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

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

INTERIM REPORT
中期報告 2019

Contents

Company Profile

Billion Industrial Holdings Limited (the "Company" or "Billion", together with its subsidiaries, the "Group"), is one of the largest developers and manufacturers of polyester filament yarns in China. The polyester filament yarns products of the Group are positioned at middle and high-end markets in the People's Republic of China (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 2019, the Group's designed capacity of polyester filament yarns was 2,742,300 tons, of which the designed capacity of FDY and POY was 1,005,000 tons per year, while that of DTY was 727,300 tons per year. The combined designed capacity for DTY, FDY and POY was 1,732,300 tons per year, which made it the largest differentiated chemical fiber production base in Fujian Province.

As at 30 June 2019, 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, and the Group was a large enterprise in manufacturing polyester thin films in China. The Group introduced the production lines and research and development equipment with advanced international standards 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 PRC applying in the segments including soft packaging, composite printing, electronic appliances, 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 segments.

In order to further expand 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. We also set up the polyester filament yarns production facility and the polyester, POY and FDY production facilities in Vietnam. Currently, the project has entered into its construction phase, and it is expected that full operation of the facilities will commence by the end of 2019.

In addition, in view of the increasing consumption of polyester industrial yarns in the PRC in recent years, in particular, the accelerating expansion of the polyester industrial yarns market in Eastern China, the Group is investing approximately US$185 million to set up a production line for polyester industrial yarn products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum, and it is expected to gradually commence commercial production in the second quarter of 2020.

In recent years, the consumption of polyester thin films in China has been increasing. As a large polyester thin film manufacturer in China, by expanding the existing polyester thin film business, the Company will be able to enjoy the growth of this market by leveraging its existing scale and expertise in the manufacturing of polyester thin films. In this regard, the Group is investing approximately US$230 million to set up a production line for polyester thin films over a period of three years from 2019 to 2021. The estimated gross capacity upon completion will be approximately 255,000 tons per annum.

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Zhang Shengbai *(Co-chairman)*
(appointed on 18 May 2019)
Mr. Zeng Wu *(Co-chairman)*
(resigned on 18 May 2019)

Independent Non-executive Directors

Mr. Chan Shek Chi
Mr. Shih Chun Pi
Mr. Lin Jian Ming
(appointed on 18 May 2019)
Mr. Ma Yuliang
(resigned on 18 May 2019)

Board Committees

Audit Committee

Mr. Chan Shek Chi *(Chairman)*
Mr. Shih Chun Pi
Mr. Lin Jian Ming
(appointed on 18 May 2019)
Mr. Ma Yuliang
(resigned on 18 May 2019)

Remuneration Committee

Mr. Chan Shek Chi *(Chairman)*
Mr. Sze Tin Yau
Mr. Lin Jian Ming
(appointed on 18 May 2019)
Mr. Ma Yuliang
(resigned on 18 May 2019)

Nomination Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Chan Shek Chi
Mr. Shih Chun Pi

Corporate Governance Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao

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		
	2019	2018	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**4,639,037**	4,000,869	16.0%
Gross profit	**776,742**	621,361	25.0%
Profit from operations	**600,995**	492,066	22.1%
Profit for the period	**403,324**	347,142	16.2%

	As at 30 June		
	2019	2018	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**8,978,200**	6,474,332	38.7%
Non-current liabilities	**407,503**	180,442	125.8%
Current assets	**5,223,096**	5,015,374	4.1%
Current liabilities	**7,565,849**	5,644,059	34.0%
Net current liabilities	**2,342,753**	628,685	272.6%
Total equity	**6,227,944**	5,665,205	9.9%
Earnings per Share (RMB)	**0.19**	0.16	
Interim dividend (HK cent)	**–**	4.7	
Key Ratio Analysis			
Gross profit margin	**16.7%**	15.5%	
Operating profit margin	**13.0%**	12.3%	
Net profit margin	**8.7%**	8.7%	
Return on equity *(Note 1)*	**6.5%**	6.1%	
Current ratio *(Note 2)*	**0.69**	0.89	
Gearing ratio *(Note 3)*	**128.0%**	102.8%	

Notes:

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

2: Current ratio: Current assets divided by current liabilities

3: Gearing ratio: Total liabilities divided by total equity

Company Structure

as at 30 June 2019

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

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

Designed capacity as at 30 June 2019:

FDY+POY	:	1,005,000 tons per year
DTY	:	727,300 tons per year
BOPET	:	182,500 tons per year
BOPET Chips	:	72,500 tons per year

Production Sites

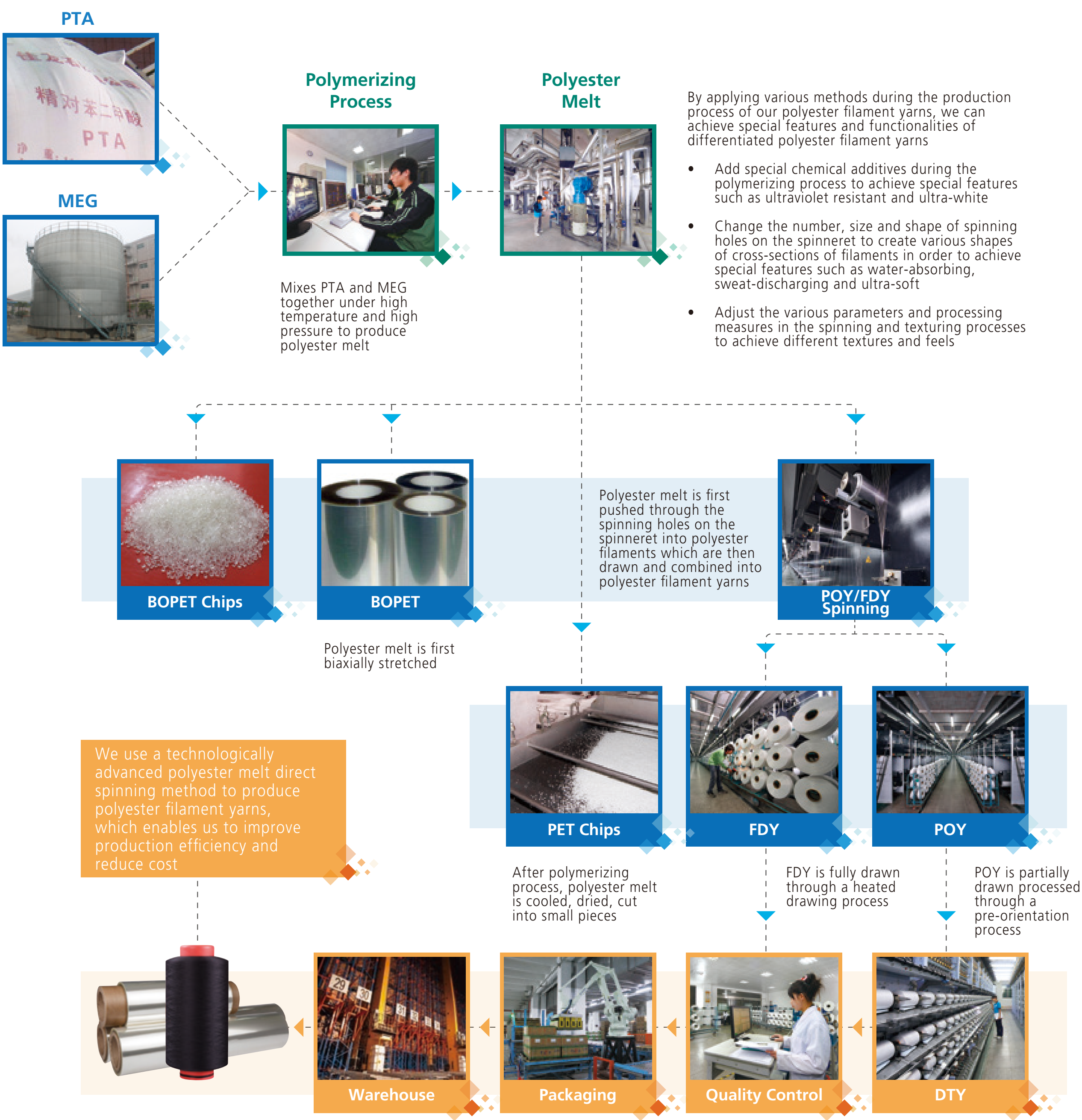
Production Site A and B

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

Production Site E

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

Production Processes of Polyester Filament Yarns & Polyester Thin Films



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

Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In the first half of 2019, faced with escalation in the trade war between the United States ("US") and China, the impacts of the Sino-US trade war on the global economy spread gradually. Currently, major economies of the world remain in economic depression with shrinking exports. In May 2019, global manufacturing purchasing managers index ("PMI") fell to 49.8 below the boom-bust line for the first time since December 2012, indicating the lack of trade activities and lack of confidence in the manufacturing industry. Despite the "Next Eleven" reveal temporary signs of economic upturn due to industrial transfer, it is only an isolated phenomenon. According to the forecast for June published by the World Bank, the global economy is expected to grow at a rate of 2.6% for the year. A series of factors including Britain's no deal Brexit and the degree of slowdown of economic growth in China and the US are likely to trigger further deterioration in risk sentiment with adverse economic growth implications.

China's GDP exceeded RMB45.09 trillion in the first half of 2019, representing a year-on-year increase of 6.3%, whereas the year-on-year increase of the retail sales of apparel, footwear, hats and textile products was 3.0% to RMB656.0 billion in the first half of 2019. Facing the extremely complicated and serious environment both domestically and abroad, China's national economy continued to be steady in general but downward pressure remained with more apparent structural conflicts. However, since the focus of China's economic policies has shifted to "enhancing the quality of economic growth", including both environmental and social targets, at present, the Chinese enterprises are more concerned with long-term planning and research and development while adopting a more prudent investment approach, resulting in a more rational means of development. Despite the investors of China's risk assets expect the economic impacts of the trade war will bring short-term volatilities to the market, long-term economic growth momentum remains, and the consumer market will be the major driver of growth momentum for the economy of China in the future.

INDUSTRY REVIEW

In recent years, the textile industry in China has maintained stability while making progress in general, alongside with steady and positive growth in retail sales. With the progress of urbanization and increasing disposable income per capita, total retail sales of consumer goods in China continued to grow. The consumption upgrade increased the concentration of home textile industry. More stringent quality requirements enabled the brands to expand their market share. As a result, industry resources gradually flowed to leading players. On the other hand, given the increasing global demand for polyester thin films, coupled with stronger research and development capabilities of high-end polyester thin film products in China, substitutes for imported products continued to emerge. As the application of polyester thin films further expanded, it facilitated industrial upgrade, promoted the coordinated development of industry chain, enhanced the level of technology of polyester thin film market and the competitiveness in the international arena, thus setting the direction of development of products for the polyester thin film industry.

Management Discussion and Analysis

BUSINESS REVIEW

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. Under the prudent deployment and careful planning of the management of the Company, we made possible the impossible within an extremely short period of time. Benefiting from the troubleshooting of abnormal spinning paths, abnormal devices and electrical malfunctions in all areas of textile manufacturing prior to commencement of production, the Group's polyester filament yarn business expansion project at Jinnan Industrial Zone successfully commenced full-scale production during the period under review.

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. We took the lead and worked with Donghua University to set up the first joint polyester filament yarn research and development center and talent nurturing base in the industry with a view to developing new polyester filament yarn products and technologies. During the period under review, the "Large-capacity melt direct spinning ultrafine polyester filament yarn engineering technology development" (大容量熔體直紡超細旦滌綸長絲工程技術的開發) project jointly undertaken by the Company, Donghua University and State Grid Jinjiang Power Supply won the "Second Class of Science and Technology Progress Award of Fujian Province", which is testimony to the innovation and research and development efforts of the Group. Such project represents China's first large-scale mass production of melt direct spinning of ultrafine polyester filament yarns possessing core patent technology. The overall technology level of the project is leading its peers in China. In the course of research of the project, we have successfully developed the polyester structural control and trace modification technology, polyester melt instant dynamic synergy control technology, melt homogenization and high stability filament formation technology as well as high efficiency and quality and increased elasticity engineering technology. We have overcome the bottlenecks arising from the conflicts between the polyester crystallization process and the process of increased elasticity of ultrafine polyester filament yarns and the difficulties in ultrafine fiber melt homogenization and high stability filament formation with control over yarn levelness and dye uniformity. We have also set up a systematic and scientific system for ultrafine polyester filament yarns FDY and DTY full process quality control technologies and standards, thus forming an independent intellectual property rights system comprising procedural control, product development and device modification.

As the largest polyester filament yarns manufacturer in Southern China, the Group is 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 realizing the full process intelligent automatic production in the industry. By leveraging on the digitalization, networking and modularization of automatic equipment, the Group keeps on improving its products' quality and production volume. During the period under review, the Group's research and development expenses amounted to RMB152,504,000, representing 3.3% 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.

The Group has all along been giving great attention to marketing channel expansion and customer services. We attach great importance to customer experience. By strengthening the integration between the marketing activities and the business including sales and aftersales services, we combine brand marketing and customer experience and timely communicate the feedback from customers to the technology and production center, thus ensuring bilateral interaction. On the one hand, the interaction of marketing has enriched the customer database. On the other hand, we can make use of the customer data to direct marketing activities and personalize the contents. While consolidating our market share in Fujian and Guangdong Provinces, the Group continues to strive to facilitate its innovation facilitation and strengthen the expansion of new markets. Riding on the opportunities arising from the national planning and policies for the chemical fiber industry and polyester thin films industry as well as the Belt and Road development, the Group actively penetrates into the international market. Due to the Sino-US trade frictions, the USD exchange rate fluctuations became more frequent. Moreover, the domestic market conditions remained upbeat. Accordingly, the Group stepped up its sales efforts in mainland China during the period under review.

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 the Belt and Road development, 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. During the period under review, the construction of our "700,000-ton differentiated chemical fiber project" in Tay Ninh, Vietnam was in full swing and some production lines gradually commenced production since June. The Company enjoys strong talent and technologies strengths in areas of polyester production and textile manufacturing and our "700,000-ton differentiated chemical fiber project" is expected to be developed into the Sino-Vietnam capacity cooperation model platform.

Management Discussion and Analysis

With the rapid development of China's national economy and the improving standard of living of its citizens, demand for various differentiated fibers with superior performance has further increased. In addition, the development direction of China's chemical fiber industry will shift from quantitative expansion to the upgrade of conventional products and expansion of the development and production of differentiated and functionally modified products. With the continuous development of polyester industrial yarn post-processing enterprises and the increasing demand from downstream application areas, the market share of differentiated polyester industrial yarn products will continue to expand. Coupled with the incentives and support of national policies, the polyester industrial yarn products will continue to develop towards differentiation and functionality. Accordingly, the Group will invest approximately US$185 million to set up a production line for polyester industrial yarn products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum and it is expected to gradually commence commercial production in the second quarter of 2020.

In recent years, as the application of polyester thin films continues to expand, the market demand for polyester thin films has increased dramatically, especially the demand for functional polyester thin films. Due to the rapid growth of demand, the global polyester thin film industry is growing very rapidly, and the size of China's polyester thin film market is also expanding. With the continuous expansion of the application of polyester thin films, introduction of more stringent environmental requirements on the packaging industry and the market expectation of domestic functional polyester thin films to replace imported products, China's polyester thin film industry will maintain relatively fast growth in the future. In this regard, the Group is investing approximately US$230 million to set up a production line for polyester thin films over a period of three years from 2019 to 2021. The estimated gross capacity upon completion will be approximately 255,000 tons per annum.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB4,639,037,000 (for the first half of 2018: RMB4,000,869,000), representing an increase of 16.0% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB3,706,753,000, accounting for 79.9% of the total revenue. Revenue attributable to the sales of polyester thin films was RMB932,284,000, accounting for 20.1% 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 targets its polyester filament yarns products at the middle and high-end textile enterprises both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities. In response to the needs of the target markets, the product plan designs are based on the production of differential oerlikon fibers and functional fibers, which are widely used in the consumer products including apparels, footwear and home furnishings. 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 RMB3,706,753,000, representing an increase of RMB627,788,000 or 20.4% as compared to RMB3,078,965,000 in the first half of 2018. The average selling price of polyester filament yarns in the period under review was RMB10,460 per ton, representing an increase of RMB263 or 2.6% as compared to RMB10,197 per ton in the first half of 2018. The sales volume of the Group's polyester filament yarns products during the period under review increased from 301,962 tons in the first half of 2018 to 354,372 tons during the period under review or an increase of 17.4%. After the Group's production site E was formally put into production, its overall production capacity increased, and coupled with the Group's active research and development of the new functional products aspect of its differentiated products with higher added-value, both the overall sales revenue and sales volume of the Group maintained steady 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 introduced the production lines and research and development equipment with advanced international standards for bi-axial oriented polypropylene film ("**BOPET thin films**") from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films. In addition, 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. The major production workshops implement the 10,000-grade purification hygiene standards which fulfil the environmental requirements on food and pharmaceutical packaging and film production for electronics and electrical appliances. It has become one of the largest polyester thin films production enterprises in China.

Revenue attributable to the sales of polyester thin films products for the period under review was RMB932,284,000, representing an increase of RMB10,380,000 or 1.1% as compared to RMB921,904,000 in the first half of 2018. The average selling price of polyester thin films in the period under review was RMB9,608 per ton, representing an increase of RMB1,085 or 12.7% as compared to RMB8,523 per ton in the first half of 2018. The sales volume of the Group's polyester thin films products during the period under review decreased from 108,167 tons in the first half of 2018 to 97,035 tons during the period under review or a decrease of 10.3%. The sales volume of the polyester thin film products decreased mainly due to the fact that the Group stepped up efforts to produce differentiated products, which are thinner and lighter, whereas the overall sales revenue of the polyester thin film products continued to maintain stable growth.

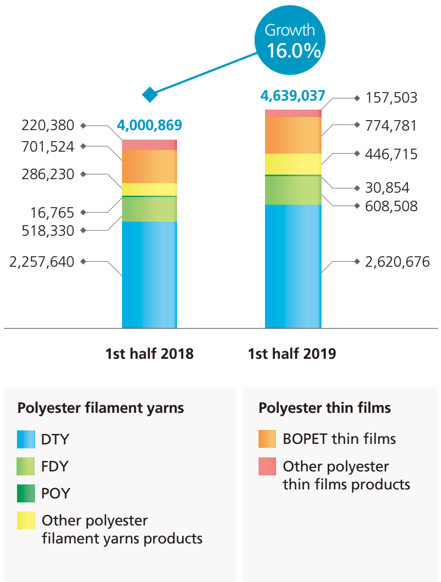
Breakdown of Revenue and Sales Volume (By Product)

	Revenue For the six months ended 30 June				Sales volume For the six months ended 30 June			
	2019		2018		**2019**		2018	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**2,620,676**	**56.5%**	2,257,640	56.4%	**223,673**	**49.5%**	204,340	49.8%
FDY	**608,508**	**13.1%**	518,330	13.0%	**61,078**	**13.5%**	54,409	13.3%
POY	**30,854**	**0.7%**	16,765	0.4%	**4,316**	**1.0%**	1,905	0.5%
Other polyester filament yarns products*	**446,715**	**9.6%**	286,230	7.2%	**65,305**	**14.5%**	41,308	10.0%
Sub-total	**3,706,753**	**79.9%**	3,078,965	77.0%	**354,372**	**78.5%**	301,962	73.6%
Polyester thin films								
BOPET thin films	**774,781**	**16.7%**	701,524	17.5%	**74,716**	**16.6%**	77,087	18.8%
Other polyester thin films products**	**157,503**	**3.4%**	220,380	5.5%	**22,319**	**4.9%**	31,080	7.6%
Sub-total	**932,284**	**20.1%**	921,904	23.0%	**97,035**	**21.5%**	108,167	26.4%
Total	**4,639,037**	**100.0%**	4,000,869	100.0%	**451,407**	**100.0%**	410,129	100.0%

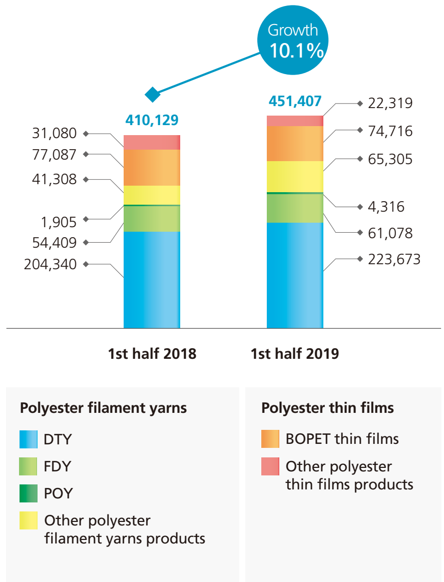
* *Other polyester filament yarns products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.*

** *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

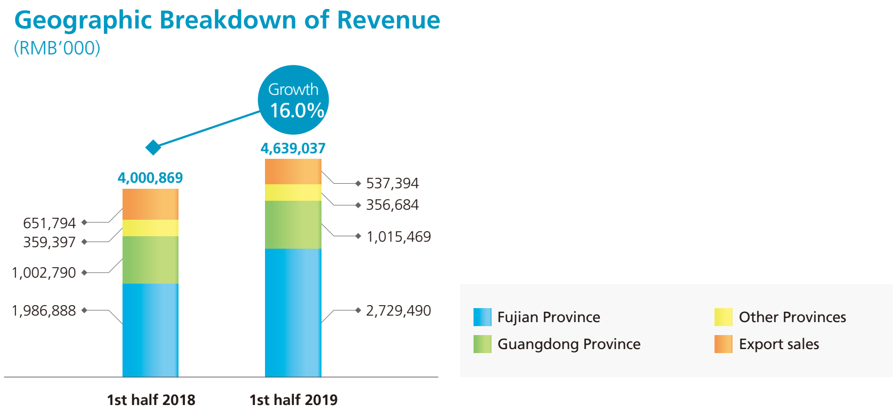
The Group's export sales revenue decreased from RMB651,794,000 in the first half of 2018 to RMB537,394,000 during the period under review or a decrease of 17.6%. Consequentially, the percentage of export sales revenue also decreased from 16.3% in the first half of 2018 to 11.6% during the period under review, representing a decrease of 4.7 percentage points. Due to the Sino-US trade frictions, the USD exchange rate fluctuations became more frequent. On the other hand, the domestic market conditions remained upbeat. Accordingly, the Group stepped up its sales efforts in mainland China during the period under review. Approximately 88.4% of the Group's revenue was generated from domestic market sales, of which 58.8% was from sales to customers in Fujian Province and 21.9% to customers in the adjacent Guangdong Province. The textile manufacturing industries in these two provinces are booming, resulting in a strong demand for the Group's products.

Management Discussion and Analysis

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2019		2018	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**2,729,490**	**58.8%**	1,986,888	49.7%
Guangdong Province	**1,015,469**	**21.9%**	1,002,790	25.1%
Other Provinces	**356,684**	**7.7%**	359,397	8.9%
Export sales*	**537,394**	**11.6%**	651,794	16.3%
Total	**4,639,037**	**100.0%**	4,000,869	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 RMB3,862,295,000, representing an increase of 14.3% as compared to the cost of sales of RMB3,379,508,000 in the first half of 2018. 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 RMB3,103,178,000, accounting for 80.3% of the total cost of sales. The cost of sales for polyester thin films was RMB759,117,000, accounting for 19.7% 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

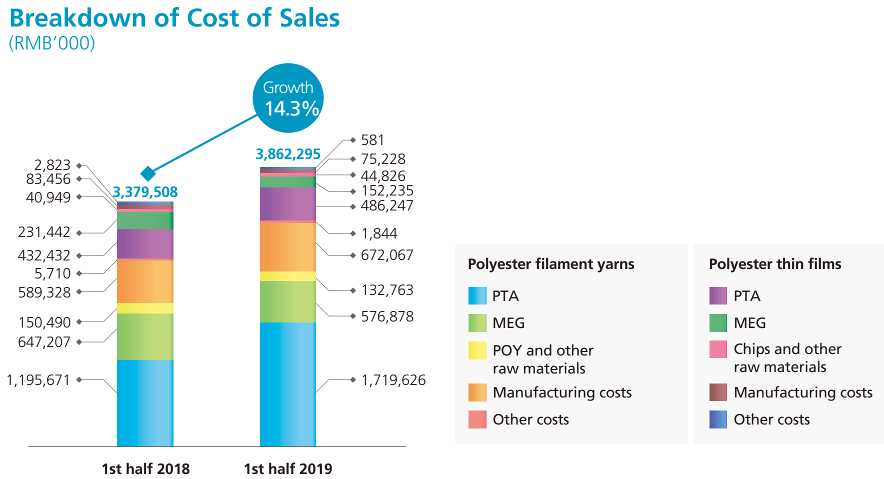
Average cost of sales for polyester filament yarns increased from RMB8,572 per ton in the first half of 2018 to RMB8,757 per ton during the period under review, representing an increase of RMB185 or 2.2% per ton, which was mainly due to the combined effect of the increase in the raw materials selling price of purified terephthalic acid ("**PTA**") and the decrease in the raw materials selling price of mono ethylene glycol ("**MEG**"). The average price of raw materials for polyester filament yarns increased from RMB6,601 per ton in the first half of 2018 to RMB6,855 per ton during the period under review, representing an increase of RMB254 or 3.9% per ton.

Polyester thin films

Average cost of sales for polyester thin films increased from RMB7,315 per ton in the first half of 2018 to RMB7,823 per ton during the period under review, representing an increase of RMB508 or 6.9% per ton, which was mainly due to the combined effect of the increase in selling price of PTA and the decrease in selling price of MEG. The average price of raw materials for polyester thin films increased from RMB6,517 per ton in the first half of 2018 to RMB7,042 per ton during the period under review, representing an increase of RMB525 or 8.1% per ton.

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2019		2018	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**1,719,626**	**44.6%**	1,195,671	35.4%
MEG	**576,878**	**14.9%**	647,207	19.1%
POY and other raw materials	**132,763**	**3.4%**	150,490	4.5%
Sub-total	**2,429,267**	**62.9%**	1,993,368	59.0%
Manufacturing costs	**672,067**	**17.4%**	589,328	17.4%
Other costs	**1,844**	**0.1%**	5,710	0.2%
Sub-total	**3,103,178**	**80.4%**	2,588,406	76.6%
Polyester thin films				
Cost of raw materials				
PTA	**486,247**	**12.6%**	432,432	12.8%
MEG	**152,235**	**3.9%**	231,442	6.8%
Chips and other raw materials	**44,826**	**1.2%**	40,949	1.2%
Sub-total	**683,308**	**17.7%**	704,823	20.8%
Manufacturing costs	**75,228**	**1.9%**	83,456	2.5%
Other costs	**581**	**0.0%**	2,823	0.1%
Sub-total	**759,117**	**19.6%**	791,102	23.4%
Total	**3,862,295**	**100.0%**	3,379,508	100.0%



3. *Gross Profit*

Gross profit of the Group for the period under review was RMB776,742,000, which increased by RMB155,381,000, representing an increase of 25.0% as compared to RMB621,361,000 in the first half of 2018. Sales volume of the Group during the period under review increased by 41,278 tons, representing an increase of 10.1% as compared to that in the first half of 2018. Average selling price of products per ton increased by an average of RMB522 per ton, representing an increase of 5.4% from RMB9,755 per ton in the first half of 2018 to RMB10,277 per ton during the period under review, while average cost of products per ton also increased by an average of RMB316 per ton, representing an increase of 3.8% from RMB8,240 per ton in the first half of 2018 to RMB8,556 per ton during the period under review. Therefore, the average gross profit of products per ton increased from RMB1,515 in the first half of 2018 to RMB1,721 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 1.2 percentage points from 15.5% in the first half of 2018 to 16.7% during the period under review.

Polyester filament yarns

Average selling price of polyester filament yarns products increased by an average of RMB263 per ton, representing an increase of 2.6% from RMB10,197 in the first half of 2018 to RMB10,460 during the period under review. The average gross profit of polyester filament yarns products per ton increased from RMB1,625 in the first half of 2018 to RMB1,703 during the period under review. The gross profit margin increased by 0.4 percentage point from 15.9% in the first half of 2018 to 16.3% during the period under review.

Polyester thin films

Average selling price of polyester thin films products per ton increased by an average of RMB1,085 per ton, representing an increase of 12.7% from RMB8,523 per ton in the first half of 2018 to RMB9,608 per ton during the period under review. The average gross profit of polyester thin films products per ton increased from RMB1,208 in the first half of 2018 to RMB1,785 during the period under review. The gross profit margin increased by 4.4 percentage points from 14.2% in the first half of 2018 to 18.6% during the period under review.

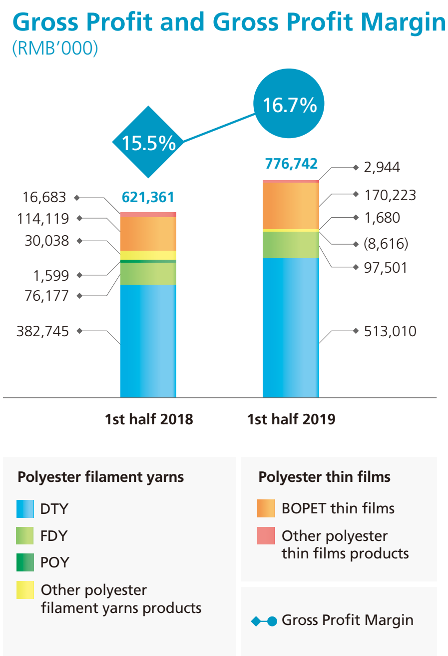
During the period under review, the increase in gross profit and gross profit margin of the Group was primarily attributable to an increase in the sales price of the Group's products per ton arising from the Group's continuous development of functional new products featuring high quality and technology, 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			
	2019		2018	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**513,010**	**66.0%**	382,745	61.6%
FDY	**97,501**	**12.6%**	76,177	12.2%
POY	**(8,616)**	**(1.1%)**	1,599	0.3%
Other polyester filament yarns products*	**1,680**	**0.2%**	30,038	4.8%
Sub-total	**603,575**	**77.7%**	490,559	78.9%
Polyester thin films				
BOPET thin films	**170,223**	**21.9%**	114,119	18.4%
Other polyester thin films products**	**2,944**	**0.4%**	16,683	2.7%
Sub-total	**173,167**	**22.3%**	130,802	21.1%
Total	**776,742**	**100.0%**	621,361	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.*



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

	For the six months ended 30 June	
	2019	2018
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	**10,460**	10,197
Average cost of sales per ton	**8,757**	8,572
Average gross profit per ton	**1,703**	1,625
Average gross profit margin	**16.3%**	15.9%
Polyester thin films		
Average selling price per ton	**9,608**	8,523
Average cost of sales per ton	**7,823**	7,315
Average gross profit per ton	**1,785**	1,208
Average gross profit margin	**18.6%**	14.2%

4. *Other revenue*

Other revenue of the Group for the period under review amounted to RMB70,026,000, representing a decrease of 13.5% as compared to RMB80,969,000 in the first half of 2018. 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 a decrease in gains from government grants and an increase in bank interest income as compared to those of the same period last year.

5. *Other net gain*

Other net gain of the Group during the period under review amounted to RMB18,404,000, representing a decrease of 60.2% as compared to RMB46,272,000 in the first half of 2018. Other net gain mainly comprised the realised and unrealised gains on other financial assets, the net gain on forward foreign exchange contracts and net exchange loss. Such change was mainly attributable to the combined effect of the decrease in realised and unrealised gains on other financial assets and the increase in exchange loss.

6. ***Selling and distribution expenses***

Selling and distribution expenses of the Group for the period under review amounted to RMB42,964,000, representing a decrease of 15.5% as compared to RMB50,835,000 in the first half of 2018. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such decrease was mainly due to the decrease in relevant transportation costs resulted from the decrease 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 RMB221,213,000, increased by 7.5% as compared to RMB205,701,000 in the first half of 2018. 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 RMB94,669,000, increased by 38.5% as compared to RMB68,371,000 in the first half of 2018. Such change was mainly due to the increase in related interests as a result of the increase in the discounting of notes during the period under review.

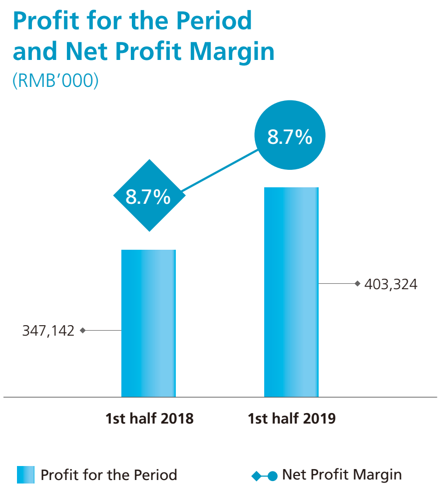
9. ***Income tax***

Income tax of the Group for the period under review amounted to RMB103,002,000, increased by 34.5% as compared to RMB76,553,000 in the first half of 2018. Such change was mainly due to an increase in profit before income tax and payment of withholding income tax arising from dividends 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 RMB403,324,000, increased by RMB56,182,000 or 16.2% as compared to RMB347,142,000 in the first half of 2018, 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.

Management Discussion and Analysis



Financial position

1. Liquidity and capital resources

As at 30 June 2019, cash and cash equivalent of the Group amounted to RMB433,096,000, decreased by RMB22,527,000 or 4.9% as compared to RMB455,623,000 as at 31 December 2018.

During the period under review, net cash inflow from operating activities amounted to RMB2,819,961,000 which was higher than the profit attributable to shareholders, indicating that the Group had sound working capital management. Net cash outflow from investing activities amounted to RMB951,339,000, which mainly comprised the capital expenditure of RMB973,065,000. Net cash outflow from financing activities amounted to RMB1,884,437,000, which mainly comprised the net decrease in bank loans of RMB1,662,499,000, repurchase of shares of RMB21,398,000 and the payment of 2018 final dividends amounting to RMB103,888,000 during the period.

During the period under review, inventory turnover days were 90.8 days (for the first half of 2018: 54.3 days), an increase of 36.5 days as compared to the same period last year, which was mainly due to the further increase in sales due to the continuous recovery of the industry and upon the expansion of the Group. Accordingly, the Group increased inventory to prepare for the sales activities in the second half of the year. The trade receivable turnover days were 6.1 days (for the first half of 2018: 11.7 days), representing a decrease of 5.6 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 132.0 days (for the first half of 2018: 45.7 days), representing an increase of 86.3 days as compared to the same period last year mainly due to the growth scale of the Group and the Group's increasing discretion authority over goods payments, which increased the discounting of notes.

As at 30 June 2019, the Group had capital commitments of RMB3,333,636,000, 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 2019, the total liabilities of the Group amounted to RMB7,973,352,000, whereas capital and reserves amounted to RMB6,227,944,000. The gearing ratio (total liabilities divided by total equity) was 128.0%. Total assets amounted to RMB14,201,296,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.8 times. Bank loans of the Group amounted to RMB1,743,992,000, of which RMB1,523,142,000 were repayable within one year, and RMB220,850,000 were repayable after one year. 4.7% of the bank borrowings 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 2019, as disclosed in note 15 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 totalling approximately RMB1,191,038,000. Information of the Investments as at 30 June 2019 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 2019	Fair value as at 30 June 2019	Percentage to the Group's net assets as at 30 June 2019
		RMB'000	RMB'000	RMB'000	
China Construction Bank	Qianyuan-Tianchang Lijiu Wealth Management Product	400,000	17,036	417,036	6.7%
China Construction Bank	Qianyuan-Fuli Wealth Management Product	100,000	3,719	103,719	1.7%
China Construction Bank	Qianyuan-Xinyi Jiangnan Wealth Management Product	100,000	2,387	102,387	1.6%
Jinjiang Rural Commercial Bank	Fuwantong-Jinronghui Wealth Management Product	100,000	2,438	102,438	1.6%
Bank of Quanzhou	Haixi • Yuanquan – Xingyun Liushui Series Institutional Wealth Management Product	100,000	1,552	101,552	1.6%
Industrial Bank	Structural Bank Deposits	361,000	2,906	363,906	5.8%

Qianyuan-Tianchang Lijiu Wealth Management Product, Qianyuan-Fuli Wealth Management Product and Qianyuan-Xinyi Jiangnan Wealth Management Product (collectively, "CCB Wealth Management Product"), Fuwantong-Jinronghui Wealth Management Product ("Jinjiang Rural Commercial Bank Wealth Management Product"), Haixi • Yuanquan-Xingyun Liushui Series Institutional Wealth Management Product ("Bank of Quanzhou Wealth Management Product") and principal-guaranteed structural bank deposits in the Industrial Bank represented 4.4%, 0.7%, 0.7% and 2.6% respectively of the total assets of the Group as at 30 June 2019.

CCB Wealth Management Product and Bank of Quanzhou 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, Jinjiang Rural Commercial Bank and Bank of Quanzhou 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 2019.

Contingent liabilities

As at 30 June 2019, the Group did not have any contingent liabilities (2018: 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 2019, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB45,070,000 and net liabilities exposure denominated in Euro of RMB3,018,000.

Employees and remuneration

As at 30 June 2019, the Group had a total of 7,082 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

At present, China' economy remains steady amid changes with opportunities and challenges. In recent years, both the price and spread performance of polyester filament yarns have outperformed as compared with those in the same period of last year. With the conversion of existing production capacity to new production capacity, industry concentration will continue to increase. Benefiting from the business cycle and rising crude oil price, the price of the Group's polyester products will see positive momentum. In addition, due to the increase in the price of the Group's products and effective cost control, the gross profit margin of the Group's polyester thin film business will also achieve steady growth.

In recent years, with the increasing consumption of polyester thin films in China, China has become an important production base for polyester thin film products worldwide. By expanding the existing polyester thin film business, the Company will be able to enjoy the growth of this market by leveraging its existing scale and expertise in the manufacturing of polyester thin films. At present, the Group enjoys geographical, technology and cost advantages in the polyester thin film industry. At the time when the industry is still a blue ocean, the polyester thin film industry will continue to be a key growth driver of performance for the Group. As a result, the Group is investing approximately US$230 million to set up a production line for polyester thin films over a period of three years from 2019 to 2021. The estimated gross capacity upon completion will be approximately 255,000 tons per annum.

Upon completion of the expansion projects including the Vietnam development project, the polyester industrial yarn project and polyester thin film project, the scale of the Group will be further expanded and the sales volume and sales amount of products will be further increased, thus further increasing shareholders' returns.

Review Report on the Interim Financial Report

KPMG

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 29 to 60, which comprises the consolidated statement of financial position of Billion Industrial Holdings Limited as of 30 June 2019 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 2019 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 2019

Consolidated Income Statement

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	*4*	**4,639,037**	4,000,869
Cost of sales		**(3,862,295)**	(3,379,508)
Gross profit		**776,742**	621,361
Other revenue	*5*	**70,026**	80,969
Other net gain	*6*	**18,404**	46,272
Selling and distribution expenses		**(42,964)**	(50,835)
Administrative expenses		**(221,213)**	(205,701)
Profit from operations		**600,995**	492,066
Finance costs	*7(a)*	**(94,669)**	(68,371)
Profit before taxation	*7*	**506,326**	423,695
Income tax	*8*	**(103,002)**	(76,553)
Profit for the period attributable to equity shareholders of the Company		**403,324**	347,142
Earnings per share	*10*		
Basic and diluted (RMB)		**0.19**	0.16

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 35 to 60 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 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Profit for the period attributable to equity shareholders of the Company	**403,324**	347,142
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	**11,402**	(8,965)
Total comprehensive income for the period attributable to equity shareholders of the Company	**414,726**	338,177

Notes: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 35 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**8,171,680**	6,604,069
Intangible assets	*12*	**11,671**	12,152
Deposit and prepayments	*14*	**794,849**	862,345
		8,978,200	7,478,566
Current assets			
Inventories	*13*	**2,307,604**	1,565,282
Trade and other receivables	*14*	**699,983**	1,193,494
Other financial assets	*15*	**1,191,038**	1,514,738
Restricted bank deposits	*16*	**591,375**	251,830
Cash and cash equivalents	*17*	**433,096**	455,623
		5,223,096	4,980,967
Current liabilities			
Trade and other payables	*18*	**5,614,149**	2,644,620
Contract liabilities		**319,463**	211,784
Bank loans	*19*	**1,523,142**	3,295,416
Lease liabilities	*2(d)*	**1,380**	–
Current portion of deferred income		**598**	598
Current taxation	*20(a)*	**107,117**	92,137
		7,565,849	6,244,555
Net current liabilities		**(2,342,753)**	(1,263,588)
Total assets less current liabilities		**6,635,447**	6,214,978

Consolidated Statement of Financial Position

at 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000 (audited)
Non-current liabilities			
Bank loans	19	**220,850**	111,683
Lease liabilities	2(d)	**6,026**	–
Deferred income		**299**	598
Deferred tax liabilities	20(b)	**180,328**	164,193
		407,503	276,474
NET ASSETS		**6,227,944**	5,938,504
CAPITAL AND RESERVES	21		
Share capital		**17,857**	17,873
Reserves		**6,210,087**	5,920,631
TOTAL EQUITY		**6,227,944**	5,938,504

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the Board of Directors on 15 August 2019.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 35 to 60 form part of this interim financial report.

Consolidated Statement of Changes In Equity

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	Share capital RMB'000 21(a)	Share premium RMB'000 21(b)(i)	Capital redemption reserve RMB'000 21(b)(ii)	Statutory reserve RMB'000 21(b)(iii)	Capital reserve RMB'000 21(b)(iv)	Exchange reserve RMB'000 21(b)(v)	Retained profits RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company							
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									
– 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
Balance at 1 January 2019		**17,873**	**110,049**	**1,460**	**492,705**	**1,805,631**	**(175,140)**	**3,685,926**	**5,938,504**
Changes in equity for the six months ended 30 June 2019									
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**403,324**	**403,324**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**11,402**	**–**	**11,402**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**11,402**	**403,324**	**414,726**
Dividends approved in respect of the previous year	9(b)	**–**	**–**	**–**	**–**	**–**	**–**	**(103,888)**	**(103,888)**
Purchase of own shares	21(a)(ii)								
– par value paid		**(16)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16)**
– premium paid		**–**	**(21,382)**	**–**	**–**	**–**	**–**	**–**	**(21,382)**
– transfer between reserves		**–**	**(16)**	**16**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2019		**17,857**	**88,651**	**1,476**	**492,705**	**1,805,631**	**(163,738)**	**3,985,362**	**6,227,944**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 35 to 60 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (Note) RMB'000
Operating activities			
Cash generated from operations		**2,891,849**	168,424
Tax paid		**(71,888)**	(62,007)
Net cash generated from operating activities		**2,819,961**	106,417
Investing activities			
Payment for the purchase of property, plant and equipment and intangible asset		**(973,065)**	(719,903)
Payment for wealth management products		**(100,000)**	(20,000)
Proceeds from the disposal of wealth management products		**507,058**	274,926
Payment for the structured deposits		**(361,000)**	(600,000)
Proceeds from the disposal of structured deposits		**306,491**	504,112
Uplift of restricted bank deposits		**182,200**	68,460
Placement of restricted bank deposits		**(521,745)**	(182,200)
Other cash flows arising from investing activities		**8,722**	7,498
Net cash used in investing activities		**(951,339)**	(667,107)
Financing activities			
Capital element of lease rentals paid	*2(e)*	**(139)**	–
Interest element of lease rentals paid	*2(e)*	**(91)**	–
Payments of repurchase of shares	*21(a)(ii)*	**(21,398)**	(13,792)
Dividends paid to equity shareholders of the Company	*9*	**(103,888)**	(145,044)
Proceeds from new bank loans		**1,794,943**	2,172,654
Repayment of bank loans		**(3,457,442)**	(1,245,275)
Other cash flows arising from financing activities		**(96,422)**	(66,225)
Net cash (used in)/generated from financing activities		**(1,884,437)**	702,318
Net (decrease)/increase in cash and cash equivalents		**(15,815)**	141,628
Cash and cash equivalents at 1 January		**455,623**	161,241
Effect of foreign exchange rate changes		**(6,712)**	9,315
Cash and cash equivalents at 30 June	*17*	**433,096**	312,184

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 35 to 60 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 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 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 28.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 December 2018 are available from the Company's registered office.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

As at 30 June 2019, the Group recorded net current liabilities totalling RMB2,342,753,000 (31 December 2018: RMB1,263,588,000). 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

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 23(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If the Group decides not to capitalise the lease of a low-value asset, the Group recognises the lease payments associated with the leases as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.87%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedient at the date of initial application of HKFRS 16:

When measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 23(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 *(Note 23(b))*	11,999
Less: total future interest expenses	(4,454)
Total lease liabilities recognised at 1 January 2019	7,545

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) *Transitional impact* (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position. The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	6,604,069	7,545	6,611,614
Total non-current assets	7,478,566	7,545	7,486,111
Lease liabilities (current)	–	1,027	1,027
Current liabilities	6,244,555	1,027	6,245,582
Net current liabilities	(1,263,588)	(1,027)	(1,264,615)
Total assets less current liabilities	6,214,978	6,518	6,221,496
Lease liabilities (non-current)	–	6,518	6,518
Total non-current liabilities	276,474	6,518	282,992
Net assets	5,938,504	–	5,938,504

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) *Transitional impact* (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying assets at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "property, plant and equipment":		
Interests in leasehold land held for own use, carried at depreciated cost	**500,357**	507,013
Buildings leased for own use, carried at depreciated cost	**4,846**	5,242
	505,203	512,255

(d) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,380**	**1,450**	1,027	1,130
After 1 year but within 2 years	**957**	**1,130**	980	1,130
After 2 years but within 5 years	**2,548**	**3,299**	2,674	3,389
After 5 years	**2,521**	**5,798**	2,864	6,350
	6,026	**10,227**	6,518	10,869
	7,406	**11,677**	7,545	11,999
Less: total future interest expenses		**(4,271)**		(4,454)
Present value of lease liabilities		**7,406**		7,545

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1)* (C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**600,995**	**424**	**(536)**	**600,883**	492,066
Finance costs	**(94,669)**	**183**	**–**	**(94,486)**	(68,371)
Profit before taxation	**506,326**	**607**	**(536)**	**506,397**	423,695
Profit for the period	**403,324**	**607**	**(536)**	**403,395**	347,142

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(e) Impact on the financial result and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 *(notes 1 & 2)* (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**2,891,849**	**(230)**	**2,891,619**	168,424
Net cash generated from operating activities	**2,819,961**	**(230)**	**2,819,731**	106,417
Capital element of lease rentals paid	**(139)**	**139**	**–**	–
Interest element of lease rentals paid	**(91)**	**91**	**–**	–
Net cash (used in)/generated from financing activities	**(1,884,437)**	**230**	**(1,884,207)**	702,318

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Polyester filament yarns products	**3,706,753**	3,078,965
– Polyester thin films products	**932,284**	921,904
	4,639,037	4,000,869

The Group's customer base is diversified. There is one customer (six months ended 30 June 2018: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2019.

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	
	2019	2018
	RMB'000	RMB'000
Bank interest income	**7,244**	2,590
Government grants	**57,992**	73,919
Gains on sales of raw materials	**4,744**	4,318
Others	**46**	142
	70,026	80,969

Government grants of RMB57,693,000 and RMB66,578,000 for the six months ended 30 June 2019 and 2018 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 amount of RMB299,000 (for the six months ended 30 June 2018: RMB7,341,000) were transferred from deferred income to consolidated income statement.

6 OTHER NET GAIN

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Donations	**(133)**	(66)
Net exchange loss	**(10,763)**	(2,894)
Net gain on forward foreign exchange contracts	**–**	738
Net realised and unrealised gains on other financial assets	**28,849**	48,693
Others	**451**	(199)
	18,404	46,272

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018 *(Note)*
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**41,430**	60,755
Interest on lease liabilities	**183**	–
Other interest expenses	**55,356**	7,616
	96,969	68,371
Less: interest expense capitalised into construction in progress	**(2,300)**	–
	94,669	68,371
(b) Staff costs:		
Contributions to defined contribution retirement plans	**5,135**	3,206
Salaries, wages and other benefits	**163,236**	126,876
	168,371	130,082
(c) Other items:		
Amortisation	**7,145**	7,593
Depreciation	**181,089**	167,516
Operating lease charges in respect of properties	**–**	337
Research and development costs*	**152,504**	137,159
Cost of inventories**	**3,862,295**	3,379,508

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

* *Research and development costs include RMB58,954,000 and RMB52,899,000 for the six months ended 30 June 2019 and 2018 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 RMB245,930,000 and RMB211,320,000 for the six months ended 30 June 2019 and 2018 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	
	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**74,760**	58,129
Over-provision in respect of prior years	**(4,543)**	(1,723)
Withholding tax on dividends	**16,650**	7,895
	86,867	64,301
Deferred tax		
Origination and reversal of temporary differences	**6,135**	7,913
Withholding tax on dividends	**10,000**	4,339
	16,135	12,252
	103,002	76,553

(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 2019 and 2018.

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

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in mainland China, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) ("Billion Fujian") was granted the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2018 to 2020 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.

8 INCOME TAX (Continued)

(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 Industry 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.

Withholding tax on dividends 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:

	2019	2018
	RMB'000	RMB'000
Interim dividend declared after the interim period (2018: HK4.7 cents per share)	–	87,898

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

9 DIVIDENDS (Continued)

(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	
	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, HK5.7 cents per share (2017: HK8.4 cents per share)	**103,888**	145,044

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 RMB403,324,000 (six months ended 30 June 2018: RMB347,142,000) and the weighted average of 2,124,550,000 ordinary shares (six months ended 30 June 2018: 2,126,095,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	'000	'000
Issued ordinary shares at 1 January	**2,125,308**	2,126,944
Effect of shares repurchased *(note 21(a)(ii))*	**(758)**	(849)
Weighted average number of ordinary shares at 30 June	**2,124,550**	2,126,095

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2019 and 2018, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Other property, plant and equipment

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Net book value, at 1 January *(note 11(c))*	**4,901,481**	4,834,198
Exchange adjustments	**1,518**	2,141
Additions	**1**	9,924
Transfer from construction in progress *(note 11(b))*	**770,454**	388,462
Disposals	**–**	(90)
Depreciation charge for the period/year	**(181,089)**	(338,396)
At 30 June/31 December	**5,492,365**	4,896,239

(b) Construction in progress

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
At 1 January	**1,203,120**	130,127
Exchange adjustments	**7,143**	–
Additions	**1,739,149**	1,461,455
Transfer to other property, plant and equipment *(note 11(a))*	**(770,454)**	(388,462)
At 30 June/31 December	**2,178,958**	1,203,120

(c) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 2.

12 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.

13 INVENTORIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw materials	**941,114**	394,380
Work in progress	**46,070**	58,078
Finished goods	**1,320,420**	1,112,824
	2,307,604	1,565,282

14 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:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**50,831**	81,086
1 to 2 months	**25,472**	38,223
2 to 3 months	**26,136**	15,750
Over 3 months	**24,044**	51,757
Trade debtors and bills receivable, net of loss allowance*	**126,483**	186,816
Deposits, prepayments and other receivables	**1,368,349**	1,869,023
	1,494,832	2,055,839
Less: Non-current portion of deposits and prepayments	**(794,849)**	(862,345)
	699,983	1,193,494

* *As at 30 June 2019, the Group recognised RMB109,000 as loss allowance (31 December 2018: RMB110,000).*

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

14 TRADE AND OTHER RECEIVABLES (Continued)

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.

15 OTHER FINANCIAL ASSETS

Other financial assets represent financial assets carried at FVPL.

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Wealth management products	**827,132**	1,210,739
Structured deposits	**363,906**	303,999
	1,191,038	1,514,738

As at 30 June 2019, the Group invested in wealth management products issued by banks in the PRC with the aggregate principals amount of RMB800,000,000 (31 December 2018: RMB1,200,000,000). There are no fixed or determinable returns of these bank wealth management products and the returns of principals are not guaranteed.

The Group also placed principal-guaranteed structured deposits in a reputable bank in the PRC amounting to RMB361,000,000 (31 December 2018: RMB300,000,000). Principal of RMB200,000,000 is with term of 365 days and the remaining is with term of 175 days. The expected annual rates of returns include fixed rates of 2.22% and 2.06% respectively and same floating rates for each deposit ranged from 1.78% to 1.82% which are indexed to the price of gold in Shanghai Gold Market. All of the structured deposits were pledged to the bank to secure certain bills payable.

16 RESTRICTED BANK DEPOSIT

The restricted bank deposit of RMB69,630,000 (31 December 2018: 251,830,000) and RMB521,745,000 (31 December 2018: nil) were pledged to the banks to secure certain bank loans and bills payable respectively.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and in hand	**433,096**	455,623

18 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 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**1,762,165**	1,291,519
More than 3 months but within 6 months	**1,534,449**	573,329
More than 6 months but within 1 year	**815,791**	2,894
More than 1 year	**1,790**	1,811
Trade creditors and bills payable	**4,114,195**	1,869,553
Other payables and accrual charges	**293,757**	268,186
Payables for acquisition of equipment	**1,146,899**	429,204
Construction payables	**59,298**	77,677
	5,614,149	2,644,620

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

19 BANK LOANS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	**1,523,142**	3,295,416
After 1 year but within 2 years	**43,759**	11,752
After 2 years but within 5 years	**173,278**	80,257
After 5 years	**3,813**	19,674
	220,850	111,683
	1,743,992	3,407,099

At 30 June 2019, the bank loans were secured or guaranteed as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans		
– secured	**82,239**	265,266
– unsecured	**1,661,753**	3,141,833
	1,743,992	3,407,099

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties	**45,379**	45,827
Restricted bank deposits *(Note 16)*	**69,630**	251,830
	115,009	297,657

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Provision of PRC income tax	**107,117**	92,137

(b) Deferred tax liabilities recognised:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax liabilities arising from:		
Charged/(credited) to profit or loss:		
– Depreciation of property, plant and equipment	**186,066**	182,320
– Other financial assets	**4,506**	2,210
– Withholding tax on dividends	**10,000**	–
– Others	**(20,244)**	(20,337)
	180,328	164,193

(c) Deferred tax assets not recognised

At 30 June 2019, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB239,463,000 (31 December 2018: RMB191,410,000) 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 2019, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,672,298,000 (31 December 2018: RMB3,258,527,000). Deferred tax liabilities of RMB133,615,000 (31 December 2018: RMB162,926,000) 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.

(Expressed in Renminbi unless otherwise indicated)

21 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 2018 and 30 June 2019	0.01	10,000,000,000	100,000,000

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$		HK$	RMB
Issued and fully paid:					
At 1 January 2018		0.01	2,126,944,000	21,269,440	17,886,376
Repurchase of shares		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
Repurchase of shares		0.01	(30,000)	(300)	(252)
At 31 December 2018 and 1 January 2019		**0.01**	**2,125,308,000**	**21,253,080**	**17,872,618**
Repurchase of shares	*21(a)(ii)*	**0.01**	**(1,940,000)**	**(19,400)**	**(16,314)**
At 30 June 2019		**0.01**	**2,123,368,000**	**21,233,680**	**17,856,304**

21 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

(ii) Purchase of own shares

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

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
March 2019	484,000	12.44	10.68	4,790
April 2019	626,000	13.60	11.50	6,733
May 2019	830,000	16.60	13.00	9,875
	1,940,000			21,398

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 1,940,000 shares were repurchased in the six months ended 30 June 2019 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 RMB16,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$24,788,000 (equivalent to RMB21,382,000) was charged to share premium.

21 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.

22 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 2019 categorised into		
	Fair value at 30 June 2019 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Other financial assets:	**1,191,038**	**–**	**1,191,038**	**–**

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:	1,514,738	–	1,514,738	–

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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.

22 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.

23 COMMITMENTS

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**1,859,487**	1,638,920
Authorised but not contracted for	**1,474,149**	1,480,499
	3,333,636	3,119,419

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	RMB'000
Within 1 year	1,130
After 1 year but within 5 years	4,519
After 5 years	6,350
	11,999

The Group is the lessee in respect of a number of properties and items of plant and machinery held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

24 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	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**2,410**	2,608
Post-employment benefits	**42**	45
	2,452	2,653

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

(b) Transactions with a related party

The Group had not entered any transactions with a related party for each of the six months ended 30 June 2019 and 2018.

25 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

INTERIM DIVIDEND

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

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

As at 30 June 2019, 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	30.32%
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, which directly owned 136,820,000 shares of the Company. Accordingly, Mr. Wu Jinbiao was deemed to be interested in all the shares of the Company owned by Winwett investments Limited by virtue of the SFO.

(3) Base on a total of 2,123,368,000 issued shares of the Company as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	793,620,808	37.38%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing")[a]	Interest in controlled corporation	793,620,808	37.38%
China Energy Conservation and Environmental Protection Group ("CECEP")[b]	Interest in controlled corporation	793,620,808	37.38%
Kingom Power Limited	Beneficial owner	643,720,000	30.32%
Winwett Investments Limited	Beneficial owner	136,820,000	6.44%
Mr. Huang Shao Rong	Beneficial owner and through controlled corporation	227,957,000	10.74%

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital[c]
Ever Luxuriant Global Trading Limited	Beneficial owner	208,532,000	9.82%
Mr. Lin Haibin	Beneficial owner and through controlled corporation	199,241,000	9.38%
Haibin International Investments Limited	Beneficial owner	172,696,000	8.13%
Export – Import Bank of China	Person having a security interest in shares	300,000,000	14.13%

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 2,123,368,000 issued shares of the Company as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 10.83% of the total issued share capital of the Company as of 30 June 2019. 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 2019.

As at 30 June 2019, the remaining life of the Share Option Scheme was about one year and ten months.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2019, 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
March 2019	484,000	12.44	10.68	4,790,000
April 2019	626,000	13.60	11.50	6,733,000
May 2019	830,000	16.60	13.00	9,875,000
Total	1,940,000			21,398,000

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 1,940,000 shares were repurchased during the six months ended 30 June 2019 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 RMB16,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$24,788,000 (equivalent to approximately RMB21,382,000) 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. Zeng Wu resigned as a non-executive Director and a co-chairman of the Board, and Mr. Ma Yuliang resigned as an independent non-executive Director, both with effect from 18 May 2019. Mr. Zhang Shengbai was appointed as a non-executive Director and a co-chairman of the Board, and Mr. Lin Jian Ming was appointed as an independent non-executive Director, both with effect from 18 May 2019. Please refer to the announcements of the Company dated 17 May 2019 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 2019, 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 2019.

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. Lin Jian Ming and Mr. Shih Chun Pi. 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 2019 and this interim report.

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