*	**286,230**	**7.2%**	205,441	6.3%	**41,308**	**10.0%**	34,445	9.3%
Sub-total	**3,078,965**	**77.0%**	2,699,228	82.5%	**301,962**	**73.6%**	296,349	80.1%
Polyester thin films								
BOPET thin films	**701,524**	**17.5%**	459,026	14.0%	**77,087**	**18.8%**	55,641	15.0%
Other polyester thin films products**	**220,380**	**5.5%**	113,379	3.5%	**31,080**	**7.6%**	18,064	4.9%
Sub-total	**921,904**	**23.0%**	572,405	17.5%	**108,167**	**26.4%**	73,705	19.9%
Total	**4,000,869**	**100.0%**	3,271,633	100.0%	**410,129**	**100.0%**	370,054	100.0%

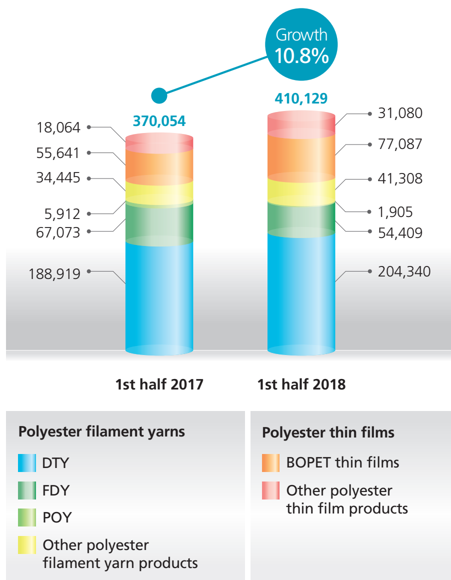
* Other polyester filament yarns products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.

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

Revenue
(RMB'000)



Sales Volume
(Ton)



Sales by geographic region

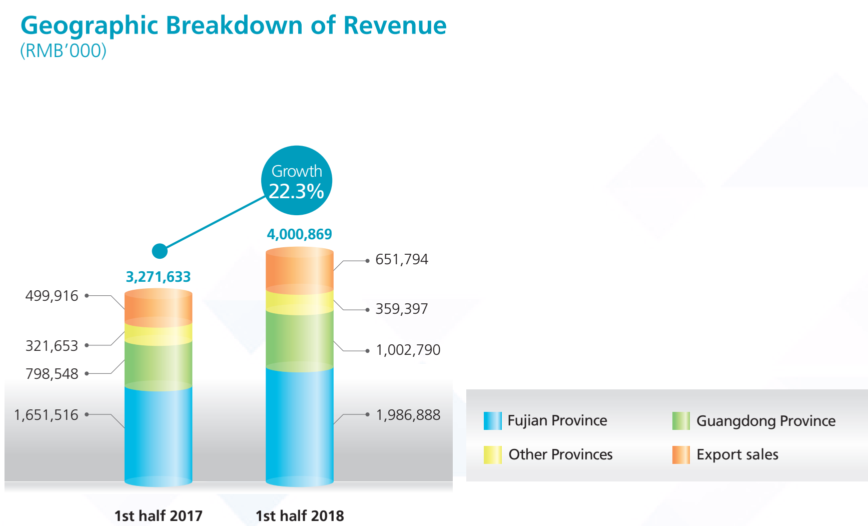
The Group actively expanded and consolidated its market share in overseas market by constantly improving its service quality and increasing its brand recognition. The export sales revenue increased from RMB499,916,000 in the first half of 2017 to RMB651,794,000 during the period under review or an increase of 30.4%, the percentage of export sales revenue also increased from 15.3% in the first half of 2017 to 16.3% during the period under review, representing an increase of 1.0 percentage point. Approximately 83.7% of the Group's revenue was generated from domestic market sales, of which 49.7% was from sales to customers in Fujian Province and 25.1% to customers in the adjacent Guangdong Province. In addition, the Group's polyester chips shops were equipped with professional marketing staffs in Ningbo in order to explore other provincial markets, where it provided customised product development services to its customers and developed strategic partners.

Management Discussion and Analysis

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2018		2017	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**1,986,888**	**49.7%**	1,651,516	50.5%
Guangdong Province	**1,002,790**	**25.1%**	798,548	24.4%
Other Provinces	**359,397**	**8.9%**	321,653	9.8%
Export sales*	**651,794**	**16.3%**	499,916	15.3%
Total	**4,000,869**	**100.0%**	3,271,633	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***

Cost of sales of the Group for the period under review was RMB3,379,508,000, representing an increase of 20.7% as compared to the cost of sales of RMB2,799,765,000 in the first half of 2017. Such an increase was mainly attributable to the increase in sales volume and raw materials prices. The cost of sales for polyester filament yarns was RMB2,588,406,000, accounting for 76.6% of the total cost of sales. The cost of sales for polyester thin films was RMB791,102,000, accounting for 23.4% of total cost of sales. The percentages of costs of sales of these two types of products were generally in-line with the percentages of their respective sales volumes.

Polyester filament yarns

Average cost of sales for polyester filament yarns increased from RMB7,777 per ton in the first half of 2017 to RMB8,572 per ton during the period under review, representing an increase of RMB795 or 10.2% per ton, which was mainly due to the increase in the raw materials selling prices of purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"). The average price of raw materials for polyester filament yarns increased from RMB5,915 per ton in the first half of 2017 to RMB6,601 per ton during the period under review, representing an increase of RMB686 or 11.6% per ton.

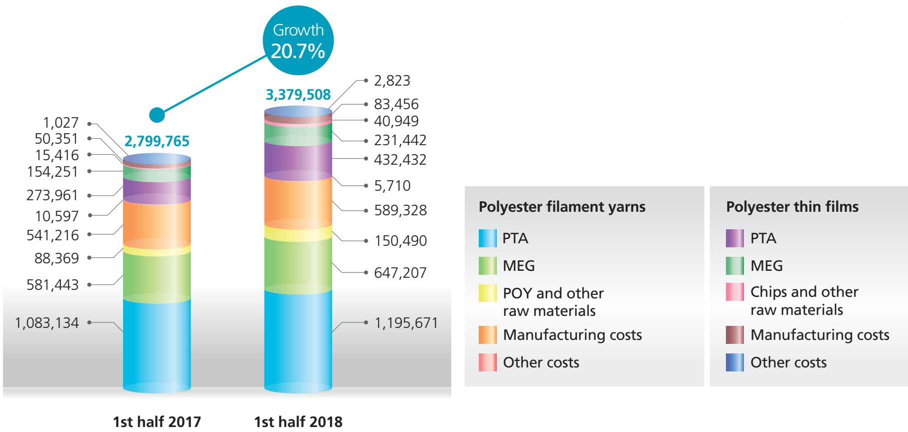
Polyester thin films

Average cost of sales for polyester thin films increased from RMB6,716 per ton in the first half of 2017 to RMB7,315 per ton during the period under review, representing an increase of RMB599 or 8.9% per ton, which was mainly due to the increase in raw materials selling prices of PTA and MEG. The average price of raw materials for polyester thin films increased from RMB6,019 per ton in the first half of 2017 to RMB6,517 per ton during the period under review, representing an increase of RMB498 or 8.3% per ton.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2018		2017	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**1,195,671**	**35.4%**	1,083,134	38.7%
MEG	**647,207**	**19.1%**	581,443	20.8%
POY and other raw materials	**150,490**	**4.5%**	88,369	3.1%
Sub-total	**1,993,368**	**59.0%**	1,752,946	62.6%
Manufacturing costs	**589,328**	**17.4%**	541,216	19.3%
Other costs	**5,710**	**0.2%**	10,597	0.4%
Sub-total	**2,588,406**	**76.6%**	2,304,759	82.3%
Polyester thin films				
Cost of raw materials				
PTA	**432,432**	**12.8%**	273,961	9.8%
MEG	**231,442**	**6.8%**	154,251	5.5%
Chips and other raw materials	**40,949**	**1.2%**	15,416	0.6%
Sub-total	**704,823**	**20.8%**	443,628	15.9%
Manufacturing costs	**83,456**	**2.5%**	50,351	1.8%
Other costs	**2,823**	**0.1%**	1,027	–
Sub-total	**791,102**	**23.4%**	495,006	17.7%
Total	**3,379,508**	**100.0%**	2,799,765	100.0%

Breakdown of Cost of Sales
(RMB'000)



3. *Gross Profit*

Gross profit of the Group for the period under review was RMB621,361,000, which increased by RMB149,493,000, representing an increase of 31.7% as compared to RMB471,868,000 in the first half of 2017. Sales volume of the Group during the period under review increased by 40,075 tons, representing an increase of 10.8% as compared to the first half of 2017. Average selling price of products per ton increased by an average of RMB914 per ton, representing an increase of 10.3% from RMB8,841 per ton in the first half of 2017 to RMB9,755 per ton during the period under review, while average cost of products per ton also increased by an average of RMB674 per ton, representing an increase of 8.9% from RMB7,566 per ton in the first half of 2017 to RMB8,240 per ton during the period under review. Therefore, the average gross profit of products per ton increased from RMB1,275 in the first half of 2017 to RMB1,515 during the period under review. As the increase in the average selling price of products per ton was much higher than the increase in average cost of products per ton, gross profit margin increased by 1.1 percentage points from 14.4% in the first half of 2017 to 15.5% during the period under review.

Polyester filament yarns

Average selling price of polyester filament yarns products increased by an average of RMB1,089 per ton, representing an increase of 12.0% from RMB9,108 in the first half of 2017 to RMB10,197 during the period under review. The average gross profit of polyester filament yarns products per ton increased from RMB1,331 in the first half of 2017 to RMB1,625 during the period under review. The gross profit margin increased by 1.3 percentage points from 14.6% in the first half of 2017 to 15.9% during the period under review.

Polyester thin films

Average selling price of polyester thin films products per ton increased by an average of RMB757 per ton, representing an increase of 9.7% from RMB7,766 per ton in the first half of 2017 to RMB8,523 per ton during the period under review. The average gross profit of polyester thin films products per ton increased from RMB1,050 in the first half of 2017 to RMB1,208 during the period under review. The gross profit margin increased by 0.7 percentage points from 13.5% in the first half of 2017 to 14.2% during the period under review.

During the period 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, the continuous growth on polyester thin films business as well as the continuous recovery of the differentiated polyester filament yarns industry.

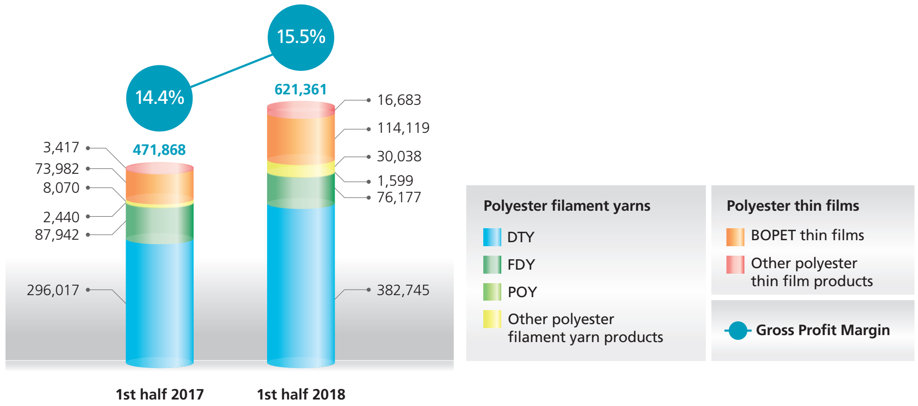
Analysis of gross profit by product

	For the six months ended 30 June			
	2018		2017	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**382,745**	**61.6%**	296,017	62.7%
FDY	**76,177**	**12.2%**	87,942	18.7%
POY	**1,599**	**0.3%**	2,440	0.5%
Other polyester filament yarns products*	**30,038**	**4.8%**	8,070	1.7%
Sub-total	**490,559**	**78.9%**	394,469	83.6%
Polyester thin films				
BOPET thin films	**114,119**	**18.4%**	73,982	15.7%
Other polyester thin films products**	**16,683**	**2.7%**	3,417	0.7%
Sub-total	**130,802**	**21.1%**	77,399	16.4%
Total	**621,361**	**100.0%**	471,868	100.0%

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

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

Gross Profit and Gross Profit Margin
(RMB'000)



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

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	**10,197**	9,108
Average cost of sales per ton	**8,572**	7,777
Average gross profit per ton	**1,625**	1,331
Average gross profit margin	**15.9%**	14.6%
Polyester thin films		
Average selling price per ton	**8,523**	7,766
Average cost of sales per ton	**7,315**	6,716
Average gross profit per ton	**1,208**	1,050
Average gross profit margin	**14.2%**	13.5%

4. Other revenue

Other revenue of the Group for the period under review amounted to RMB80,969,000, representing an increase of 108.1% as compared to RMB38,915,000 in the first half of 2017. Other revenue mainly included gain from government grants, bank interest income and gains on sales of raw materials. Such change was mainly attributable to the combined effect of an increase in gains from government grants as compared to that of the same period last year, decreases in bank interest income and gains on sales of raw materials.

5. Other net gain/(loss)

Other net gain of the Group during the period under review amounted to RMB46,272,000 (for the first half of 2017: other net loss amounted to RMB5,471,000). Other net gain/(loss) mainly comprised the realised and unrealised gains on other financial assets, the net gain/(loss) on forward foreign exchange contracts and net exchange loss. Such change was mainly attributable to increase of realised and unrealised gains on other financial assets.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB50,835,000, representing an increase of 18.3% as compared to RMB42,975,000 in the first half of 2017. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such increase was mainly due to the increase in relevant transportation costs resulted from the increase in sales volume in other provinces outside Fujian province and overseas during the period under review.

7. Administrative expenses

Administrative expenses of the Group for the period under review amounted to RMB205,701,000, increased by 24.7% as compared to RMB164,984,000 in the first half of 2017. Administrative expenses mainly comprised research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees etc. Such change was mainly due to the increase in the costs of research and development during the period under review.

8. *Finance costs*

Finance costs of the Group for the period under review amounted to RMB68,371,000, increased by 132.8% as compared to RMB29,365,000 in the first half of 2017. Such change was mainly due to the increase in interests on bank borrowings resulted from an increase in average bank loans and interest rate of loans during the period under review.

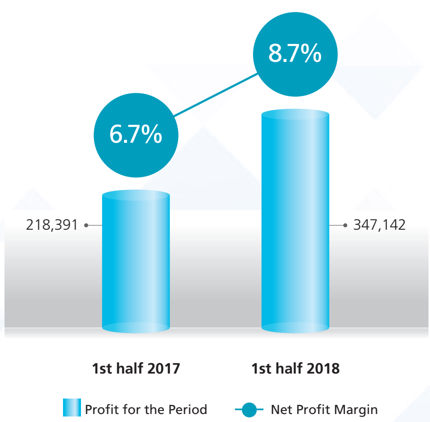
9. *Income tax*

Income tax of the Group for the period under review amounted to RMB76,553,000, increased by 54.4% as compared to RMB49,597,000 in the first half of 2017. Such change was mainly due to an increase in profit before income tax and payment of withholding income tax that needed through dividend distribution to Billion Development (Hong Kong) Limited by Billion Fujian during the period under review.

10. *Profit for the period*

Profit of the Group for the period under review amounted to RMB347,142,000, increased by RMB128,751,000 or 59.0% as compared to RMB218,391,000 in the first half of 2017, which was mainly 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, the continuous growths on polyester thin films business as well as the continuous recovery of the differentiated polyester filament yarns.

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



Financial position

1. Liquidity and capital resources

As at 30 June 2018, cash and cash equivalent of the Group amounted to RMB312,184,000, increased by RMB150,943,000 or 93.6% as compared to RMB161,241,000 as at 31 December 2017.

During the period under review, net cash inflow from operating activities amounted to RMB106,417,000 which was mainly attributable to the efficiency gains resulting from improved accounts receivable collection procedures. Net cash outflow from investing activities amounted to RMB667,107,000, which mainly comprised the capital expenditure of RMB719,903,000. Net cash inflow generated from financing activities amounted to RMB702,318,000, which mainly comprised the net increase in bank loans of RMB927,379,000, repurchase of shares of RMB13,792,000 and the payment of 2017 final dividends amounting to RMB145,044,000 during the period.

During the period under review, inventory turnover days were 54.3 days (for the first half of 2017: 40.7 days), an increase of 13.6 days as compared to the same period last year, which was mainly due to the increased stocks by the Group for sales activities in the second half of the year due to the continuous recovery of the industry. The trade receivable turnover days were 11.7 days (for the first half of 2017: 19.8 days), representing a decrease of 8.1 days as compared to the same period last year, which was mainly due to the efficiency gains resulting from improved accounts receivable collection procedures. The trade payable turnover days were 45.7 days (for the first half of 2017: 48.9 days), representing a decrease of 3.2 days as compared to the same period last year.

As at 30 June 2018, the Group had capital commitments of RMB3,746,696,000, which were mainly used for the expansion of domestic production capacity as well as development of the Vietnam production business.

2. Capital Structure

As at 30 June 2018, the total liabilities of the Group amounted to RMB5,824,501,000, whereas capital and reserves amounted to RMB5,665,205,000. The gearing ratio (total liabilities divided by total equity) was 102.8%. Total assets amounted to RMB11,489,706,000. The debt-to-assets ratio (total assets divided by total liabilities) was 2.0 times. Bank loans of the Group amounted to RMB4,084,386,000, of which RMB4,072,301,000 were repayable within one year, and RMB12,085,000 were repayable after one year. Among the bank borrowings, 41.4% were guaranteed by the Company, Billion Fujian and Billion High– Tech and 6.4% 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 30 June 2018, as disclosed in note 17 under the section headed "Notes to the Financial Statements" of this interim report, the Group held bank wealth management products (collectively, the "Investments") and principal-guaranteed structural bank deposits totaling approximately RMB2,560,733,000. Information of the Investments as at 30 June 2018 are as follows:

Name of the wealth management products issuer	Name of the wealth management products	Initial Investments cost	Unrealised gains on fair value change for the six months ended 30 June 2018	Fair value as at 30 June 2018	Percentage to the Group's net assets as at 30 June 2018
		RMB'000	RMB'000	RMB'000	
China Construction Bank	Qianyuan-Fuli Wealth Management Product	740,000	26,379	766,379	13.5%
China Construction Bank	Qianyuan-Texiangxing Wealth Management Product	50,000	1,762	51,762	0.9%
China Construction Bank	Qianyuan-Manyi Wealth Management Products	100,000	1,954	101,954	1.8%
Agricultural Bank of China	An Xin De Li Wealth Management Product	800,000	19,142	819,142	14.4%
China Merchants Bank	Ju Yi Sheng Jin Wealth Management Product	210,000	5,854	215,854	3.8%
Industrial Bank	Structural Bank Deposits	500,000	4,866	504,866	8.9%
China Construction Bank	Structural Bank Deposits	100,000	776	100,776	1.8%

Qianyuan-Fuli Wealth Management Product, Qianyuan-Texiangxing Wealth Management Product and Qianyuan-Manyi Wealth Management Product (collectively, "CCB Wealth Management Product"), An Xin De Li Wealth Management Product (collectively, "ABC Wealth Management Product"), Ju Yi Sheng Jin Wealth Management Product (collectively, "CMB Wealth Management Product"), principal-guaranteed structural bank deposits in the Industrial Bank and principal-guaranteed structural bank deposits in China Construction Bank represented 8.0%, 7.1%, 1.9%, 4.4% and 0.9% respectively of the total assets of the Group as at 30 June 2018.

CCB Wealth Management Product, ABC Wealth Management Product and CMB Wealth Management Product 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, Agricultural Bank of China or China Merchants Bank 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 Group 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 period 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 capacity as well as development of the Vietnam production business. The Company intends to finance such plan through internally generated funds and bank loans.

Charges on assets

Save as disclosed in the paragraph headed "Financial position – 2. Capital Structure" above, there was no other charge on Group's assets as of 30 June 2018.

Contingent liabilities

As at 30 June 2018, the Group did not have any contingent liabilities (2017: Nil).

Foreign currency risk

As most of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 30 June 2018, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB164,203,000 and net liabilities exposure denominated in Euro of RMB6,859,000.

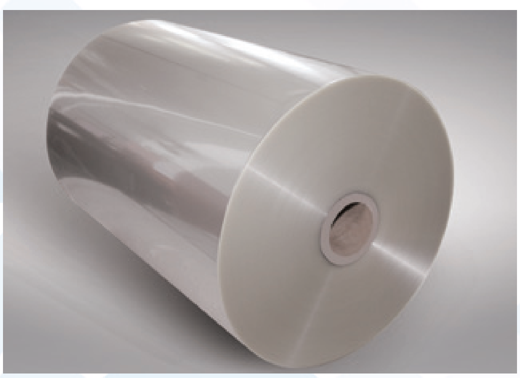
Employees and remuneration

As at 30 June 2018, the Group had a total of 4,629 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Business Outlook

As the largest polyester filament yarns manufacturer in Southern China, the largest differentiated chemical fiber production base in Fujian region and one of China's top 500 private enterprises, the Group has always been focusing on technological innovation. It adopts 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 Group carries out Scientific Outlook on Development earnestly, adheres to "control quality and facilitate innovation" and endeavors to research new products and technology reform. Also, it pushes products transformation and upgrade and marches its step towards high value-added production. Meanwhile, it creates new market demand, keeps on providing premier raw materials to downstream textile enterprises, laying a foundation for the brand "Billion" and improves its strengths and position among industry peers.

The continuous launches of new products enables the products of the Company to cover wider application segments and penetrate into more differentiated segmented market. By focusing on products with higher value-to-cost, the Group has replaced certain imported products and alternative products of other materials, and has effectively overcome the risks brought by competition, and ensured the profitability and growth of the Group while integrating the technology and cost advantages and forming new sectors for profit growth. Upon the completion of the Group's project development plans in production site E and Vietnam, the sales volume and revenue of the Group's products will be further increased and returns of our shareholder will be further improved.



Review Report on the Interim Financial Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 67, which comprises the consolidated statement of financial position of Billion Industrial Holdings Limited as of 30 June 2018 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flows statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

15 August 2018

Consolidated Income Statement

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	*4*	**4,000,869**	3,271,633
Cost of sales		**(3,379,508)**	(2,799,765)
Gross profit		**621,361**	471,868
Other revenue	*5*	**80,969**	38,915
Other net gain/(loss)	*6*	**46,272**	(5,471)
Selling and distribution expenses		**(50,835)**	(42,975)
Administrative expenses		**(205,701)**	(164,984)
Profit from operations		**492,066**	297,353
Finance costs	*7(a)*	**(68,371)**	(29,365)
Profit before taxation	*7*	**423,695**	267,988
Income tax	*8*	**(76,553)**	(49,597)
Profit for the period attributable to equity shareholders of the Company		**347,142**	218,391
Earnings per share	*10*		
Basic and diluted (RMB)		**0.16**	0.10

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 33 to 67 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
			(i)
	Note	**RMB'000**	RMB'000
Profit for the period attributable to equity shareholders of the Company		**347,142**	218,391
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss (after tax):			
Exchange differences on translation of financial statements of operations outside mainland China		**(8,965)**	46,197
Available-for-sale securities: net movement in fair value reserve (recycling) (ii)		**–**	14,811
Total comprehensive income for the period attributable to equity shareholders of the Company		**338,177**	279,399

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to retained earnings. See note 2(b).

The notes on pages 33 to 67 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000 (audited)
Non-current assets			
Property, plant and equipment			
– Other property, plant and equipment	11	4,768,789	4,834,198
– Construction in progress	12	431,456	130,127
– Interests in leasehold land held for own use under operating leases	13	498,244	425,369
		5,698,489	5,389,694
Intangible assets	14	13,175	8,324
Deposits and prepayments	16	762,668	470,418
		6,474,332	5,868,436
Current assets			
Inventories	15	1,228,442	797,742
Trade and other receivables	16	664,535	1,340,875
Other financial assets	17	2,560,733	2,171,077
Restricted bank deposits		249,480	135,740
Cash and cash equivalents	18	312,184	161,241
		5,015,374	4,606,675
Current liabilities			
Trade and other payables	19	1,309,465	1,597,376
Contract liabilities		174,220	–
Bank loans	20	4,072,301	3,129,828
Current portion of deferred income		396	7,539
Current taxation	21(a)	87,677	85,383
		5,644,059	4,820,126

Consolidated Statement of Financial Position

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 *(Note)* RMB'000 (audited)
Net current liabilities		**(628,685)**	(213,451)
Total assets less current liabilities		**5,845,647**	5,654,985
Non-current liabilities			
Bank loans	*20*	**12,085**	12,818
Deferred income		**594**	792
Deferred tax liabilities	*21(b)*	**167,763**	155,511
		180,442	169,121
NET ASSETS		**5,665,205**	5,485,864
CAPITAL AND RESERVES	*22*		
Share capital		**17,873**	17,886
Reserves		**5,647,332**	5,467,978
TOTAL EQUITY		**5,665,205**	5,485,864

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Approved and authorised for issue by the Board of Directors on 15 August 2018.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 33 to 67 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital redemption reserve	Statutory reserve	Capital reserve	Exchange reserve	Fair value reserve (recycling)	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*22(a)*	*22(b)(i)*	*22(b)(ii)*	*22(b)(iii)*	*22(b)(iv)*	*22(b)(v)*	*22(b)(vi)*		
Balance at 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 the six months ended 30 June 2017										
Profit for the period		–	–	–	–	–	–	–	218,391	218,391
Other comprehensive income		–	–	–	–	–	46,197	14,811	–	61,008
Total comprehensive income for the period		–	–	–	–	–	46,197	14,811	218,391	279,399
Dividends approved in respect of the previous year	*9(b)*	–	(91,127)	–	–	–	–	–	–	(91,127)
Purchase of own shares										
– par value paid		(48)	–	–	–	–	–	–	–	(48)
– premium paid		–	(27,278)	–	–	–	–	–	–	(27,278)
– transfer between reserves		–	(48)	48	–	–	–	–	–	–
Balance at 30 June 2017		18,064	470,822	1,269	357,883	1,805,631	(159,905)	19,878	2,818,958	5,332,600
Balance at 31 December 2017 *(Note)*		17,886	269,149	1,447	412,099	1,805,631	(100,758)	17,916	3,062,494	5,485,864
Impact on initial application of HKFRS 9	*2*	–	–	–	–	–	–	(17,916)	17,916	–
Adjusted balance at 1 January 2018		**17,886**	**269,149**	**1,447**	**412,099**	**1,805,631**	**(100,758)**	**–**	**3,080,410**	**5,485,864**
Changes in equity for the six months ended 30 June 2018										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**347,142**	**347,142**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(8,965)**	**–**	**–**	**(8,965)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(8,965)**	**–**	**347,142**	**338,177**
Dividends approved in respect of the previous year	*9(b)*	**–**	**(145,044)**	**–**	**–**	**–**	**–**	**–**	**–**	**(145,044)**
Purchase of own shares	*22(a)(ii)*									
– par value paid		**(13)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13)**
– premium paid		**–**	**(13,779)**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,779)**
– transfer between reserves		**–**	**(13)**	**13**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2018		**17,873**	**110,313**	**1,460**	**412,099**	**1,805,631**	**(109,723)**	**–**	**3,427,552**	**5,665,205**

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 33 to 67 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Cash generated from/(used in) operations		**168,424**	(357,494)
Tax paid		**(62,007)**	(29,443)
Net cash generated from/(used in) operating activities		**106,417**	(386,937)
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(719,903)**	(173,420)
Proceeds from the disposal of wealth management products		**274,926**	359,391
Payment for wealth management products		**(20,000)**	(100,000)
Payment for the structured deposits		**(600,000)**	(500,000)
Proceeds from the disposal of structured deposits		**504,112**	–
Uplift of restricted bank deposits		**68,460**	126,599
Placement of restricted bank deposits		**(182,200)**	(68,461)
Uplift of fixed deposits held at banks with maturity over three months		**–**	10,000
Other cash flows arising from investing activities		**7,498**	11,253
Net cash used in investing activities		**(667,107)**	(334,638)
Financing activities			
Payments of repurchase of shares		**(13,792)**	(27,326)
Dividends paid to equity shareholders of the Company		**(145,044)**	(91,127)
Proceeds from new bank loans		**2,172,654**	2,040,215
Repayment of bank loans		**(1,245,275)**	(1,399,696)
Other cash flows arising from financing activities		**(66,225)**	(25,885)
Net cash generated from financing activities		**702,318**	496,181
Net increase/(decrease) in cash and cash equivalents		**141,628**	(225,394)
Cash and cash equivalents at 1 January		**161,241**	315,297
Effect of foreign exchange rate changes		**9,315**	(1,739)
Cash and cash equivalents at 30 June	*18*	**312,184**	88,164

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 33 to 67 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 15 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Billion Industrial Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 26.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 12 March 2018.

As at 30 June 2018, the Group recorded net current liabilities totalling RMB628,685,000 (31 December 2017: RMB213,451,000). 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 this interim financial report. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK (IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9 *(Note 2(b))*	Impact on initial application of HKFRS 15 *(Note 2(c))*	At 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	1,340,875	(500,000)	–	840,875
Other financial assets	2,171,077	500,000	–	2,671,077
Contract liabilities	–	–	(507,899)	(507,899)
Trade and other payables	(1,597,376)	–	507,899	(1,089,477)

Further details of these changes are set out in sub-sections (b) and (c) of this note.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss (FVPL)	17,916
Net increase in retained earnings at 1 January 2018	17,916
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(17,916)
Net decrease in fair value reserve (recycling) at 1 January 2018	(17,916)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
Financial assets carried at amortised cost			
Cash and cash equivalents	161,241	–	161,241
Restricted bank deposits	135,740	–	135,740
Trade and other receivables *(note (i))*	800,120	(500,000)	300,120
	1,097,101	(500,000)	597,101
Financial assets carried at FVPL			
Other financial assets	–	2,671,077	2,671,077
Financial assets classified as available-for-sale under HKAS 39 *(note (ii))*	2,171,077	(2,171,077)	–

Notes:

(i) Trade and other receivables of RMB500,000,000 were reclassified to financial assets carried at FVPL at 1 January 2018 as a result of the initial application of HKFRS 9.

(ii) Under HKAS 39, other financial assets were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the estimated credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits and trade and other receivables).

Financial assets measured at fair value including other financial assets are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) ***Credit losses*** *(Continued)*

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses (Continued)

Opening balance adjustment

The Group recognises that there will be not any material impact on the ECLs of the Group due to the change in accounting policy.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. 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;

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(i) Timing of revenue recognition (Continued)

C. 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 is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(ii) 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 of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(iii) Presentation of contract liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, "Receipts in advance" amounting to RMB507,899,000, which was previously included in trade and other payables are now included under contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

(d) HK (IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK (IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

3 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.

The Group operates in a single business, manufacture and sales of polyester products in a single geographical region, which is the People's Republic of China (the "PRC"). Accordingly, no segmental analysis is presented.

4 REVENUE

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

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Polyester filament yarns products	**3,078,965**	2,699,228
– Polyester thin films products	**921,904**	572,405
	4,000,869	3,271,633

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 *(see note 2(c))*.

The Group's customer base is diversified. No individual customer (six months ended 30 June 2017: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2018.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

As no obvious seasonality in demand for products, the Group has no seasonality in operations.

5 OTHER REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Bank interest income	**2,590**	11,586
Government grants	**73,919**	19,308
Gains on sales of raw materials	**4,318**	7,918
Others	**142**	103
	80,969	38,915

Government grants of RMB66,578,000 and RMB10,625,000 for the six months ended 30 June 2018 and 2017 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities. The remaining amounted to RMB7,341,000 (for the six months ended 30 June 2017: RMB8,683,000) were transferred from deferred income to consolidated income statement.

6 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Donations	**(66)**	(85)
Net exchange loss	**(2,894)**	(1,153)
Net gain on sale of property, plant and equipment	**–**	376
Net gain/(loss) on forward foreign exchange contracts	**738**	(15,355)
Net realised and unrealised gains on other financial assets	**48,693**	–
Available-for-sale securities: reclassified from equity	**–**	9,391
Others	**(199)**	1,355
	46,272	(5,471)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**60,755**	25,406
Other interest expenses	**7,616**	3,959
	68,371	29,365
(b) Staff costs:		
Contributions to defined contribution retirement plans	**3,206**	2,649
Salaries, wages and other benefits	**126,876**	111,330
	130,082	113,979
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**6,842**	4,833
Amortisation of intangible assets	**751**	144
Depreciation	**167,516**	162,568
Operating lease charges in respect of properties	**337**	636
Research and development costs*	**137,159**	106,981
Cost of inventories**	**3,379,508**	2,799,765

* *Research and development costs include RMB52,899,000 and RMB46,952,000 for the six months ended 30 June 2018 and 2017 respectively relating to staff costs in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) and note 7(c) for each of these types of expenses.*

** *Cost of inventories include RMB211,320,000 and RMB197,987,000 for the six months ended 30 June 2018 and 2017 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) and note 7(c) for each of these types of expenses.*

8 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**58,129**	44,748
Over-provision in respect of prior years	**(1,723)**	(1,496)
Dividends withholding tax	**7,895**	–
	64,301	43,252
Deferred tax		
Origination and reversal of temporary differences	**7,913**	6,345
Dividends withholding tax	**4,339**	–
	12,252	6,345
	76,553	49,597

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits during each of the six months ended 30 June 2018 and 2017.

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

8 INCOME TAX (Continued)

(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 Advanced and New Technology Enterprise status in 2015 for a valid period of three years from 2015 to 2017 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations. Billion Fujian has lodged application for renewal of Advanced and New Technology Enterprise status and expected to receive the approval by the end of 2018.

Accordingly, Billion Fujian is subject to PRC income tax at 15% for the six months ended 30 June 2018 on a provisional basis before the renewal of the Advanced and New Technology Enterprise status by the end of 2018.

(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.

(vi) 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.

On 6 April 2018, the Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective from 2017 to 2019. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from the Group's certain subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

Dividends withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's subsidiaries in the PRC during the period.

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

9 DIVIDENDS

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

	2018 **RMB'000**	2017 RMB'000
Interim dividend declared after the interim period of HK4.7 cents per share (2017: HK5.9 cents per share)	**87,036**	105,278

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

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

	Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, HK8.4 cents per share (2016: HK4.8 cents per share)	**145,044**	91,127

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB347,142,000 (six months ended 30 June 2017: RMB218,391,000) and the weighted average of 2,126,095,000 ordinary shares (six months ended 30 June 2017: 2,151,653,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**2,126,944**	2,153,792
Effect of shares repurchased *(note 22(a)(ii))*	**(849)**	(2,139)
Weighted average number of ordinary shares at 30 June	**2,126,095**	2,151,653

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2018 and 2017, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Net book value, at 1 January	**4,834,198**	4,949,225
Exchange adjustments	**371**	(3,241)
Additions	**2,059**	1,678
Transfer from construction in progress *(note 12)*	**99,677**	214,473
Disposals	**–**	(21)
Depreciation charge for the period/year	**(167,516)**	(327,916)
At 30 June/31 December	**4,768,789**	4,834,198

12 CONSTRUCTION IN PROGRESS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
At 1 January	**130,127**	44,979
Additions	**401,006**	299,621
Transfer to property, plant and equipment *(note 11)*	**(99,677)**	(214,473)
At 30 June/31 December	**431,456**	130,127

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

Interests in leasehold land held for own use under operating leases represent land use rights with lease terms of 50 years in the PRC and 41 years in the Vietnam.

14 INTANGIBLE ASSETS

Intangible assets represented emission rights of nitrogen oxides and softwares, the amortisation are calculated using the straight-line method to allocate the cost over the period of the relevant rights for 5 and 10 years respectively.

15 INVENTORIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Raw materials	**601,955**	278,290
Work in progress	**35,084**	31,049
Finished goods	**591,403**	488,403
	1,228,442	797,742

16 TRADE AND OTHER RECEIVABLES

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

	Note	**At 30 June 2018 RMB'000**	At 31 December 2017 RMB'000
Within 1 month		**127,393**	186,579
1 to 2 months		**35,473**	73,693
2 to 3 months		**20,710**	26,760
Over 3 months		**33,513**	13,088
Trade debtors and bills receivable, net of loss allowance		**217,089**	300,120
Structured deposits	*(i)*	**–**	500,000
Financial assets carried at amortised cost		**217,089**	800,120
Deposits, prepayments and other receivables		**1,210,114**	1,011,173
		1,427,203	1,811,293
Less: Non-current portion of deposits and prepayments		**(762,668)**	(470,418)
		664,535	1,340,875

Note:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise structured deposits in other financial assets *(see note 2(b)(i))*.

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

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 prepayment on raw materials, interest receivable from deposits with banks and value added tax recoverable.

17 OTHER FINANCIAL ASSETS

Other financial assets represent financial assets carried at FVPL.

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Wealth management products	**1,955,090**	2,171,077
Structured deposits *(note)*	**605,643**	–
	2,560,733	2,171,077

As at 30 June 2018, the Group invested in wealth management products issued by reputable banks in the PRC with the aggregate principals amount of RMB1,900,000,000 (31 December 2017: RMB2,150,000,000). There are no fixed or determinable returns of these bank wealth management products and the returns of principals are not guaranteed.

As at 30 June 2018, the Group also placed principal-guaranteed structured deposits in reputable banks in the PRC amounting to RMB600,000,000 (31 December 2017: RMB500,000,000). The structured deposit of RMB500,000,000 is with term of 179 days, the expected annual rate of returns include a fixed rate of 2.30% and floating rates ranged from 2.18% to 2.22% which are indexed to the price of gold in London Gold Market. The remaining of RMB100,000,000 is with term of 95 days and the expected annual rate of returns is a floating rate ranged from 1.10% to 5.00% which is indexed to the spot rate between United States dollars and Euro.

Note: Upon the adoption of HKFRS 9, the structured deposits of RMB500,000,000 were reclassified to other financial assets at 1 January 2018 *(see note 2(b)(i))*.

18 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash at bank and in hand	**312,184**	161,241

19 TRADE AND OTHER PAYABLES

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 date of invoice, is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 3 months	**738,428**	680,522
More than 3 months but within 6 months	**111,967**	105,387
More than 6 months but within 1 year	**22,824**	84
More than 1 year	**1,842**	1,836
Trade creditors and bills payable	**875,061**	787,829
Other payables and accrual charges	**324,225**	224,385
Payables for acquisition of equipment	**105,629**	47,527
Construction payables	**4,550**	29,039
Receipts in advance *(note)*	**–**	507,899
Financial liabilities measured at amortised cost	**1,309,465**	1,596,679
Derivative financial liabilities		
– Forward exchange contracts	**–**	697
	1,309,465	1,597,376

Note: As a result of the adoption of HKFRS 15, receipts in advance are included in contract liabilities *(see note 2(c))*.

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

20 BANK LOANS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year or on demand	**4,072,301**	3,129,828
After 1 year but within 2 years	**1,687**	1,672
After 2 years but within 5 years	**5,058**	5,015
After 5 years	**5,340**	6,131
	12,085	12,818
	4,084,386	3,142,646

At 30 June 2018, the bank loans were secured or guaranteed as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans		
– secured	**263,251**	150,230
– guaranteed	**1,692,135**	1,618,416
– unsecured	**2,129,000**	1,374,000
	4,084,386	3,142,646

20 BANK LOANS (Continued)

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties	**44,698**	44,914
Restricted bank deposits	**249,480**	135,740
	294,178	180,654

As at 30 June 2018, certain bank loans of Billion Development amounted to RMB1,176,176,000 (31 December 2017: RMB1,474,416,000) were jointly guaranteed by the Company, Billion Fujian and Billion High-tech at nil consideration, certain bank loan of the Company amounted to RMB211,960,000 (31 December 2017: nil) was guaranteed by Billion Fujian at nil consideration and certain bank loans of Billion High-tech amounted to RMB304,000,000 (31 December 2017: RMB144,000,000) were guaranteed by Billion Fujian at nil consideration.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Provision of PRC income tax	**87,677**	85,383

(b) Deferred tax liabilities recognised:

	At 30 June 2018 RMB'000	At 31 December 2017 *(Note)* RMB'000
Deferred tax liabilities arising from:		
Charged/(credited) to profit or loss:		
– Depreciation and amortisation of fixed assets	**175,203**	171,207
– Other financial assets	**9,110**	–
– Dividends withholding tax	**4,339**	–
– Others	**(20,889)**	(18,857)
	167,763	152,350
Charged to reserves:		
– Other financial assets	**–**	3,161
	167,763	155,511

Note: Upon the initial application of HKFRS 9, the Group has charged deferred tax liabilities arising from other financial assets to profit or loss which had been charged to reserves in the prior periods. See note 2.

(Expressed in Renminbi unless otherwise indicated)

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

(c) Deferred tax assets not recognised

At 30 June 2018, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB179,393,000 (31 December 2017: RMB153,208,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

As at 30 June 2018, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,970,379,000 (31 December 2017: RMB3,223,063,000). Deferred tax liabilities of RMB148,519,000 (31 December 2017: RMB161,153,000) 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.

22 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		HK$
Authorised			
At 31 December 2017 and 30 June 2018	0.01	10,000,000,000	100,000,000

22 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

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

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$		HK$	RMB
Issued and fully paid:					
At 1 January 2017		0.01	2,153,792,000	21,537,920	18,112,152
Repurchase of shares		0.01	(5,756,000)	(57,560)	(48,405)
At 30 June 2017		0.01	2,148,036,000	21,480,360	18,063,747
Repurchase of shares		0.01	(21,092,000)	(210,920)	(177,371)
At 31 December 2017 and 1 January 2018		**0.01**	**2,126,944,000**	**21,269,440**	**17,886,376**
Repurchase of shares	*22(a)(ii)*	**0.01**	**(1,606,000)**	**(16,060)**	**(13,506)**
At 30 June 2018		**0.01**	**2,125,338,000**	**21,253,380**	**17,872,870**

(ii) *Purchase of own shares*

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

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	RMB'000
January 2018	612,000	9.92	9.39	4,943
May 2018	994,000	12.48	10.28	8,849
	1,606,000			13,792

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 1,606,000 shares were repurchased in the six months ended 30 June 2018 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 RMB13,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$16,854,000 (equivalent to RMB13,779,000) was charged to share premium.

22 CAPITAL AND RESERVES (Continued)

(b) Nature and purpose of reserves

(i) Share premium and distributability of reserves

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

(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 subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary.

(iv) Capital reserve

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

(v) Exchange reserve

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

(vi) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period *(see note 2(b))*. Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to retained earnings upon the initial adoption of HKFRS 9 at 1 January 2018 *(see note 2(b))*.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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

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

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

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

		Fair value measurements as at 30 June 2018 categorised into		
	Fair value at 30 June 2018 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Other financial assets:	**2,560,733**	**–**	**2,560,733**	**–**

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Available-for-sale equity instruments				
– Unlisted	2,171,077	–	2,171,077	–
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	697	–	697	–

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The fair value of financial assets in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rate 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.

24 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	**1,178,164**	961,740
Authorised but not contracted for	**2,568,532**	3,176,350
	3,746,696	4,138,090

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**2,608**	3,075
Post-employment benefits	**45**	47
	2,653	3,122

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

25 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a related party

The Group had not entered any transactions with a related party for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB5,626,000).

(c) Balances with a related party

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade payable from CECEP Costin Group	–	6
Receipt in advance from CECEP Costin Group *(note)*	–	1

Note: As a result of the adoption of HKFRS 15, receipts in advance are included in contract liabilities *(see note 2(c))*.

26 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 *(see note 2(b))*, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)

HKFRS 16, Leases

As discussed in the 2017 annual financial statements, 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. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	RMB'000
Within 6 months	500
After 6 months but within 1 year	500
After 1 year but within 5 years	3,998
Over 5 years	2,136
	7,134

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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. 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.

General Information

INTERIM DIVIDEND

The board ("Board") of directors ("Directors") of the Company resolved to declare an interim dividend of HK4.7 cents per share in cash for the six months ended 30 June 2018. The dividend will be paid on 5 October 2018 to those shareholders whose names appear on the Company's register of members on 10 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 September 2018 to Monday, 10 September 2018, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m., on Wednesday, 5 September 2018.

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

As at 30 June 2018, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

(a) Long position in ordinary shares of the Company

Name of Director	Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital[3]
Mr. Sze Tin Yau[1]	Interest in controlled corporation	643,720,000	30.29%
Mr. Wu Jinbiao[2]	Interest in controlled corporation	136,820,000	6.44%

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 all the shares of the Company owned by Kingom Power by virtue of the SFO.

(2) Mr. Wu Jinbiao owned 100% of the issued shares of Winwett Investments Limited ("Winwett Investments"), 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 by virtue of the SFO.

(3) Base on a total of 2,125,338,000 issued shares of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2018, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital[(c)]
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An")	Beneficial owner	805,012,808	37.88%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing")[(a)]	Interest in controlled corporation	805,012,808	37.88%

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital[c]
China Energy Conservation and Environmental Protection Group ("CECEP")[b]	Interest in controlled corporation	805,012,808	37.88%
Kingom Power Limited	Beneficial owner	643,720,000	30.29%
Winwett Investments Limited	Beneficial owner	136,820,000	6.44%
Mr. Huang Shao Rong	Beneficial owner	19,587,000	0.92%
	Nominee for another person (other than a bare trustee)	208,532,000	9.81%
Ever Luxuriant Global Trading Limited	Beneficial owner	208,532,000	9.81%
Mr. Lin Haibin	Beneficial owner	27,723,000	1.30%
	Nominee for another person (other than a bare trustee)	171,362,000	8.06%
Haibin International Investments Limited	Beneficial owner	171,362,000	8.06%

Notes:

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

(b) 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.

(c) Base on a total of 2,125,338,000 issued shares of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors, there is no other person (other than the Director or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the shares in issue as of 18 May 2011, i.e. 229,900,000 shares, which represented 10.82% of the total issued share capital of the Company as of 30 June 2018. No option may be granted to any person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

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

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

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

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

(c) the nominal value of the shares.

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

No options have been granted under the Share Option Scheme since its adoption up to 30 June 2018.

As at 30 June 2018, the remaining life of the Share Option Scheme was about two years and ten months.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2018, the Company repurchased its own shares on the Stock Exchange, 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 2018	612,000	9.92	9.39	4,943
May 2018	994,000	12.48	10.28	8,849
Total	1,606,000			13,792

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 1,606,000 shares were repurchased during the six months ended 30 June 2018 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 RMB13,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$16,854,000 (equivalent to approximately RMB13,779,000) was charged to share premium.

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

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

CHANGES IN DIRECTORS' INFORMATION

Mr. Wang Li resigned as an executive Director with effect from 14 January 2018, and Mr. Wu Zhongqin and Mr. Liu Jingui resigned as executive Directors with effect from 1 June 2018. Please refer to the announcements of the Company dated 14 January 2018 and 31 May 2018 for further details.

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

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2018, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Group. The audit committee comprises three members: Mr. Chan Shek Chi, Mr. Ma Yuliang and Mr. Lin Jian Ming. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Chan Shek Chi. The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited financial results of the Group for the six months ended 30 June 2018 and this interim report.

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