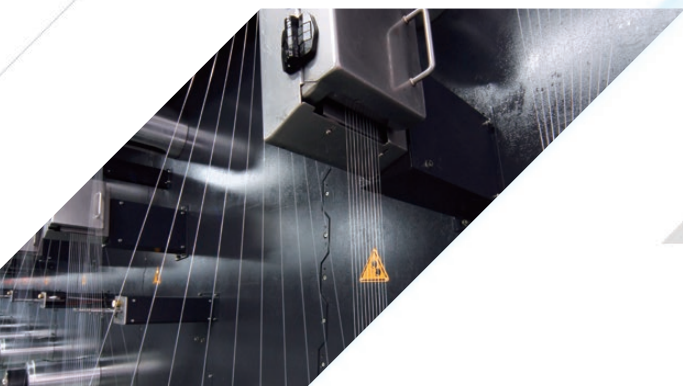
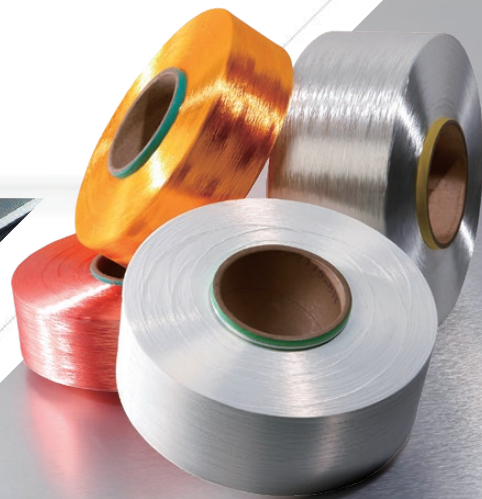


百宏實業控股有限公司 BILLION INDUSTRIAL HOLDINGS LIMITED

(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 **2021**
中期報告

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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 2021, the Group’s designed capacity of domestic polyester filament yarns was 2,726,400 tons, of which the designed capacity of FDY and POY was 1,005,000 tons per year, while that of DTY was 711,400 tons per year. The combined designed capacity for DTY, FDY and POY was 1,716,400 tons per year, which made it the largest differentiated chemical fiber production base in Fujian Province.

As at 30 June 2021, as a large polyester thin film manufacturer in China, the Group’s designed capacity for domestic polyester products was 510,000 tons per year, of which, the designed capacity of BOPET thin films was 404,500 tons per year. 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. Purification workshop management is implemented for the production workshops, meeting the stringent environmental requirements for producing different polyester products. 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. The two projects under phase I of the “700,000-ton differentiated chemical fiber project” commenced production officially, marking a milestone during the Group’s journey in exploring the emerging markets. As of 30 June 2021, the designed capacity of Billion Vietnam of polyester filament yarns was 405,000 tons per year, of which, the designed capacity of FDY and POY was 136,300 tons per year, and that of DTY was 68,700 tons per year. The combined designed capacity for DTY, FDY and POY was 205,000 tons per year, and the designed capacity for polyester bottle chips was 250,000 tons per year.

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 new manufacturing facilities have a total production capacity of approximately 250,000 tons per annum, and have commenced commercial production since 17 July 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, among which the production capacity of polyester thin films is 222,000 tons.

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*)

Independent Non-executive Directors

Mr. Chan Shek Chi
Mr. Shih Chun Pi
Mr. Lin Jian Ming

BOARD COMMITTEES

Audit Committee

Mr. Chan Shek Chi (*Chairman*)
Mr. Shih Chun Pi
Mr. Lin Jian Ming

Remuneration Committee

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

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
(resigned on 9 July 2021)
Mr. Law Hoi Ching
(appointed on 9 July 2021)

AUTHORISED REPRESENTATIVES

Mr. Sze Tin Yau
Mr. Lai Wai Leuk
(resigned on 9 July 2021)
Mr. Law Hoi Ching
(appointed on 9 July 2021)

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

Morgan, Lewis & Bockius

AUDITORS

Mazars CPA Limited
Certified Public Accountants,
Hong Kong
Public Interest Entity Auditor,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
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
Industrial and Commercial Bank
of China (Asia) Limited

COMPANY WEBSITE

www.baihong.com

STOCK CODE

2299

Financial Highlights

For the six months ended 30 June

	2021 RMB'000	2020 RMB'000	Change
Operational Results			
Revenue	6,462,928	3,614,662	78.8%
Gross profit	1,292,300	507,198	154.8%
Profit from operations	1,141,846	342,752	233.1%
Profit for the period	835,740	225,366	270.8%

As at 30 June

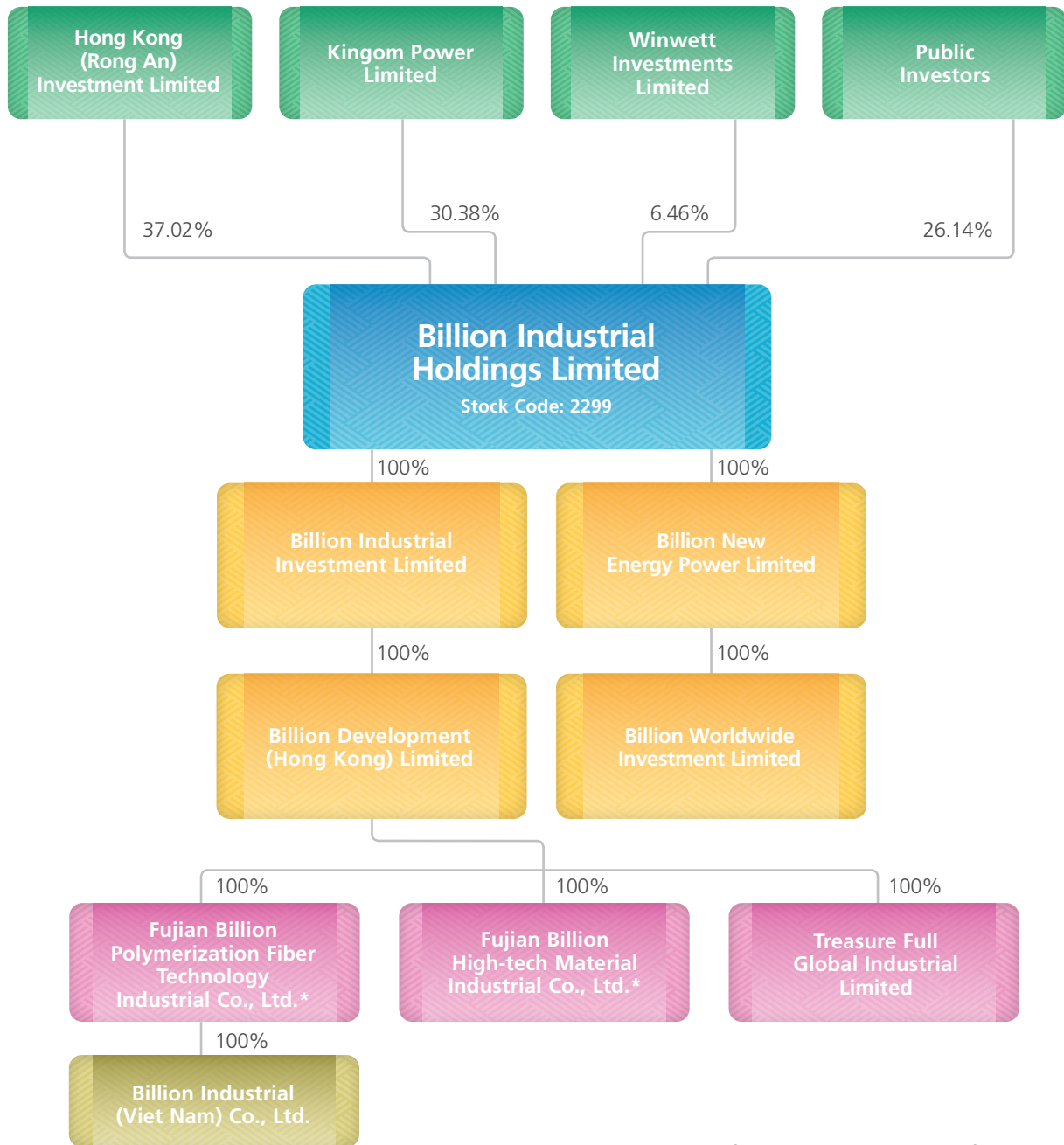
	2021 RMB'000	2020 RMB'000	Change
Financial Position			
Non-current assets	11,445,290	10,244,050	11.7%
Non-current liabilities	804,179	836,611	(3.9%)
Current assets	9,150,499	8,398,864	8.9%
Current liabilities	11,594,132	10,922,638	6.1%
Net current liabilities	2,443,633	2,523,774	(3.2%)
Total equity	8,197,478	6,883,665	19.1%
Earnings per Share (RMB)	0.40	0.11	
Interim dividend (HK cent)	–	–	
Key Ratio Analysis			
Gross profit margin	20.0%	14.0%	
Operating profit margin	17.7%	9.5%	
Net profit margin	12.9%	6.2%	
Return on equity (<i>Note 1</i>)	10.2%	3.3%	
Current ratio (<i>Note 2</i>)	78.9%	76.9%	
Gearing ratio (<i>Note 3</i>)	151.2%	170.8%	

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 2021



Note: Billion Industrial Holdings Limited
 Billion Industrial Investment Limited
 Billion New Energy Power Limited
 Billion Development (Hong Kong) Limited
 Billion Worldwide Investment Limited
 Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*
 Fujian Billion High-tech Material Industry Co., Ltd.*
 Treasure Full Global Industrial Limited
 Billion Industrial (Viet Nam) Co., Ltd.

* For identification purposes only

Place of incorporation	Place of operation
: Cayman Islands	Hong Kong
: British Virgin Islands	Hong Kong
: British Virgin Islands	Hong Kong
: Hong Kong	Hong Kong
: Hong Kong	Hong Kong
: PRC	Fujian, PRC
: PRC	Fujian, PRC
: British Virgin Islands	Hong Kong
: Vietnam	Vietnam

Production Sites



PRODUCTION SITE C AND D

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



PRODUCTION SITE E

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



Production Sites



PRODUCTION SITE A AND B

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

Designed capacity as at 30 June 2021:

China Production Sites:

FDY+POY	:	1,005,000 tons per year
DTY	:	711,400 tons per year
BOPET	:	404,500 tons per year
ES fiber	:	14,500 tons per year
Polyester industrial yarns	:	250,000 tons per year



VIETNAM PRODUCTION SITE

Situated in the Phuoc Dong Industrial Park, Phuoc Dong Commune, Go Dau District, Tay Ninh Province, Vietnam

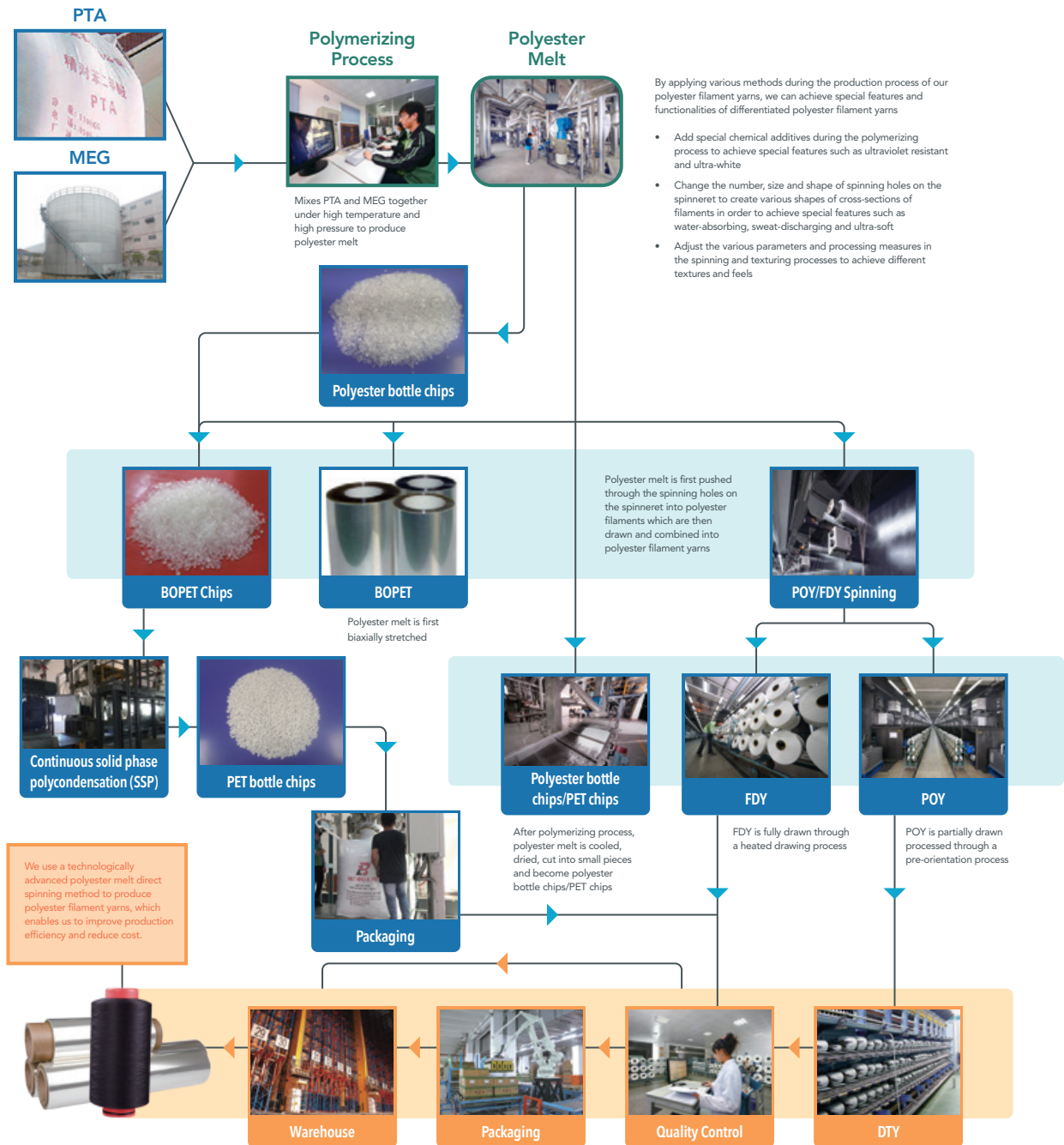
Designed capacity as at 30 June 2021:

Vietnam Production Site:

FDY+POY	:	136,300 tons per year
DTY	:	68,700 tons per year
Polyester bottle chips	:	250,000 tons per year



Production Processes of Polyester Filament Yarns & Polyester Thin Films



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

Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In the first half of 2021, the global trend of economic recession triggered by the outbreak of the novel coronavirus (the “COVID-19”) and the important moment in the Sino-US relation have been gradually and adversely impacting the global economic landscape. However, with improved epidemic prevention and control, together with policies implemented to boost consumption, the markets and industries started to gradually resume their business operation and production. The global economy began to show signs of recovery from the impacts of the epidemic. In order to manage the huge discrepancies in the pace of recovery in different regions due to varying results of prevention and control efforts in face of the adversely affected business activities in global trade, many countries around the world have been proposing and enhancing their economic stimulus policies to cope with economic downturn and rising unemployment brought by the epidemic. The progress of global recovery largely depends on the sustainability and effectiveness of various economic stimulus policies and the improvement of the world economic governance.

In addition, a number of COVID-19 vaccines have been approved for marketing, bringing people great hope that COVID-19 will be improved. As many countries implemented vaccination one after another and improved fiscal and currency policy, global economy has gradually improved in 2021, and while China is pursuing the stable economic development, it has also strengthened a social security network, which further helps the people’s access to services and goods, so as to stimulate consumption.

INDUSTRY REVIEW

The textile and apparel industry employs a large number of workers and plays an important role in ensuring the employment of residents, protecting the market players and stabilizing the supply chain of the industry chain. In 2021, China’s textile industry faces an increasingly complicated external environment with issues arising from the outbreak of COVID-19 around the globe, increasing risk points of the global economy and the domestic structural issues. The epidemic is causing economic losses due to both the decreased domestic sales of textile enterprises and the loss of foreign trade orders and intensifying international competition, which brought huge impacts on foreign demand to the textile and apparel industry. Despite the adverse impact from the epidemic, the development trend of China’s macro economy will remain positive in long term due to its continuing effort to stabilize growth for the domestic macro-economic policies. In recent years, China’s textile industry has seen the trend of growing export of textile machinery and chemical fibers with higher technology content and added value. Trade tensions and the epidemic may accelerate the adjustment of the industry. As the epidemic is better controlled, the textile industry has started to gain development as a result of the effort of the Chinese government promulgating various anti-epidemic support measures to ease the operating pressure of the textile enterprises so as to ensure the overall steady progress and stable development in the industry.

Management Discussion and Analysis

BUSINESS REVIEW

With the mission of “providing eco-friendly products for the public, aspiring to be the world’s premier supplier of consumer product materials”, the Group implements the operation philosophy of “creating green products”. In order to achieve “technology innovation and improving competitive strength”, the Group persists in pursuing the technology innovation in a comprehensive approach addressing “Production, Learning, Research and Application”. The Group formulates the deepened reform proposal through technology improvement, technology innovation, product mix optimization and recruiting innovative talents, strives to research and develop new products and enhance product added value, and improves brand values and market competitiveness of the Company. As a “High Technology Enterprise” and the “Pilot Demonstration Enterprise of Intelligent Manufacturing in Fujian Province”, the Group is the first enterprise pioneering in the application of the full process intelligent automatic production in the industry. The Group leverages on the digitalization, networking and modularization of automatic equipment to keep on improving its products’ quality and production volume. During the epidemic, the Group showed great resilience to risks. Benefiting from technologies and equipment such as intelligent transformation, intelligent production, intelligent packaging and intelligent storage, our production was less impacted by the epidemic. The Group’s production lines of each workshop continued to run at full speed during the critical period of the first outbreak of the epidemic when manpower was largely limited. The capability of maintaining operation benefits from the automation, which proves that our forward-looking decision made years ago to carry out intelligent transformation, and also reinforces the Group’s determination towards further intelligent upgrade.

The management team of the Group applied scientific management software to achieve networking and informatization of the management during the course of production, to allocate production among various products and to allocate equipment between production and research and development to maximize the utilization of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enabled the Group to constantly launch new products on time targeting at market demand with a view to increasing the strengths of product differentiation. Our ES fiber project successfully commenced production on 27 June 2020. ES fiber is a kind of bicomponent skin-core structure composite fiber where the skin component has a low melting point and good flexibility and the core component has a high melting point and high strength. After heating, a portion of the skin component will be melted and bonded together, and the rest maintains the fiber properties while enjoying a low thermal shrinkage rate. It is particularly suitable for use in through air drying process to manufacture products such as sanitary materials, thermal filling materials and filtration materials. With respect to model selection and main equipment installation, our ES fiber project adopts German facilities. The excellent equipment largely ensures the Group’s product innovation and technological innovation. The Group targets at the high-end customers to provide them with high-end customized products according to their demand, as a gradual process to enter into the international high-end market. Moving forward, the Group expects more promising prospects for the ES fiber business as to demand and application. High value-added products can generate higher profits, which will also consolidate the position of the Group in the industry.

Management Discussion and Analysis

The Group manufactures functional polyester thin films project of 255,000 tons in production site G on an annual basis, of which, 2 of the production lines focused on the production of polyester thin films, with an annual capacity of 70,000 tons, were duly put into production in December 2020. The project adopts international advanced polyester production process with six biaxially-oriented polyester thin films production lines of the latest model purchased from Dornier in Germany, equipped with the cutting machines in KAMPF of Germany, and 9 APET sheet production lines. By virtue of the automatic control, the implementation of purification management in production workshops, and the smooth operation and stability of the equipment and the production lines, we can manufacture thin films of larger span, which can satisfy more customers' needs and ensure the quality of various products. Positioning at high-end functional polyester thin films market at home and abroad, the products can be mainly applied in the segments including soft packaging, composite printing, garments, safety and energy saving, cosmetics, food packaging, toys, electronic products including solar backplane, protective film and release film. Due to the prosperous market conditions in the thin films market this year and wide market potential, there have been advanced orders placed by our customers prior to the commencement of commercial production of the project. Relying on the entire supply chain platform of the Group and mature technology management team, the products will serve customers in all respects with a focus on high quality, high starting point and specialization. The production of the project will allow the Group to double the capacity of its existing polyester thin films and APET sheet and strengthen its market position as a large polyester thin films manufacturer in China.

After more than one year of planning and construction, the manufacturing facilities of polyester industrial yarns, which has an annual production capacity of approximately 250,000 tons, commenced operation in July of the year under review. The Group has been committed to constructing its polyester industrial yarns products with the belief of "high quality, high starting point, specialization, and serving various fields". The Group adopts world-class advanced polyester process in its production by introducing the latest high-speed spinning winder of Oerlikon Barmag (a German brand), which can produce a full range of products including ordinary high-strength, low-shrink, ultra-low-shrink, activated, anti-wicking and water-repellent, car seat belt wear-resistant and special sewing thread and non-ferrous type, as complemented by the plied and twisted lines and twisting device to enrich the product structure. Meanwhile, the Group is equipped with the whole-process intelligent production and management from the latest intelligent winding, product inspection, packaging to storage, together with the optimized application of Oerlikon Barmag's automation solution. The Group is also among the top ten polyester industrial yarns manufacturers in China. The project has led the Group to expand the business of polyester industrial yarns products, marking another milestone towards the whole industry chain layout of the Group. We gradually acquire expertise in the direction of customer flow, information flow and capital flow in the industry. Meanwhile, the Company continues to strengthen its publicity efforts to further enhance our reputation for polyester industrial yarns products, and proactively deepens understanding of customers' needs for polyester industrial yarns prices, functions and services. The Group will continue to provide customers with high-end quality products and gradually take the lead in the market.

Management Discussion and Analysis

During the year, the Group signed a 5G new technology strategic cooperation with China Mobile, to jointly explore development opportunities in the 5G business sector by further leveraging the unique advantages of both parties. The Group's commissioning of 5G smart factories has eased the pressure caused by rising labor costs, improved production efficiency, and promoted high-quality development in digital, intelligent, and flexible aspects with reform and innovation. As the first 5G intelligent chemical factory in the chemical fiber industry in the country, the Group and China Mobile cooperate in the fields of intelligent manufacturing, 5G data acquisition and transmission, high-precision positioning, visual recognition, network security, etc., to expand 5G industrial Internet application scenarios and achieve mutual benefit and win-win results.

As a leading enterprise in Fujian, the Group has been dedicated to building the front-end platform for foreign economic and trading cooperation in recent years. In active response to the national call, the Group decided to invest in Vietnam to build a polyester factory as early as 2016. On 3 May 2020, the Group officially commenced the second project, i.e. the "polyester bottle chips project with an annual production capacity of 250,000 tons", under phase I of the Group's investment in and construction of the "700,000-ton differentiated chemical fiber project" in Tay Ninh, Vietnam. The main product of the project is bottle grade chips suitable for making bottles for water such as mineral water and purified water. Coupled with the "polyester filament yarns and chips project with an annual production capacity of 200,000 tons", which commenced operation in September 2019, the two projects under phase I of our investment in and construction of the "700,000-ton differentiated chemical fiber project" in Vietnam have completed construction. The Group targets to develop these projects to create a demonstration platform for China-Vietnam production capacity cooperation, being a further great leap forward for the development of the Group. Leveraging on the geographical location of Vietnam and its huge market potential, the Group will continue to capitalize on its opportunities and utilise its strengths as a large-scale corporation to differentiate itself from the competitors and enter the textile and polyester bottle chips market in Vietnam.

The Group has always been highly valuing the importance of marketing channel expansion and customer services. The flexible sales strategies enable it to understand market situations in time, focus on customers' experience and timely communicate the feedback from customers to the technology and production center, in order to ensure the bilateral interaction and providing fast and efficient product aftersales services. While consolidating its market share in Fujian and Guangdong Provinces, the Group also strived to develop international markets and continued to improve its response to the market whilst expanding the emerging markets. According to the feedback of downstream users in the emerging markets, the Group made functional improvement and technology upgrade to its existing product lines with suitable marketing strategy, strengthened quality control on export products, and maintained cost advantages.

The Group's major subsidiaries, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) ("Billion Fujian") and 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") have been awarded as high technology enterprises. During the period under review, the revenue from and the research and development expenses of the Group's differentiated products amounted to RMB3,850,541,000 and RMB183,366,000, representing 59.6% and 2.8% of the total revenue respectively. The Group's research and development focused on improving the product quality and production efficiency, as well as enhancing its innovative capability in all aspects from chemical fiber to textile fabrics. The Group believes that, despite the epidemic and other external factors which to some extent affected its short-term profits, the Group remains confident in the short- and medium-term development as it continues to push ahead its innovative capability and intelligentization achievements, alongside with the application for patents in China, increasing national income, optimizing demographic structure and consumption upgrade.

Management Discussion and Analysis

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB6,462,928,000 (for the first half of 2020: RMB3,614,662,000), representing an increase of 78.8% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB3,752,788,000, accounting for 58.1% of the total revenue. Revenue attributable to the sales of polyester products* was RMB2,238,967,000, accounting for 34.6% 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's polyester filament yarns products are positioned at the middle and high-end markets both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. These products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Group has a clear positioning of its product solutions which targets at the mid to high-end market. 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. The commencement of production of the facility of Billion Vietnam, a subsidiary of the Group, and the ES fiber project has further expanded the production capacity of the polyester filament yarns.

Revenue attributable to the sales of polyester filament yarns products for the period under review was RMB3,752,788,000, representing an increase of RMB949,509,000 or 33.9% as compared to RMB2,803,279,000 in the first half of 2020. The average selling price of polyester filament yarns in the period under review was RMB8,131 per ton, representing a decrease of RMB99 or 1.2% as compared to RMB8,230 per ton in the first half of 2020.

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

Management Discussion and Analysis

Polyester products

The Group's polyester products can be widely used in various sectors including packaging, magnetic materials, imaging, industry, electronics and electrical appliances, with its principal products positioned at the middle and high-end markets both domestically and abroad. The Group re-engineered its polyester products production lines to conduct research and development on various categories of thin films products under different raw material formulae and various technological conditions. The Group introduced the production lines and research and development equipment with advanced international standards for biaxially-oriented polyethylene terephthalate ("BOPET") thin films from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films. It has become one of the largest polyester thin films production enterprises in China. In addition, the commencement of production of the facility of Billion Vietnam has also expanded the production capacity of polyester products of the Group.

Revenue attributable to the sales of polyester products for the period under review was RMB2,238,967,000, representing an increase of RMB1,427,584,000 or 175.9% as compared to RMB811,383,000 in the first half of 2020. The average selling price of polyester products in the period under review was RMB7,310 per ton, representing an increase of RMB140 or 2.0% as compared to RMB7,170 per ton in the first half of 2020. However, the sales volume of the Group's polyester products during the period under review increased from 113,171 tons in the first half of 2020 to 306,278 tons during the period under review or an increase of 170.6%. The sales volume of the polyester products increased mainly due to the commencement of production of the facility of Billion Vietnam and the development of the polyester bottle chip business in Vietnam.

Management Discussion and Analysis

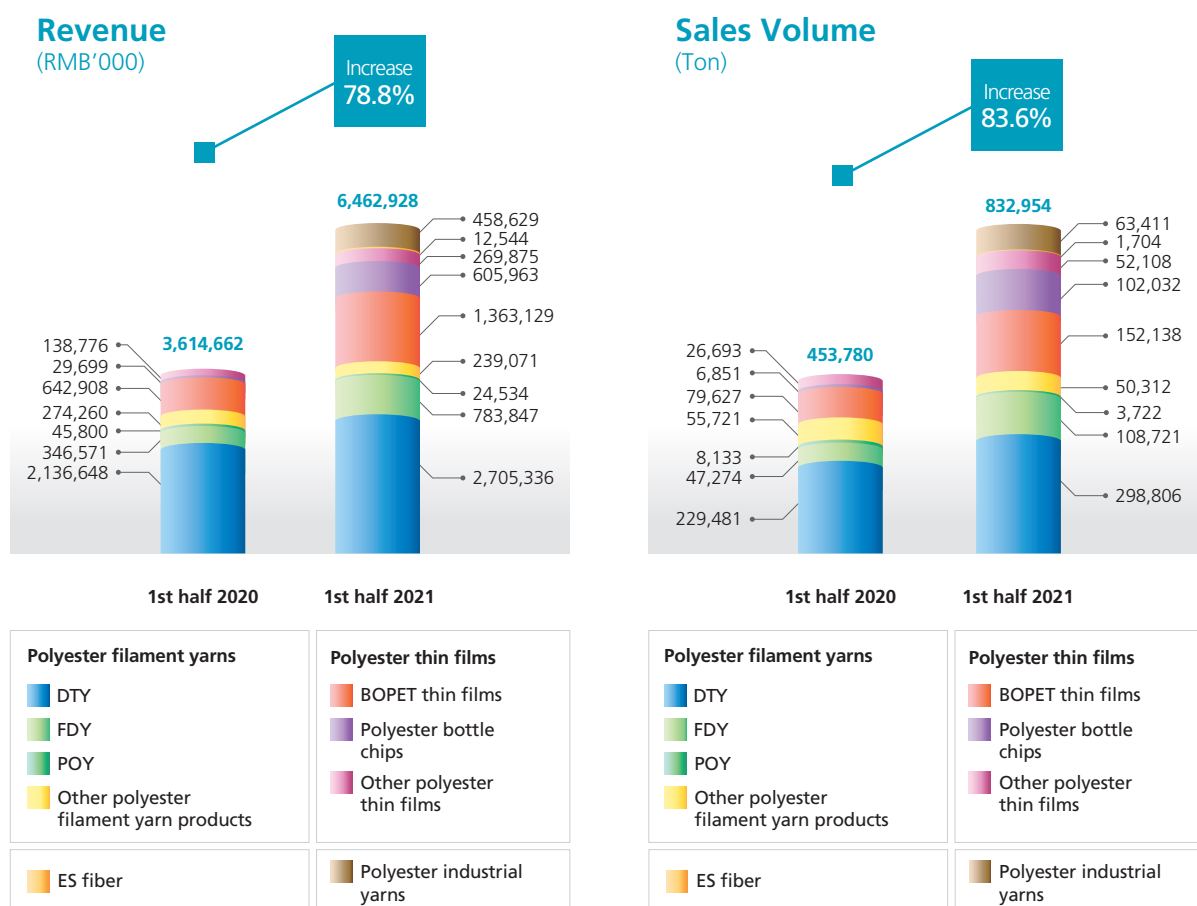
Breakdown of Revenue and Sales Volume (By Product)

	Revenue				Sales volume			
	For the six months ended 30 June				For the six months ended 30 June			
	2021		2020		2021		2020	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	2,705,336	41.9%	2,136,648	59.1%	298,806	35.9%	229,481	50.6%
FDY	783,847	12.1%	346,571	9.6%	108,721	13.1%	47,274	10.4%
POY	24,534	0.4%	45,800	1.3%	3,722	0.4%	8,133	1.8%
Other polyester filament yarns products*	239,071	3.7%	274,260	7.6%	50,312	6.0%	55,721	12.3%
Sub-total	3,752,788	58.1%	2,803,279	77.6%	461,561	55.4%	340,609	75.1%
Polyester products								
BOPET thin films	1,363,129	21.1%	642,908	17.8%	152,138	18.3%	79,627	17.5%
Polyester bottle chips	605,963	9.4%	29,699	0.8%	102,032	12.2%	6,851	1.5%
Other polyester products**	269,875	4.1%	138,776	3.8%	52,108	6.3%	26,693	5.9%
Sub-total	2,238,967	34.6%	811,383	22.4%	306,278	36.8%	113,171	24.9%
ES fiber	12,544	0.2%	-	-	1,704	0.2%	-	-
Polyester industrial yarns	458,629	7.1%	-	-	63,411	7.6%	-	-
Sub-total	471,173	7.3%	-	-	65,115	7.8%	-	-
Total	6,462,928	100.0%	3,614,662	100.0%	832,954	100.0%	453,780	100.0%

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

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

Management Discussion and Analysis



Sales by geographic region

The Group's overseas sales revenue increased from RMB639,228,000 in the first half of 2020 to RMB1,619,233,000 during the period under review or an increase of 153.3%. Consequentially, the percentage of overseas sales revenue also increased from 17.7% in the first half of 2020 to 25.0% during the period under review, representing an increase of 7.3 percentage points. The epidemic disrupted the international shipping, which affected the Group's overseas sales. Nevertheless, the second project under phase I of the Group's investment in and construction of the "700,000-ton differentiated chemical fiber project" in Tay Ninh, Vietnam fully commenced production, which boosted the sales of the overall overseas sales of the Group. Approximately 75.0% of the Group's revenue was generated from domestic market sales, of which 40.2% was from sales to customers in Fujian Province and 20.4% to customers in the adjacent Guangdong Province. The textile manufacturing industries in these two provinces have been booming, resulting in a relatively strong demand for the Group's products.

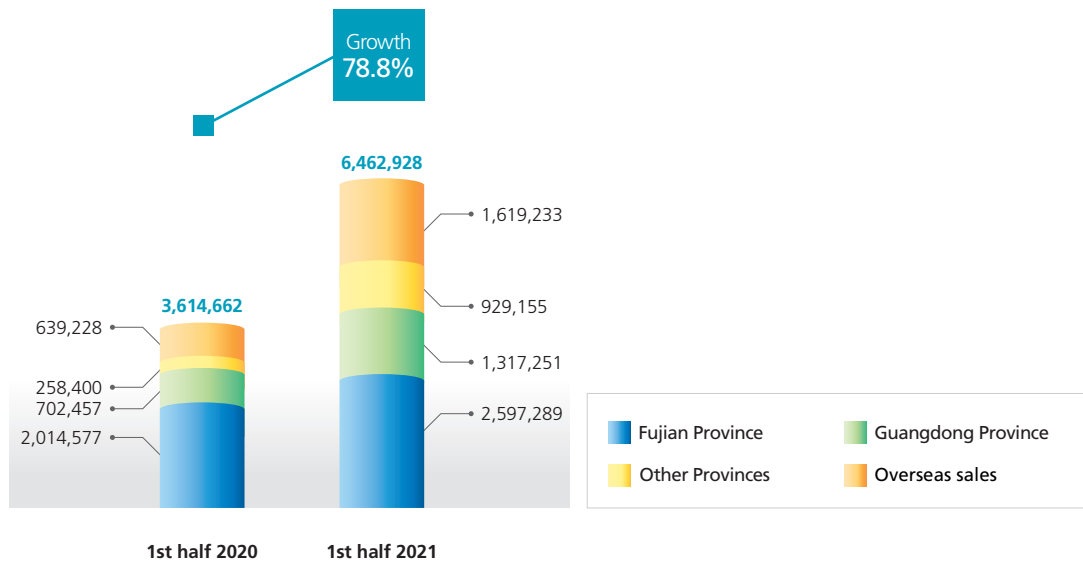
Management Discussion and Analysis

Geographic Breakdown of Revenue

	For the six months ended 30 June			
	2021		2020	
	RMB'000	Percentage	RMB'000	Percentage
Domestic sales				
Fujian Province	2,597,289	40.2%	2,014,577	55.7%
Guangdong Province	1,317,251	20.4%	702,457	19.4%
Other Provinces	929,155	14.4%	258,400	7.2%
Overseas sales*	1,619,233	25.0%	639,228	17.7%
Total	6,462,928	100.0	3,614,662	100.0%

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

Geographic Breakdown of Revenue (RMB'000)



Management Discussion and Analysis

2. *Cost of Sales*

Cost of sales of the Group for the period under review was RMB5,170,628,000, representing an increase of 66.4% as compared to the cost of sales of RMB3,107,464,000 in the first half of 2020. Such a change was mainly attributable to the combined effect of the increase in sales volume and raw materials prices. The cost of sales for polyester filament yarns was RMB3,109,736,000, accounting for 60.1% of the total cost of sales. The cost of sales for polyester products was RMB1,670,422,000, accounting for 32.3% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns decreased from RMB7,348 per ton in the first half of 2020 to RMB6,737 per ton during the period under review, representing a decrease of RMB611 or 8.3% per ton, which was mainly due to the effect of the fluctuations in crude oil prices. The average price of raw materials for polyester filament yarns decreased from RMB5,230 per ton in the first half of 2020 to RMB4,857 per ton during the period under review, representing a decrease of RMB373 or 7.1% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 72.1% of the total cost of sales of polyester filament yarns and the price of which was directly affected by the price of their raw material, i.e. crude oil.

Polyester products

Average cost of sales for polyester products increased from RMB5,342 per ton in the first half of 2020 to RMB5,454 per ton during the period under review, representing an increase of RMB112 or 2.1% per ton, which was mainly due to the effect of the fluctuations in crude oil prices. The average price of raw materials for polyester products increased from RMB4,618 per ton in the first half of 2020 to RMB4,665 per ton during the period under review, representing an increase of RMB47 or 1.0% per ton.

Management Discussion and Analysis

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2021		2020	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	1,452,253	28.0%	1,201,609	38.6%
MEG	645,758	12.5%	468,227	15.1%
POY and other raw materials	144,044	2.8%	111,527	3.6%
Sub-total	2,242,055	43.3%	1,781,363	57.3%
Manufacturing costs	863,982	16.7%	720,998	23.2%
Other costs	3,699	0.1%	584	0.0%
Sub-total	3,109,736	60.1%	2,502,945	80.5%
Ethylene-propylene side by side				
Cost of raw materials:				
PTA	2,274	0.1%	–	–
MEG	1,023	0.0%	–	–
Other raw materials	6,722	0.1%	–	–
Sub-total	10,019	0.2%	–	–
Manufacturing costs	7,427	0.1%	–	–
Other costs	15	0.0%	–	–
Sub-total for ES fiber	17,461	0.3%	–	–

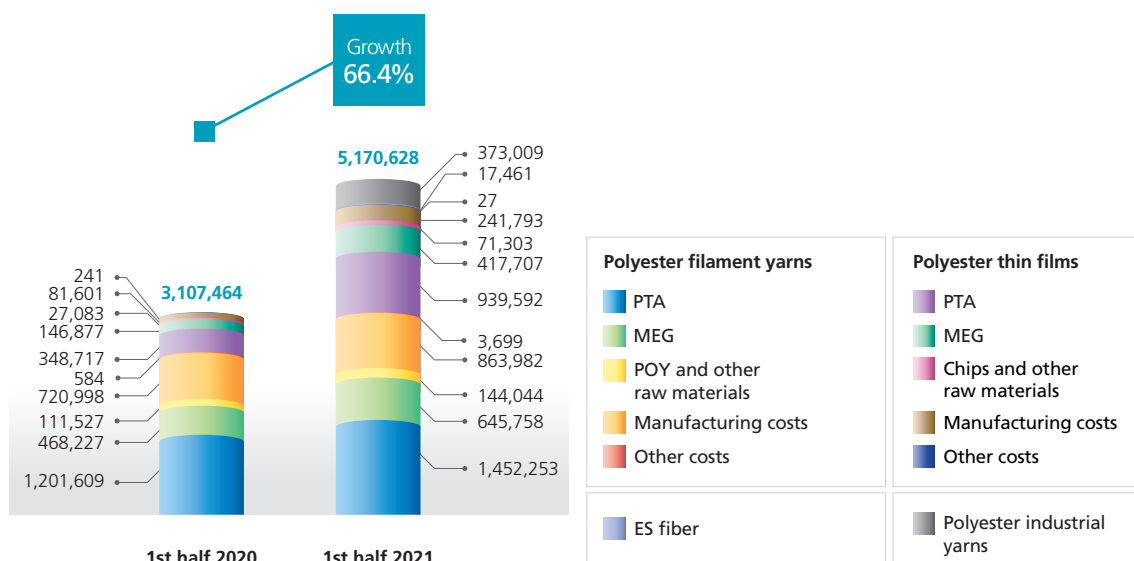
Management Discussion and Analysis

	For the six months ended 30 June			
	2021		2020	
	RMB'000	Percentage	RMB'000	Percentage
Industrial yarns				
Cost of raw materials:				
PTA	195,718	3.8%	–	–
MEG	90,185	1.7%	–	–
Oil and other raw materials	14,220	0.3%	–	–
Sub-total	300,123	5.8%	–	–
Manufacturing costs	72,324	1.4%	–	–
Other costs	562	0.0%	–	–
Sub-total for industrial yarns	373,009	7.2%	–	–
Polyester products				
Cost of raw materials				
PTA	939,592	18.2%	348,717	11.2%
MEG	417,707	8.1%	146,877	4.7%
Chips and other raw materials	71,303	1.4%	27,083	0.9%
Sub-total	1,428,602	27.7%	522,677	16.8%
Manufacturing costs	241,793	4.7%	81,601	2.7%
Other costs	27	0.0%	241	0.0%
Sub-total	1,670,422	32.4%	604,519	19.5%
Total	5,170,628	100.0%	3,107,464	100.0%

Management Discussion and Analysis

Breakdown of Cost of Sales

(RMB'000)



3. Gross Profit

Gross profit of the Group for the period under review was RMB1,292,300,000, which increased by RMB785,102,000, representing an increase of 154.8% as compared to RMB507,198,000 in the first half of 2020. Sales volume of the Group during the period under review increased by 379,174 tons, representing an increase of 83.6% as compared to that in the first half of 2020. Average selling price of products per ton decreased by an average of RMB207 per ton, representing a decrease of 2.6% from RMB7,966 per ton in the first half of 2020 to RMB7,759 per ton during the period under review, while average cost of products per ton also decreased by an average of RMB640 per ton, representing a decrease of 9.4% from RMB6,848 per ton in the first half of 2020 to RMB6,208 per ton during the period under review. Therefore, the average gross profit of products per ton increased from RMB1,118 in the first half of 2020 to RMB1,551 during the period under review. Gross profit margin increased by 6.0 percentage points from 14.0% in the first half of 2020 to 20.0% during the period under review.

Management Discussion and Analysis

Polyester filament yarns

Average selling price of polyester filament yarns products decreased by an average of RMB99 per ton, representing a decrease of 1.2% from RMB8,230 in the first half of 2020 to RMB8,131 during the period under review. The average gross profit of polyester filament yarns products per ton increased from RMB882 in the first half of 2020 to RMB1,394 during the period under review. The gross profit margin increased by 6.4 percentage points from 10.7% in the first half of 2020 to 17.1% during the period under review.

Polyester products

Average selling price of polyester products per ton increased by an average of RMB140 per ton, representing an increase of 2.0% from RMB7,170 per ton in the first half of 2020 to RMB7,310 per ton during the period under review. The average gross profit of polyester products per ton increased from RMB1,828 in the first half of 2020 to RMB1,856 during the period under review. The gross profit margin decrease slightly by 0.1 percentage points from 25.5% in the first half of 2020 to 25.4% during the period under review.

During the period under review, the gross profit and gross profit margin of the Group's polyester filament yarns increased as compared to the same period last year, despite the fact that the outbreak of the epidemic in early 2020 affected various industries including the textile industry and imposed certain short-term impacts on the operating environment of the Group. The commencement of the production of the Vietnam project partially offset the impacts arising from the epidemic. As a result, the gross profit of the polyester products increased as compared with the same period of last year. In addition, the production activities of the Group's facility located in Jinjiang, China, gradually resumed normal operation since the second half of 2020 in an orderly manner, while the production and sales in the facility in Vietnam were not materially affected. The Group's production capacity continued to expand as planned, the official production of ES fiber and polyester industrial yarns will further increase the sales volume and sales of our products. As the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

Management Discussion and Analysis

Analysis of gross profit by product

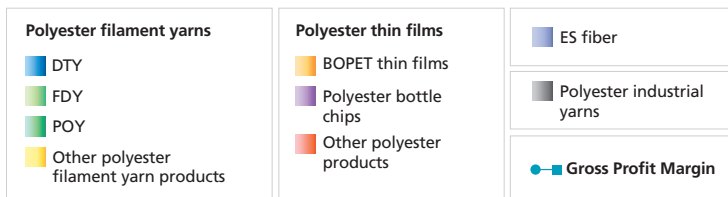
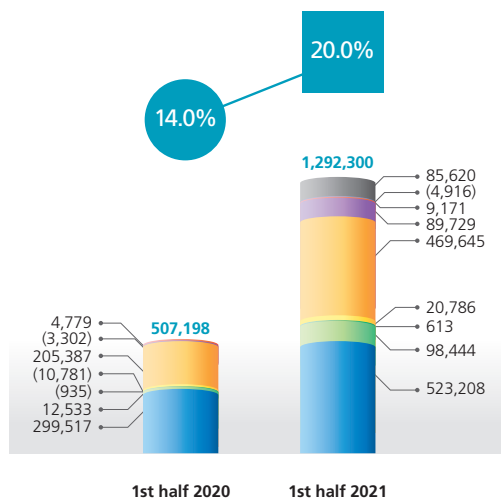
	For the six months ended 30 June			
	2021		2020	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	523,208	40.6%	299,517	59.0%
FDY	98,444	7.6%	12,533	2.5%
POY	613	0.0%	(935)	(0.2%)
Other polyester filament yarns products*	20,786	1.6%	(10,781)	(2.1%)
Sub-total	643,051	49.8%	300,334	59.2%
ES fiber	(4,713)	(0.4%)	–	–
Others	(203)	0.0%	–	–
Sub-total	(4,916)	(0.4%)	–	–
Polyester industrial yarns	85,087	6.6%	–	–
Others	533	0.0%	–	–
Sub-total	85,620	6.6%	–	–
Polyester products				
BOPET thin films	469,645	36.3%	205,387	40.5%
Polyester bottle chips	89,729	7.0%	(3,302)	(0.6%)
Other polyester products**	9,171	0.7%	4,779	0.9%
Sub-total	568,545	44.0%	206,864	40.8%
Total	1,292,300	100.0%	507,198	100.0%

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

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

Management Discussion and Analysis

Gross Profit and Gross Profit Margin (RMB'000)



Management Discussion and Analysis

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

	For the six months ended 30 June	
	2021 RMB	2020 RMB
Polyester filament yarns		
Average selling price per ton	8,131	8,230
Average cost of sales per ton	6,737	7,348
Average gross profit per ton	1,394	882
Average gross profit margin	17.1%	10.7%
Ethylene-propylene side by side		
Average selling price per ton	7,362	–
Average cost of sales per ton	10,247	–
Average gross loss per ton	(2,885)	–
Average gross loss margin	(39.2%)	–
Industrial yarns		
Average selling price per ton	7,233	–
Average cost of sales per ton	5,883	–
Average gross profit per ton	1,350	–
Average gross profit margin	18.7%	–
Polyester products		
Average selling price per ton	7,310	7,170
Average cost of sales per ton	5,454	5,342
Average gross profit per ton	1,856	1,828
Average gross profit margin	25.4%	25.5%

Management Discussion and Analysis

4. Other revenue

Other revenue of the Group for the period under review amounted to RMB179,545,000 representing an increase of 83.8% as compared to RMB97,687,000 in the first half of 2020. Other revenue included bank interest income, government grants and gains on sales of raw materials. Such change was mainly attributable to the combined effect of an increase in bank interest income and gains on sales of raw materials, and a increase in government grants as compared to those of the same period last year.

5. Other net gains and losses

Other net gains of the Group during the period under review amounted to RMB48,162,000 as compared to other net losses of RMB8,835,000 in the first half of 2020. Other net gains and losses mainly comprised the realised gains and losses on other financial assets, donation expenses and net exchange gain and loss. Such change was mainly attributable to the combined effect of the decrease in realised losses on other financial assets and donation expenses, and the increase in net exchange gain.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB111,964,000, representing an increase of 159.3% as compared to RMB43,172,000 in the first half of 2020. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such increase was mainly due to the increase in transportation costs resulted from the increase in sales volume upon commencement of production of Billion Vietnam and the new production site in Jinjiang City.

7. Administrative expenses

Administrative expenses of the Group for the period under review amounted to RMB266,197,000, increased by 26.7% as compared to RMB210,126,000 in the first half of 2020. 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 research and development expenses during the period under review.

Management Discussion and Analysis

8. Finance costs

Finance costs of the Group for the period under review amounted to RMB148,463,000, increased by 68.5% as compared to RMB88,099,000 in the first half of 2020. Such change was mainly due to the increase in related interests as a result of the increase in the weighted average interest rate of bank loan during the period under review.

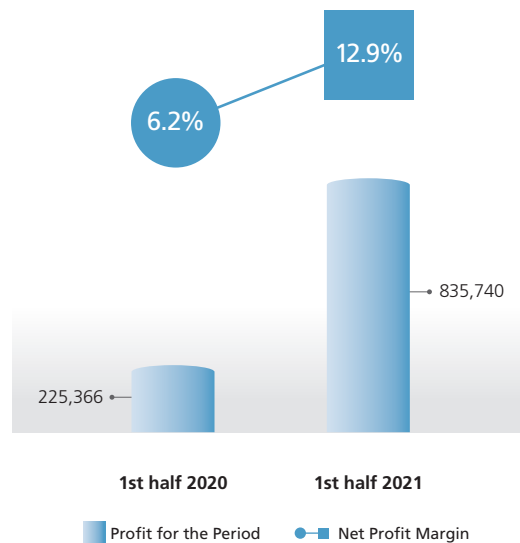
9. Income tax

Income tax of the Group for the period under review amounted to RMB157,643,000, increased by 438.3% as compared to RMB29,287,000 in the first half of 2020. Such change was mainly due to an increase in profit before income tax.

10. Profit for the period

Profit of the Group for the period under review amounted to RMB835,740,000, increased by RMB610,374,000 or 270.8% as compared to RMB225,366,000 in the first half of 2020, which was mainly attributable to the epidemic of the Covid-19 has gradually stabilized, overall sales revenue of the Group increased.

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



Management Discussion and Analysis

Financial position

1. *Liquidity and capital resources*

As at 30 June 2021, cash and cash equivalent of the Group amounted to RMB407,624,000, increased by RMB64,705,000 or 18.9% as compared to RMB342,919,000 as at 31 December 2020.

During the period under review, net cash inflow from operating activities amounted to RMB3,090,390,000. Net cash outflow from investing activities amounted to RMB1,515,160,000, which mainly comprised the capital expenditure of RMB962,329,000 and the net increase of restricted bank deposit placement of RMB590,723,000. Net cash outflow from financing activities amounted to RMB1,509,365,000, which mainly comprised repayment of bank loans of RMB3,200,242,000 during the period.

During the period under review, inventory turnover days were 75.9 days (for the first half of 2020: 145.9 days), a decrease of 70 days as compared to the same period last year, which was mainly due to the increased speed of inventory being realised as a result of optimizing inventory management by the Group. The trade receivable turnover days were 13.8 days (for the first half of 2020: 26.9 days), representing a decrease of 13.1 days as compared to the same period last year, which was mainly due to the increase in the discounting of bills receivables during the period. The trade payable turnover days were 432.1 days (for the first half of 2020: 376.9 days), representing an increase of 55.2 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 2021, the Group had capital commitments of RMB1,315,554,000, 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 2021, the total liabilities of the Group amounted to RMB12,398,311,000, whereas capital and reserves amounted to RMB8,197,478,000. The gearing ratio (total liabilities divided by total equity) was 151.3%. Total assets amounted to RMB20,595,789,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.7 times. Bank loans of the Group amounted to RMB1,899,272,000, of which RMB1,280,492,000 were repayable within one year, and RMB618,780,000 were repayable after one year. RMB560,273,000 of the bank borrowings were secured by properties and restricted bank deposits.

Management Discussion and Analysis

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or acquiring capital assets

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

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 2021.

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities (2020: Nil).

Foreign currency risk

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

Certain financial assets and financial liabilities of the Group are denominated in RMB, which is different from the functional currency of the respective group entities.

The management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should need to arise. At 30 June 2021, the Group had entered certain foreign currency forward contracts. No significant realised and unrealised fair value gain or loss has been arising for the foreign currency forward contracts.

Employees and remuneration

As at 30 June 2021, the Group had a total of 7,717 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Management Discussion and Analysis

BUSINESS OUTLOOK

The outbreak of the epidemic in 2020 led to the suspension of work in the textile industry at the beginning of the year, and domestic and foreign demand shrank. After entering the second half of the year, favorable policies were frequently issued, the resumption of work and production proceeded in an orderly manner, and the business conditions of the Company gradually improved. Recently, a number of Coronavirus Vaccines have been approved for marketing, giving people greater hope for the improvement of the epidemic. As countries continue to implement vaccines and fiscal and monetary policies, the global economy is expected to continue to rebound in 2021. While China is pursuing stable economic development, it has strengthened its social safety net, which is more conducive to people's access to services and commodities to stimulate consumption in this way.

Although the recovery of global trade and investment is slower than expected, the easing of the US-Sino trade war and the loosening of monetary policy by major central banks around the world and the introduction of various fiscal stimulus policies in some countries in response to the economic slowdown, global economic growth will be slightly improved in this year, recession risks will be limited, monetary policy will be looser, and the economic outlook will be flat. In recent years, the price and spread performance of polyester filament yarns have been stronger than that in the same period in history. The concentration has continued to increase at the same time as the conversion of old and new capacity.

As the largest polyester filament yarns manufacturer in Southern China, the largest differentiated chemical fiber production base in Fujian region and one of China's top 500 private enterprises, the Group has always been focusing on technological innovation. It adopts the world advanced melt-direct spinning differentiated chemical fiber production line, and possesses the leading spinning and texturing equipment and technology in the industry. Benefiting from the economic cycle and the rise of the crude oil price, the price trend of polyester thin films of the Group continued to improve. In addition, the continuous launch of new products has driven up the price of the Group's products and coupled with our appropriate cost control, the Group's overall business has experienced steady growth.

The Billion Vietnam Polyester Filament Project, which has an iconic significance for the Group's expansion into emerging markets, was formally put into operation in September 2019, further expanding the Group's overseas markets. Furthermore, 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 yarns products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum, and they have been gradually commenced commercial production in the second quarter of 2020.

Management Discussion and Analysis

Polyester products consumption has been increasing in China in recent years, and China has become an important production base for polyester products worldwide. By expanding the existing polyester thin film business, the Company will be able to leverage its existing scale and expertise in manufacturing polyester products to enjoy the growth of this market. The Group currently has geographical, technological and cost advantages in the polyester thin film industry. At a time when the industry is still in the blue ocean stage, the future polyester thin film will remain an important performance growth driver of the Group. Therefore, the Group is investing approximately US\$230 million to establish a polyester thin film production line in the three years from 2019 to 2021. Upon completion, its estimated total production capacity will be approximately 255,000 tons per year.

After the expansion plans for the polyester industrial yarns project and the polyester thin film project are completed, the size of the Group, and the sales volume and sales revenue of products will further increase. However, due to the impact of the continuing of the epidemic, there was some short-term impacts on the overall textile industry and the sales of the Group. However, as the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	6,462,928	3,614,662
Cost of sales		(5,170,628)	(3,107,464)
Gross profit		1,292,300	507,198
Other revenue	4	179,545	97,687
Other net gains and losses	5	48,162	(8,835)
Selling and distribution expenses		(111,964)	(43,172)
Administrative expenses		(266,197)	(210,126)
Profit from operations		1,141,846	342,752
Finance costs	6	(148,463)	(88,099)
Profit before tax	6	993,383	254,653
Income tax expenses	7	(157,643)	(29,287)
Profit for the period attributable to owners of the Company		835,740	225,366
Earnings per share	9		
Basic and diluted (RMB)		0.40	0.11

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the period attributable to owners of the Company	835,740	225,366
Other comprehensive (loss) income for the period:		
<i>Item that will not be reclassified to profit or loss</i>		
Exchange difference on consolidation	(1,724)	3,614
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	(8,415)	(5,775)
Total other comprehensive loss for the period	(10,139)	(2,161)
Total comprehensive income for the period attributable to owners of the Company	825,601	223,205

Unaudited Condensed Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	11,048,654	10,393,976
Intangible assets		8,834	8,414
Deposit and prepayments	12	387,802	406,423
		<u>11,445,290</u>	<u>10,808,813</u>
Current assets			
Inventories	11	2,409,756	1,905,552
Trade and other receivables	12	1,812,876	1,695,744
Restricted bank deposits	13	4,520,243	3,929,520
Cash and cash equivalents	14	407,624	342,919
		<u>9,150,499</u>	<u>7,873,735</u>
Current liabilities			
Trade and other payables	15	9,886,220	7,432,014
Contract liabilities		268,593	274,374
Bank loans	16	1,280,492	2,068,975
Lease liabilities	17	1,021	1,003
Tax payables		157,806	134,263
		<u>11,594,132</u>	<u>9,910,629</u>
Net current liabilities		<u>(2,443,633)</u>	<u>(2,036,894)</u>
Total assets less current liabilities		<u>9,001,657</u>	<u>8,771,919</u>

Unaudited Condensed Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Non-current liabilities			
Bank loans	16	618,780	1,215,416
Lease liabilities	17	4,537	5,193
Deferred tax liabilities		180,862	176,467
		<u>804,179</u>	<u>1,397,076</u>
NET ASSETS		<u>8,197,478</u>	<u>7,374,843</u>
CAPITAL AND RESERVES			
Share capital	18	17,819	17,827
Reserves		8,179,659	7,357,016
TOTAL EQUITY		<u>8,197,478</u>	<u>7,374,843</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

	Reserves								Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	
At 1 January 2020 (audited)	17,846	82,806	1,487	584,928	1,805,631	(175,275)	4,343,037	6,642,614	6,660,460
Profit for the period	-	-	-	-	-	-	225,366	225,366	225,366
Other comprehensive income (loss):									
<i>Item that will not be reclassified to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	3,614	-	3,614	3,614
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	(5,775)	-	(5,775)	(5,775)
Total other comprehensive loss	-	-	-	-	-	(2,161)	-	(2,161)	(2,161)
Total comprehensive income for the period	-	-	-	-	-	(2,161)	225,366	223,205	223,205
At 30 June 2020 (unaudited)	17,846	82,806	1,487	584,928	1,805,631	(177,436)	4,568,403	6,865,819	6,883,665
At 1 January 2021 (audited)	17,827	75,894	1,506	665,972	1,805,631	(235,462)	5,043,475	7,357,016	7,374,843
Profit for the period	-	-	-	-	-	-	835,740	835,740	835,740
Other comprehensive loss:									
<i>Item that will not be reclassified to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	(1,724)	-	(1,724)	(1,724)
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	(8,415)	-	(8,415)	(8,415)
Total other comprehensive loss	-	-	-	-	-	(10,139)	-	(10,139)	(10,139)
Total comprehensive income for the period	-	-	-	-	-	(10,139)	835,740	825,601	825,601
Transactions with owners:									
Contributions and distributions									
Purchase of own shares (Note 16(b))									
- par value paid	(8)	-	-	-	-	-	-	-	(8)
- premium paid	-	(2,958)	-	-	-	-	-	(2,958)	(2,958)
- transfer between reserves	-	(8)	8	-	-	-	-	-	-
Appropriation of statutory reserve	-	-	-	481	-	-	(481)	-	-
Total transactions with owners	(8)	(2,966)	8	481	-	-	(481)	(2,958)	(2,966)
At 30 June 2021 (unaudited)	17,819	72,928	1,514	666,453	1,805,631	(245,601)	5,878,734	8,179,659	8,197,478

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Operating activities		
Cash generated from (used in) operations	3,220,096	(411,576)
Income tax paid	(129,706)	(81,047)
Net cash from (used in) operating activities	3,090,390	(492,623)
Investing activities		
Purchase of property, plant and equipment and intangible assets	(762,540)	(420,331)
Expenditure on construction in progress	(199,789)	–
Proceeds from the disposal of wealth management products	–	103,143
Proceeds from the disposal of structured deposits	–	204,526
Withdrawal of restricted bank deposits	85,114	41,538
Placement of restricted bank deposits	(675,837)	(1,133,065)
Other cash flows arising from investing activities	37,892	40,396
Net cash used in investing activities	(1,515,160)	(1,163,793)
Financing activities		
Capital element of lease rentals paid	(388)	(148)
Interest element of lease rentals paid	(144)	(167)
Proceeds from new bank loans	1,841,925	3,015,760
Repayment of bank loans	(3,200,242)	(1,079,274)
Other cash flows used in financing activities	(150,516)	(86,187)
Net cash (used in) from financing activities	(1,509,365)	1,849,984
Net increase in cash and cash equivalents	65,865	193,568
Cash and cash equivalents at beginning of the reporting period	342,919	201,398
Effect of foreign exchange rate changes, net	(1,160)	(2,163)
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	407,624	392,803

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Billion Industrial Holdings Limited (“**the Company**”, together with its subsidiaries collectively referred to as the “**Group**”) was incorporated in Cayman Islands on 25 November 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 18 May 2011. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the interim report.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and sales of polyester filament yarns products, polyester products*, polyester industrial yarns products and ES fiber products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements have been prepared on historical cost basis except for contracts for financial instruments at fair value through profit or loss (“**FVPL**”) which is stated at fair value. The Interim Financial Statements are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand, unless otherwise stated.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2020 (the “**2020 Annual Financial Statements**”).

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2020 Financial Statements except for the adoption of the new/revised HKFRSs, HKASs and Interpretations which are relevant to the Group (hereinafter collectively referred to as the “new/revised HKFRSs”) as detailed below which are effective for current period.

Going Concern

At 30 June 2021, the Group recorded net current liabilities of approximately RMB2,443,633,000 (31 December 2020: approximately RMB2,036,894,000). Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank and cash balances at 30 June 2021 and continuous net cash inflows from operating activities; and (ii) the confirmed and indicated credit commitments from financial institutions, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its normal operation and meet the obligation for its liabilities for the twelve months from the end of the reporting period of the unaudited condensed consolidated financial statements. Accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis.

New/revised HKFRSs

In the current period, the Group has adopted for the first time, the following new/revised HKFRSs issued by the HKICPA, which are effective for the current period.

Amendments to HKAS 39,
HKFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform – Phase 2

At the date of authorisation of the Interim Financial Statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products. The Group has only one reportable operating segment. The Group's most senior executive management reviews the Group as a whole and internal reports including only revenue analysis by product types and no other discretionary information is prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products lines</i>		
Polyester filament yarns products	3,752,788	2,803,279
Polyester products	2,238,967	811,383
Polyester industrial yarns products	458,629	–
ES fiber products	12,544	–
	6,462,928	3,614,662
<i>Disaggregated by geographical location of customers</i>		
The People's Republic of China (the "PRC")	4,843,695	2,975,433
Others	1,619,233	639,229
	6,462,928	3,614,662

The Group's customer base is diversified. No individual customer (*six months ended 30 June 2020: Nil*) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2021.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment (including right-of-use assets), intangible assets and deposits and prepayments ("**Specified Non-current Assets**"). The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

Location of the Specified Non-current Assets

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
The PRC	9,118,405	8,532,758
Vietnam	2,286,000	2,234,040
Hong Kong	40,885	42,015
	<u>11,445,290</u>	<u>10,808,813</u>

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. OTHER REVENUE

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Bank interest income	80,928	64,727
Government grants (Note)	83,421	19,205
Sales of raw materials	15,175	13,276
Others	21	479
	179,545	97,687

Note:

For the six months ended 30 June 2021, the government grants include approximately RMB80,928,000 (for the six months ended 30 June 2020: approximately RMB18,733,000) were received from several local government authorities for the Group's contribution to local economies of which the entitlement was unconditional and at the discretion of the relevant authorities. For the six months ended 30 June 2020, the remaining amount of approximately RMB472,000 were transferred from deferred income to profit or loss upon the conditions met. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

5. OTHER NET GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Donations	(133)	(3,102)
Exchange (loss) gain, net	(4,580)	5,274
(Loss) Gain on disposal of property, plant and equipment, net	(952)	312
Realised (loss) gain on other financial assets, net	(5,372)	2,575
Realised gain on financial instruments at FVPL, net	33,920	22,804
Unrealised gain (loss) on financial instruments at FVPL, net	6,827	(24,010)
Others	18,452	(12,688)
	48,162	(8,835)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on bank loans (Note (i))	126,545	38,615
Interest on lease liabilities	144	167
Other interest expenses	25,848	56,874
	152,537	95,656
Less: Capitalised into construction in progress	(4,074)	(7,557)
	148,463	88,099

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries, wages, allowances and other benefits	195,958	165,350
Contributions to defined contribution retirement plans	5,451	4,714
	201,409	170,064

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. PROFIT BEFORE TAX (Continued)

(c) Other items

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Amortisation of intangible assets (included in "Administrative expenses")	1,111	1,086
Auditors' remuneration	209	500
Cost of inventories (Note (ii))	5,170,628	3,107,464
Depreciation (included in "Cost of sales" and "Administrative expenses"), as appropriate		
– property, plant and equipment	279,401	228,867
– right-of-use assets	8,859	–
Loss allowance on trade receivables, net	9,396	164
Research and development costs (Note (iii))	183,366	128,281

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.92%-3% (six months ended 30 June 2020: 2.92%-3%) per annum for the six months ended 30 June 2021.
- (ii) For the six months ended 30 June 2021, cost of inventories included approximately RMB403,124,000 (six months ended 30 June 2020: approximately RMB286,062,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iii) For the six months ended 30 June 2021, research and development costs included approximately RMB73,295,000 (six months ended 30 June 2020: approximately RMB57,577,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current tax		
PRC Corporate Income Tax ("CIT")	131,788	33,988
Hong Kong Profits Tax	–	(11,282)
Vietnam Corporate Income Tax	–	–
	131,788	22,706
Withholding tax		
Withholding tax on dividends	21,461	4,800
Deferred tax		
Origination and reversal of temporary differences	4,394	1,781
	157,643	29,287

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

Under the Laws of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In accordance with the relevant CIT Law, regulations and implementation guidance notes, the subsidiary in the PRC, 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 which entitles Billion Fujian to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations. Billion Fujian has submitted the application for renewal of the Advanced and New Technology Enterprise Status and in the opinion of the management of the Group, the application for renewal will be completed in 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. INCOME TAX EXPENSES (Continued)

In accordance with the relevant CIT Law, regulations and implementation guidance notes, the subsidiary in the PRC, 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 2020 to 2022 which entitles Billion High-tech to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations.

For the six months ended 30 June 2021, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose. For the six months ended 30 June 2020, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK\$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Billion Development (Hong Kong) Limited, were taxed at 8.25% and assessable profits arising from Hong Kong above HK\$2 million were taxed at 16.5%.

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. The Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective until 2022. Withholding tax on dividend represents tax charged by the PRC tax authority on dividends distributed by the Group’s subsidiaries in the PRC for the six months ended 30 June 2021 and 2020.

The standard corporate income tax rate in Vietnam is 20%. Vietnam Corporate Income Tax has not been provided as the Group’s estimated assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous years.

* *The English translation of the name is for reference only.*

8. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	835,740	225,366

	Six months ended 30 June	
	2021	2020
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Issued ordinary shares at 1 January	2,119,924	2,122,098
Effect of shares repurchased (Note 18(b))	(12,508)	–
Weighted average number of ordinary shares	2,107,416	2,122,098

There were no dilutive potential ordinary shares during the six months ended 30 June 2021 and 2020, and therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. PROPERTY, PLANT AND EQUIPMENT

(a) Other property, plant and equipment

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Net book value, at 1 January	7,272,277	6,361,538
Exchange adjustments	(15,982)	(59,099)
Additions	–	5
Transfer from construction in progress (Note 10(b))	1,373,637	1,456,943
Disposals	(9,111)	(103)
Depreciation charge for the period/year	(279,401)	(487,007)
At 30 June/31 December	8,341,420	7,272,277

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Construction in progress

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
At 1 January	2,434,689	2,114,406
Exchange adjustments	(8,842)	(34,316)
Additions	830,157	1,811,542
Transfer to other property, plant and equipment (Note 10(a))	(1,373,637)	(1,456,943)
At 30 June/31 December	<u>1,882,367</u>	<u>2,434,689</u>

(c) Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying assets is as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Included in "Property, plant and equipment":		
Interests in leasehold land held for own use	821,604	683,352
Buildings leased for own use	<u>3,263</u>	<u>3,658</u>
At 30 June/31 December	<u>824,867</u>	<u>687,010</u>

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. INVENTORIES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Raw materials	467,248	366,055
Work in progress	68,585	82,997
Finished goods	1,873,923	1,456,500
	2,409,756	1,905,552

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade receivables from third parties	464,679	334,861
Less: Loss allowance	(17,591)	(8,195)
	447,088	326,666
Bills receivables from third parties	89,120	117,875
	536,208	444,541
Deposits, prepayments and other receivables	1,664,470	1,657,626
	2,200,678	2,102,167
Less: Non-current portion of deposits and prepayments	(387,802)	(406,423)
	1,812,876	1,695,744

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. TRADE AND OTHER RECEIVABLES (Continued)

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

At 30 June 2021, the Group had discounted bank acceptance bills totalling approximately RMB1,037,889,000 (31 December 2020: approximately RMB1,545,862,000) and endorsed bank acceptance bills totalling approximately RMB19,632,000 (31 December 2020: approximately RMB14,328,000), which are derecognised as financial assets. These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

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

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

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables and bills receivables (which are included in "trade and other receivables"), based on the date of billing and net of loss allowance for expected credit losses ("ECL"), is as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 1 month	438,521	254,033
1 to 2 months	43,712	110,865
2 to 3 months	27,574	64,729
Over 3 months	26,401	14,914
	536,208	444,541

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis (Continued)

Trade receivables and bills receivables are due within 90 to 210 days (31 December 2020: 90 to 210 days) and 1 to 365 days (31 December 2020: 1 to 210 days), respectively, from the date of billing.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables:

	At 30 June 2021		
	Expected loss rate	Gross carrying amount RMB'000 (unaudited)	Loss allowance RMB'000 (unaudited)
Current (not past due)	1.71%	518,046	8,843
Less than 1 month past due	8.75%	22,535	1,971
1 to 3 months past due	20.90%	4,876	1,019
3 months to 1 year past due	65.33%	7,454	4,870
More than 1 year	100.00%	888	888
		<u>553,799</u>	<u>17,591</u>

	At 31 December 2020		
	Expected loss rate	Gross carrying amount RMB'000 (audited)	Loss allowance RMB'000 (audited)
Current (not past due)	1.66%	451,180	7,468
Less than 1 month past due	8.76%	502	44
1 to 3 months past due	21.43%	14	3
3 months to 1 year past due	65.25%	1,036	676
More than 1 year	100.00%	4	4
		<u>452,736</u>	<u>8,195</u>

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis (Continued)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bills receivables during the six months ended 30 June 2021 and year ended 31 December 2020 is as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
At 1 January	8,195	83
Reversal of loss allowance during the period/year	–	(16)
Change of loss allowance during the period/year	9,396	8,128
At 31 December	17,591	8,195

13. RESTRICTED BANK DEPOSITS

The restricted bank deposits of approximately RMB452,119,000 (31 December 2020: approximately RMB900,433,000) and approximately RMB4,068,124,000 (31 December 2020: approximately RMB3,029,087,000) were pledged to the banks to secure certain bank loans (Note 16) and bills payables (Note 15), respectively.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Cash at bank and in hand	407,624	342,919

15. TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade payables	458,049	423,862
Bills payables	7,719,218	5,566,919
Other payables and accrued charges	1,314,988	350,035
Interest payables	6,987	6,218
Equipment payables	169,338	930,347
Construction payables	217,640	154,633
	9,886,220	7,432,014

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

Certain bills payables are secured by restricted bank deposits at 30 June 2021 and 31 December 2020 (Note 13).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. TRADE AND OTHER PAYABLES (Continued)

The Group normally is allowed a credit term of 60 to 180 days by its suppliers. At the end of the reporting period, the ageing analysis of trade payables and bills payables (which are included in “Trade and other payables”), based on the invoice date, is as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 3 months	3,287,800	2,229,125
More than 3 months but within 6 months	1,807,632	1,493,629
More than 6 months but within 1 year	3,078,178	2,263,208
More than 1 year	3,657	4,819
	8,177,267	5,990,781

16. BANK LOANS

At the end of the reporting period, the bank loans were repayable as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 1 year or on demand	1,280,492	2,068,975
After 1 year but within 2 years	408,129	699,193
After 2 years but within 5 years	210,372	462,600
After 5 years	279	53,623
	618,780	1,215,416
	1,899,272	3,284,391

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. BANK LOANS (Continued)

At the end of the reporting period, the bank loans were secured as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Secured	560,273	948,129
Unsecured	1,338,999	2,336,262
	1,899,272	3,284,391

At 30 June 2021, the interest-bearing borrowings are collectively secured by:

- (i) bank deposits amounted to approximately RMB452,119,000 (31 December 2020: approximately RMB900,433,000);
- (ii) building held for own use amounted to approximately RMB492,664,000 (31 December 2020: approximately RMB41,613,000); and
- (iii) corporate guarantee given by certain subsidiaries of the Company in aggregate of approximately HK\$920,000,000 and US\$116,000,000 (31 December 2020: approximately HK\$920,000,000 and US\$116,000,000).

The ranges of effective interest rates on the Group's bank loans are as follows:

	Six months ended 30 June 2021 % (unaudited)	Year ended 31 December 2020 % (audited)
Fixed rate bank loans	3.00 – 3.92	3.00 – 4.35
Variable rate bank loans	1.42 – 3.85	1.17 – 3.85

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	At 30 June 2021		At 31 December 2020	
	Present value of the minimum lease payments RMB'000 (unaudited)	Total minimum lease payments RMB'000 (unaudited)	Present value of the minimum lease payments RMB'000 (audited)	Total minimum lease payments RMB'000 (audited)
Within 1 year	1,021	1,287	1,003	1,369
After 1 year but within 2 years	836	1,063	817	1,065
After 2 years but within 5 years	2,343	2,619	2,098	2,616
After 5 years	1,358	3,576	2,278	4,388
	4,537	7,258	5,193	8,069
	5,558	8,545	6,196	9,438
Less: Future finance charges		(2,987)		(3,242)
Present value of lease liabilities		5,558		6,196

At 30 June 2021, the weighed average of the incremental borrowing rates for the lease liabilities of the Group was 4.87% (31 December 2020: 4.87%) per annum.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. SHARE CAPITAL

(a) Authorised and issued share capital

	Par value HK\$	Number of shares	Nominal value of ordinary shares	
			HK\$	RMB
Authorised:				
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	0.01	10,000,000,000	100,000,000	
	Par value HK\$	Number of shares	Nominal value of ordinary shares	
			HK\$	RMB
Issued and fully paid:				
At 1 January 2020 (audited) and 31 December 2020 (audited)	0.01	2,119,924,000	21,199,240	17,827,342
Repurchase of shares (<i>Note 18(b)</i>)	0.01	(938,000)	(9,380)	(7,889)
At 30 June 2021 (unaudited)	0.01	2,118,986,000	21,189,860	17,819,453

(b) Purchase of own shares

During the six months ended 30 June 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid RMB'000
January 2021	938,000	3.99	3.65	2,966

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 938,000 (*30 June 2020: Nil*) shares were repurchased during six months ended 30 June 2021 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 approximately RMB8,000 (*30 June 2020: Nil*) was transferred from share premium to the capital redemption reserve during six months ended 30 June 2021. The premium paid on the repurchase of the shares of approximately HK\$3,526,000 (equivalent to approximately RMB2,958,000) (*30 June 2020: Nil*) were charged to share premium for the six months ended 30 June 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

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 At 30 June 2021 (unaudited) using			
	Fair value at 30 June 2021 RMB'000	Quoted prices in active market for identified underlying items (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Contracts for financial instruments at FVPL	9,619	9,619	–	–

	Fair value measurements At 31 December 2020 (audited) using			
	Fair value at 31 December 2020 RMB'000	Quoted prices in active market for identified underlying items (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Contracts for financial instruments at FVPL	(1,245)	(1,245)	–	–

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

Valuation techniques and inputs used in fair value measurements

At 30 June 2021 and 31 December 2020, the fair value of financial instruments in Level 1 is determined by reference to the prices quoted by the financial institutions.

During the six months ended 30 June 2021 and the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and financial liabilities are carried at amounts not materially different from their fair values at 30 June 2021 and 31 December 2020.

20. CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided, net of any deposits paid, for in the Interim Financial Statements were as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Contracted for	1,245,855	1,644,385
Authorised but not contracted for	69,699	72,932
	<u>1,315,554</u>	<u>1,717,317</u>

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employees as disclosed in note 6 to the unaudited condensed consolidated financial statements, is as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries, wages, allowances and benefits in kind	2,371	2,553
Retirement scheme contributions	16	47
	<u>2,387</u>	<u>2,600</u>

(b) Transactions with related parties

Other than otherwise disclosed, the Group had not entered any transactions with related parties for the six months ended 30 June 2021 and 2020.

General Information

INTERIM DIVIDEND

The board (“Board”) of directors (“Directors”) of the Company resolved not to declare an interim dividend for the six months ended 30 June 2021.

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

As at 30 June 2021, 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	30.38%
Mr. Wu Jinbiao ⁽²⁾	Interest in controlled corporation	136,820,000	6.46%

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 2,118,986,000 issued shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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. At no time had the Company or any of its holding company or subsidiaries participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 June 2021, 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	784,384,808	37.02%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") ^(a)	Interest in controlled corporation	784,384,808	37.02%
China Energy Conservation and Environmental Protection Group ("CECEP") ^(b)	Interest in controlled corporation	784,384,808	37.02%
Kingom Power Limited	Beneficial owner	643,720,000	30.38%
Winwett Investments Limited	Beneficial owner	136,820,000	6.46%

General Information

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital^(c)
Mr. Huang Shaorong	Beneficial owner	19,425,000	0.92%
	Interest in controlled corporation	188,532,000	8.89%
Ever Luxuriant Global Trading Limited	Beneficial owner	188,532,000	8.89%
Mr. Lin Haibin	Beneficial owner	27,723,000	1.31%
	Nominee for another person (other than a bare trustee)	166,706,000	7.87%
Haibin International Investments Limited	Beneficial owner	170,140,000	8.03%
Export – Import Bank of China	Person having a security interest in shares	300,000,000	14.16%

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 2,118,986,000 issued shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 Share Option Scheme has expired on 17 May 2021. No further option can be granted pursuant to the Share Option Scheme. During the lifetime of the Share Option Scheme, no options have been granted thereunder.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2021, the Company bought back 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
January 2021	938,000	3.99	3.65	2,966,000
Total	938,000			2,966,000

CHANGES IN DIRECTORS' INFORMATION

There is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Thursday, 1 April 2021 and will remain suspended until further notice. The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2021, 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 2021.

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. Li 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 has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2021.

