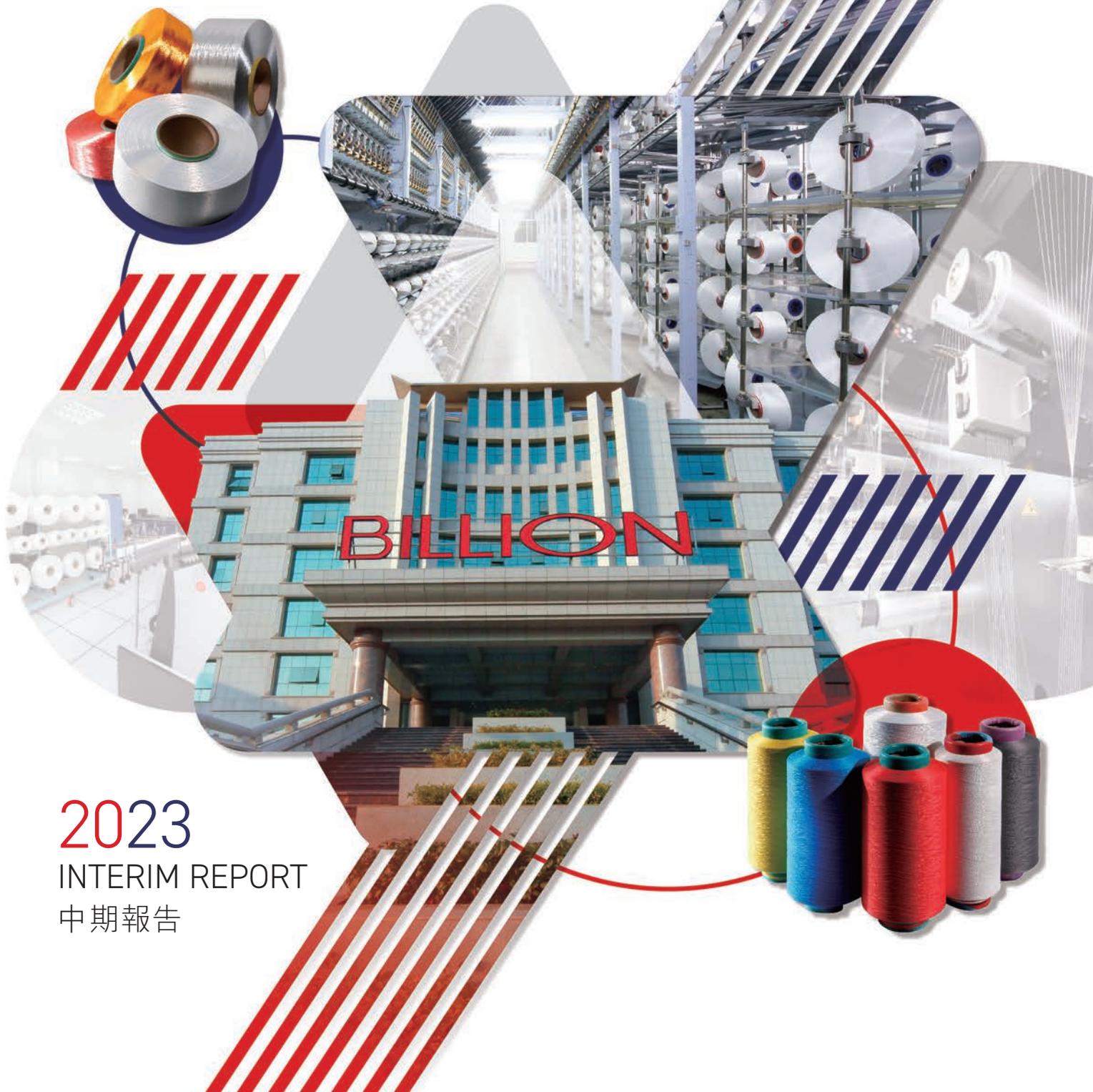




百宏實業控股有限公司

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



2023
INTERIM REPORT
中期報告



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Company Profile

Mission

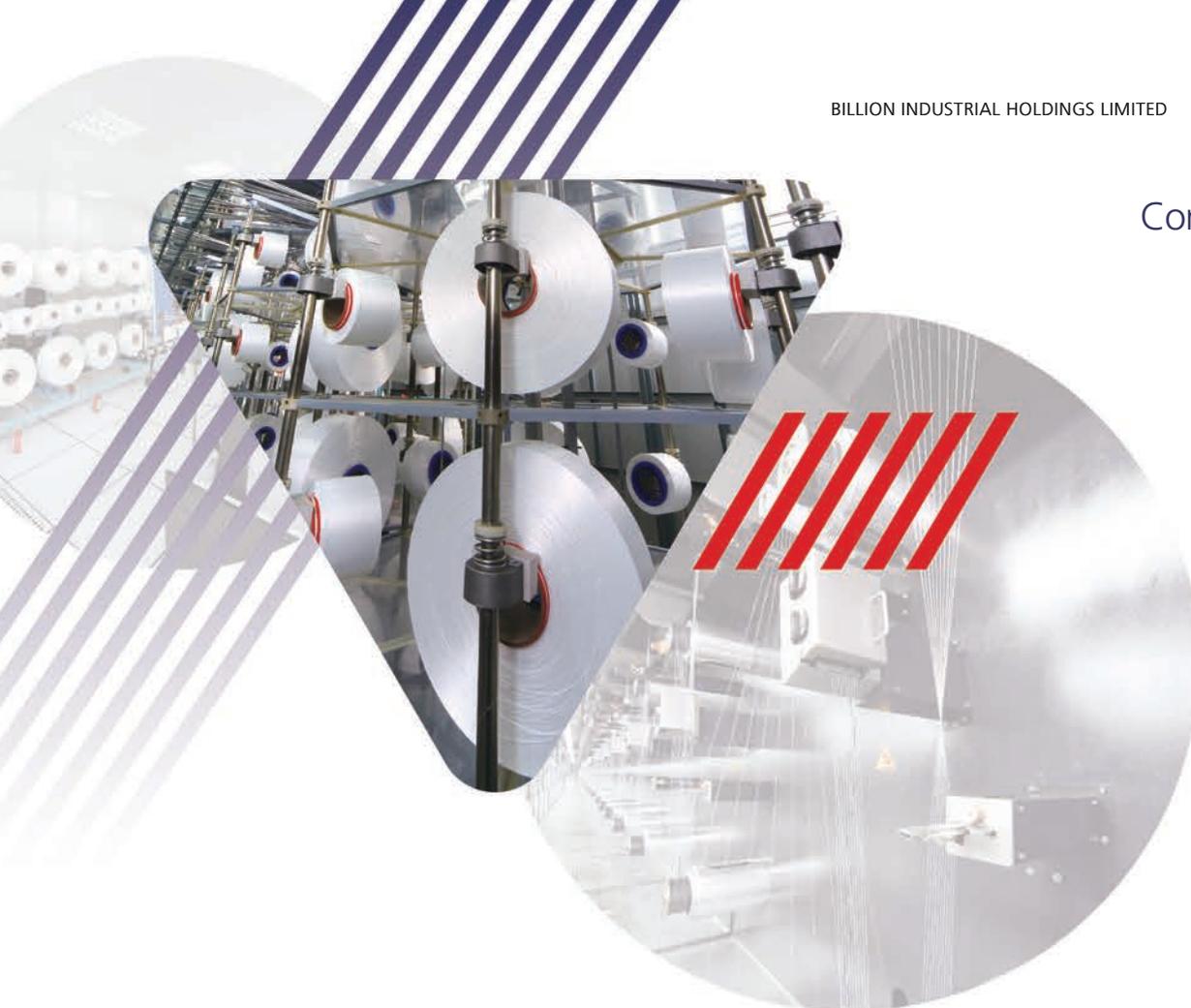
We aspire to become the world's premier supplier of consumer products materials, providing eco-friendly products for the public



Billion Industrial Holdings Limited (the “**Company**” or “**Billion**”, together with its subsidiaries, the “**Group**”), is one of the largest developers and manufacturers of polyester filament yarns in China. The polyester filament yarns products of the Group are positioned at 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 of 30 June 2023, 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 of 30 June 2023, the Group’s designed capacity for domestic polymer products was 910,000 tons per year, of which, the designed capacity biaxially-oriented polyethylene terephthalate (“**BOPET**”) thin films was 626,500 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 and applied in the segments including soft packaging, composite printing, electronic appliances, garments, safety and energy saving. Purification workshop management is implemented for 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. As of 30 June 2023, the designed capacity of Billion Vietnam for polyester filament yarns was 554,300 tons per year, of which, the designed capacity of FDY and POY was 184,000 tons per year, and that of DTY was 170,300 tons per year. The combined designed capacity for DTY, FDY and POY was 354,300 tons per year, and the designed capacity for polyester bottle chips was 250,000 tons per year, marking a milestone during the Group’s journey in exploring the emerging markets. The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons. It is expected to be put into commercial production gradually in the second half of 2023.

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 with its existing scale and expertise in the manufacturing of polyester thin films. In this regard, the production line for polyester thin films established by the Group with a planned investment of US\$320 million over a period of four years from 2020 to 2023 is being brought into production successively. At present, the polymerization equipment project, No. 16 and No. 17 production lines for thin films have been put into operation. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Zhang Shengbai
(*Co-chairman*)

Independent Non-executive Directors

Mr. Yu Wai Ming
Mr. Shih Chun Pi
Mr. Lin Jian Ming

Board Committees

Audit Committee

Mr. Yu Wai Ming (*Chairman*)
Mr. Shih Chun Pi
Mr. Lin Jian Ming

Remuneration Committee

Mr. Yu Wai Ming (*Chairman*)
Mr. Sze Tin Yau
Mr. Lin Jian Ming

Nomination Committee

Mr. Sze Tin Yau (*Chairman*)
Mr. Yu Wai Ming
Mr. Shih Chun Pi

Corporate Governance Committee

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

Company Secretary

Mr. Law Hoi Ching

Authorised Representatives

Mr. Sze Tin Yau
Mr. Law Hoi Ching

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 Zon
Longhu Town
Jinjiang City
Fujian
PRC

Viet Nam:

Lot 43-16, Road N14,
Phuoc Dong Industrial Park,
Phuoc Dong Commune,
Go Dau District
Tay Ninh Province, Viet Nam

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 KY1-1100
Cayman Islands

Hong Kong Share Registrar and Transfer Office

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

Principal Bankers

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

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

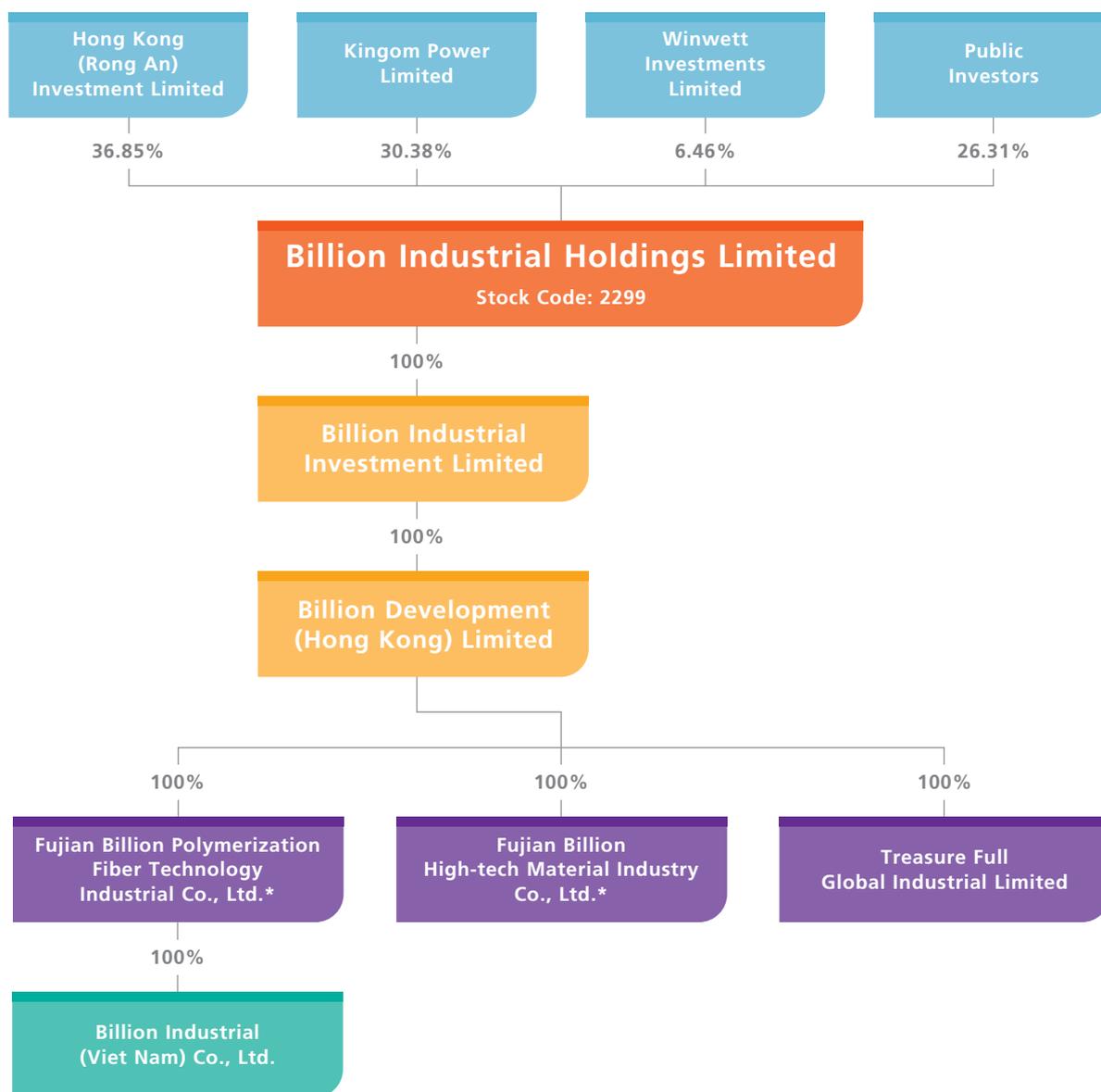
	For the six months ended 30 June		
	2023	2022	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	7,504,397	8,102,579	(7.4%)
Gross profit	395,609	1,067,514	(62.9%)
Profit from operations	310,935	895,457	(65.3%)
Profit for the period	201,683	686,352	(70.6%)
	As at 30 June		
	2023	2022	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	13,019,375	12,101,249	7.6%
Non-current liabilities	1,048,484	607,032	72.7%
Current assets	13,440,368	14,523,484	(7.5%)
Current liabilities	15,293,563	16,136,937	(5.2%)
Net current liabilities	1,853,195	1,613,453	14.9%
Total equity	10,117,696	9,880,764	2.4%
Earnings per Share (RMB)	0.10	0.32	
Interim dividend (HK cent)	–	–	
Key Ratio Analysis			
Gross profit margin	5.3%	13.2%	
Operating profit margin	4.1%	11.1%	
Net profit margin	2.7%	8.5%	
Return on equity (Note 1)	2.0%	6.9%	
Current ratio (Note 2)	87.9%	90.0%	
Gearing ratio (Note 3)	161.5%	169.5%	

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 2023



Note: Billion Industrial Holdings Limited
 Billion Industrial Investment Limited
 Billion Development (Hong Kong) 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.

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

* For identification purposes only

Production Processes of Polyester Filament Yarns & Polyester Thin Films



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

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

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

Production Sites

Production Site A and B

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



Production Site C and D

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



Production Site E

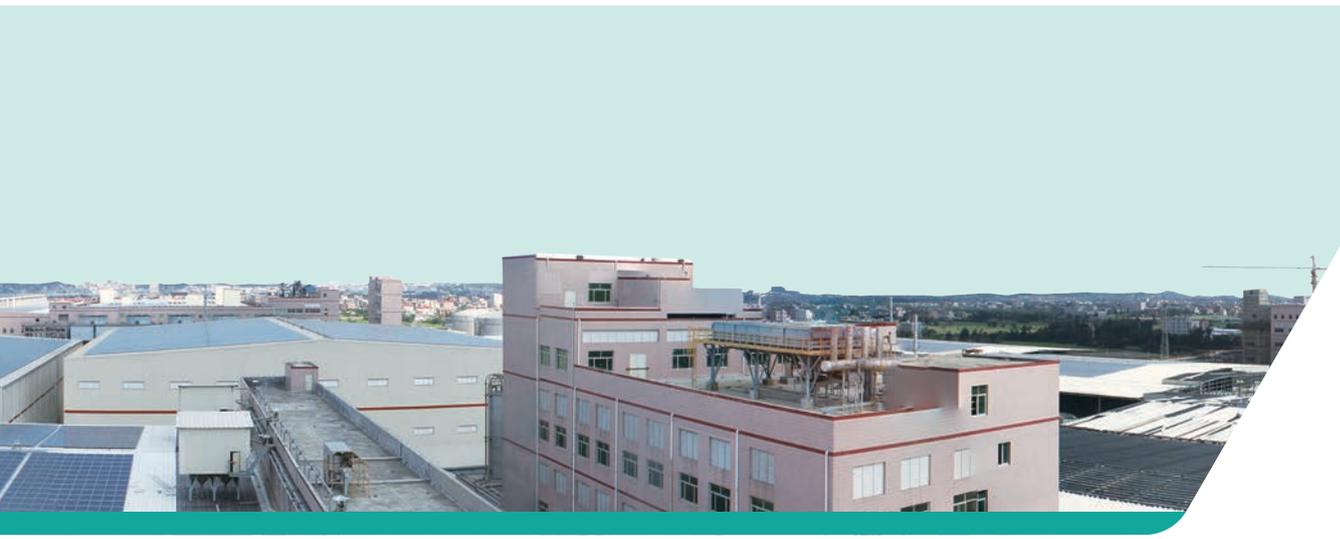
Located at Jinnan Industrial Zone, approximately two kilometers away from the production site in Fenglin Industrial Zone



Production Sites

Designed capacity as at 30 June 2023:

FDY+POY : 1,189,000 tons per year
DTY : 881,700 tons per year
BOPET : 626,500 tons per year
BOPET Chips : 250,000 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





Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In the first half of 2023, the global trend of economic recession triggered by the outbreak of the novel coronavirus (the “**COVID-19**”), Russia-Ukraine war and global interest rate hikes, and the delicate moment in the Sino-US relation have an impact on the global economic landscape. However, with improved and relaxed 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. The impact of the pandemic on China economy was temporary and unable to change the promising prospect of China’s economy to expand stably in long term. In face of the adversely affected business activities in global trade, many countries around the world have been proposing or enhancing their economic stimulus policies to cope with economic downturn and rising unemployment brought by the epidemic. The progress of global stable 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 and drugs have been approved for marketing, bringing people great hope that COVID-19 will be eliminated completely. As many countries implemented vaccination one after another and improved fiscal and currency policy, global economy is expected to improve gradually by 2023, and China is striving for the stable economic development, 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 market players and stabilizing the supply chain of the industry chain. In 2023, 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 pandemic 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 pandemic, the development trend of China’s macro economy will remain positive in the 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 more technologies used and added value. Trade tensions and the pandemic may accelerate the adjustment of the industry. As the pandemic is better controlled, the textile industry has started to recover as a result of the effort of the Chinese government to promulgate various anti-pandemic 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 technology innovation in a comprehensive approach addressing “Production, Learning, Research and Application”. The Group has formulated 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 pandemic, 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 pandemic. The Group’s production lines of each workshop continued to run at full speed during the outbreak of the pandemic 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 Group attaches great importance to the introduction and cultivation of talents and has adopted the talent strategy of “recruiting employees with due care and connecting people with heart (招人留心、用人連心)” which attracts more talented individuals to join our business. We established a talents practice base in cooperation with Donghua University, and we have become an enterprise with excellent research and development talents. The Group has a research and development team, comprising a large number of senior technicians from all around the country, to develop new products under a market-oriented approach. The Group also has a sizable quality control team equipped with the world class testing facilities to ensure stringent product quality and personalized quality service.

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 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 the 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.

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons. It is expected to be put into commercial production gradually in the second half of 2023. In addition, the production line for polyester thin films established by the Group with a planned investment of US\$320 million over a period of four years from 2020 to 2023 is being brought into production successively. At present, the polymerization equipment project, No. 16 and No.17 production lines for thin films have been put into operation. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

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 2022. 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

The Group has 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 products of the project are 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 aims 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 interaction and provide 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 strategies, strengthened quality control on export products, and maintained cost advantages.

The Group's major subsidiaries, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚織科技實業有限公司) ("**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 RMB4,349,830,000 and RMB178,232,000, representing 58.0% and 2.4% 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 remains confident in the medium-term and long-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.

FINANCIAL REVIEW

Operational Performance

1. Revenue

Total revenue of the Group for the period under review amounted to RMB7,504,397,000 (for the first half of 2022: RMB8,102,579,000), representing a decrease of 7.4% as compared to the same period of last year. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB3,853,583,000, accounting for 51.4% of the total revenue. Revenue attributable to the sales of polyester products* was RMB2,777,561,000, accounting for 37.0% of the total revenue. The revenue analysis of the two products is as follow:

Polyester filament yarns

The Group adopts a melt-direct spinning differentiated chemical fiber production line which is technologically advanced by global standards, 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 target at the mid to high-end markets. 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 RMB3,853,583,000, representing a decrease of RMB320,905,000 or 7.7% as compared to RMB4,174,488,000 in the first half of 2022. The average selling price of polyester filament yarns in the period under review was RMB8,479 per ton, representing a decrease of RMB476 or 5.3% as compared to RMB8,955 per ton in the first half of 2022.

* 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 RMB2,777,561,000, representing a decrease of RMB186,379,000 or 6.3% as compared to RMB2,963,940,000 in the first half of 2022. The average selling price of polyester products in the period under review was RMB6,866 per ton, representing a decrease of RMB1,152 or 14.4% as compared to RMB8,018 per ton in the first half of 2022. The sales volume of the Group's polyester products during the period under review increased from 369,654 tons in the first half of 2022 to 404,518 tons during the period under review or an increase of 9.4%. 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			
	2023		2022		2023		2022	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	2,676,257	35.7%	2,764,561	34.1%	295,666	30.4%	278,666	29.1%
FDY	864,874	11.5%	1,036,016	12.8%	107,805	11.1%	128,156	13.4%
POY	64,898	0.9%	92,263	1.1%	9,336	1.0%	12,320	1.3%
Other polyester filament yarns products*	247,554	3.3%	281,648	3.5%	41,658	4.3%	47,034	4.9%
Sub-total	3,853,583	51.4%	4,174,488	51.5%	454,465	46.8%	466,176	48.7%
Polyester products								
BOPET thin films	1,454,647	19.4%	1,697,931	21.0%	206,137	21.2%	200,955	21.0%
Polyester bottle chips	724,376	9.6%	933,192	11.5%	99,621	10.2%	115,008	12.0%
Other polyester products**	598,538	8.0%	332,817	4.1%	98,760	10.2%	53,691	5.6%
Sub-total	2,777,561	37.0%	2,963,940	36.6%	404,518	41.6%	369,654	38.6%
ES fiber	42,830	0.6%	38,452	0.5%	4,657	0.5%	4,261	0.4%
Polyester industrial yarns	830,423	11.0%	925,699	11.4%	107,893	11.1%	116,868	12.3%
Sub-total	873,253	11.6%	964,151	11.9%	112,550	11.6%	121,129	12.7%
Total	7,504,397	100.0%	8,102,579	100.0%	971,533	100.0%	956,959	100.0%

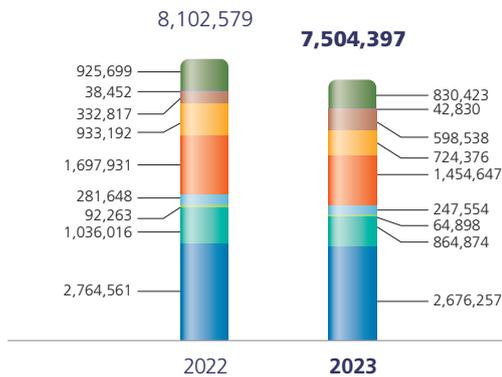
* Other polyester filament yarns products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.

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

Management Discussion and Analysis

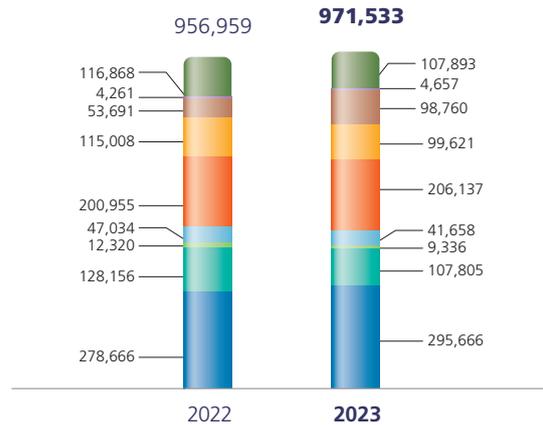
Revenue (RMB'000)

Decrease 7.4%



Sales Volume (Ton)

Increase 1.5%



Polyester filament yarns ● DTY ● FDY ● POY ● Other polyester filament yarn products	Polyester products ● BOPET thin films ● Polyester bottle chips ● Other polyester products	Polyester filament yarns ● DTY ● FDY ● POY ● Other polyester filament yarn products	Polyester products ● BOPET thin films ● Polyester bottle chips ● Other polyester products
● ES fiber	● Polyester industrial yarns	● ES fiber	● Polyester industrial yarns

Sales by geographic region

The Group's overseas sales revenue decreased from RMB2,130,556,000 in the first half of 2022 to RMB1,793,235,000 during the period under review or a decrease of 15.8%. Consequentially, the percentage of overseas sales revenue also decreased from 26.3% in the first half of 2022 to 23.9% during the period under review, representing a decrease of 2.4 percentage points. The pandemic disrupted the international shipping, which affected the Group's overseas sales. Approximately 76.1% of the Group's revenue was generated from domestic market sales, of which 48.8% was from sales to customers in Fujian Province and 13.4% 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

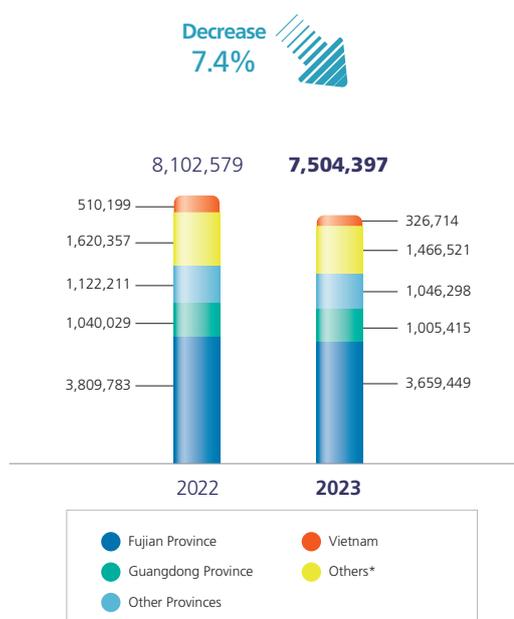
Geographic Breakdown of Revenue

	2023		2022	
	RMB'000	Percentage	RMB'000	Percentage
Domestic sales				
Fujian Province	3,659,449	48.8%	3,809,783	47.0%
Guangdong Province	1,005,415	13.4%	1,040,029	12.8%
Other Provinces	1,046,298	13.9%	1,122,211	13.9%
Overseas sales				
Vietnam	326,714	4.4%	510,199	6.3%
Others*	1,466,521	19.5%	1,620,357	20.0%
Total	7,504,397	100.0%	8,102,579	100.0%

* Overseas sales were mainly made to countries such as ASEAN countries, EU countries, Japan, South Korea, Central America and South America.

Geographic Breakdown of Revenue

(RMB'000)



2. Cost of Sales

Cost of sales of the Group for the period under review was RMB7,108,788,000, representing an increase of 1.0% as compared to the cost of sales of RMB7,035,065,000 in the first half of 2022. 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 RMB3,656,914,000, accounting for 51.5% of the total cost of sales. The cost of sales for polyester products was RMB2,639,816,000, accounting for 37.1% of total cost of sales.

Polyester filament yarns

Average cost of sales for polyester filament yarns increased from RMB7,758 per ton in the first half of 2022 to RMB8,046 per ton during the period under review, representing an increase of RMB288 or 3.7% per ton, which was mainly due to fluctuations in crude oil prices. The average price of raw materials for polyester filament yarns increased from RMB5,851 per ton in the first half of 2022 to RMB6,152 per ton during the period under review, representing an increase of RMB301 or 5.1% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 71.0% 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 decreased from RMB6,817 per ton in the first half of 2022 to RMB6,525 per ton during the period under review, representing a decrease of RMB292 or 4.3% per ton, which was mainly due to the effect of the fluctuations in crude oil prices. The average price of raw materials for polyester products decreased from RMB5,860 per ton in the first half of 2022 to RMB5,585 per ton during the period under review, representing a decrease of RMB275 or 4.7% per ton.

Management Discussion and Analysis

Breakdown of Cost of Sales

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	2,049,568	28.8%	1,926,517	27.4%
MEG	547,854	7.8%	640,588	9.2%
POY and other raw materials	198,412	2.8%	160,153	2.3%
Sub-total	2,795,834	39.4%	2,727,258	38.9%
Manufacturing costs	859,433	12.1%	879,054	12.5%
Other costs	1,647	0.0%	9,850	0.1%
Sub-total	3,656,914	51.5%	3,616,162	51.5%
ES fiber				
Cost of raw materials:				
PTA	10,873	0.2%	8,667	0.1%
MEG	2,944	0.0%	2,962	0.0%
Other raw materials	17,951	0.2%	22,116	0.3%
Sub-total	31,768	0.4%	33,745	0.4%
Manufacturing costs	12,231	0.2%	12,670	0.2%
Other costs	19	0.0%	105	0.0%
Sub-total	44,018	0.6%	46,520	0.6%

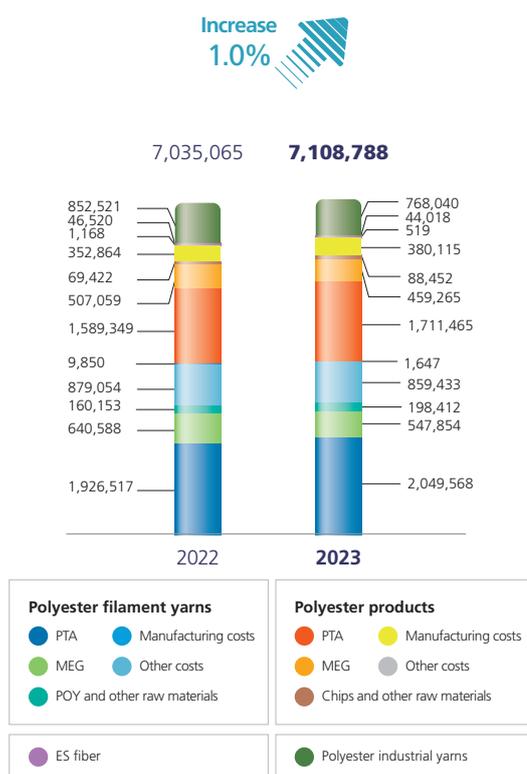
Management Discussion and Analysis 

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage	RMB'000	Percentage
Industrial yarns				
Cost of raw materials:				
PTA	464,879	6.5%	487,976	7.0%
MEG	130,287	1.8%	168,456	2.4%
Oil and other raw materials	18,783	0.3%	23,484	0.3%
Sub-total	613,949	8.6%	679,916	9.7%
Manufacturing costs	153,651	2.2%	169,710	2.4%
Other costs	440	0.0%	2,895	0.0%
Sub-total	768,040	10.8%	852,521	12.1%
Polyester products				
Cost of raw materials:				
PTA	1,711,465	24.1%	1,589,349	22.6%
MEG	459,265	6.5%	507,059	7.2%
Chips and other raw materials	88,452	1.2%	69,422	1.0%
Sub-total	2,259,182	31.8%	2,165,830	30.8%
Manufacturing costs	380,115	5.3%	352,864	5.0%
Other costs	519	0.0%	1,168	0.0%
Sub-total	2,639,816	37.1%	2,519,862	35.8%
Total	7,108,788	100.0%	7,035,065	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 RMB395,609,000, which decreased by RMB671,905,000, representing a decrease of 62.9% as compared to RMB1,067,514,000 in the first half of 2022. Sales volume of the Group during the period under review increased by 14,574 tons, representing an increase of 1.5% as compared to that in the first half of 2022. Average selling price of products per ton decreased by an average of RMB743 per ton, representing a decrease of 8.8% from RMB8,467 per ton in the first half of 2022 to RMB7,724 per ton during the period under review, while average cost of products per ton also decreased by an average of RMB34 per ton, representing a decrease of 0.5% from RMB7,351 per ton in the first half of 2022 to RMB7,317 per ton during the period under review. Therefore, the average gross profit of products per ton decreased from RMB1,116 in the first half of 2022 to RMB407 during the period under review. Gross profit margin decreased by 7.9 percentage points from 13.2% in the first half of 2022 to 5.3% 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 RMB476 per ton, representing a decrease of 5.3% from RMB8,955 in the first half of 2022 to RMB8,479 during the period under review. The average gross profit of polyester filament yarns products per ton decreased from RMB1,197 in the first half of 2022 to RMB433 during the period under review. The gross profit margin decreased by 8.3 percentage points from 13.4% in the first half of 2022 to 5.1% during the period under review.

Polyester products

Average selling price of polyester products per ton decreased by an average of RMB1,152 per ton, representing an decrease of 14.4% from RMB8,018 per ton in the first half of 2022 to RMB6,866 per ton during the period under review. The average gross profit of polyester products per ton decreased from RMB1,201 in the first half of 2022 to RMB341 during the period under review. The gross profit margin decrease by 10.0 percentage points from 15.0% in the first half of 2022 to 5.0% during the period under review.

During the period under review, the gross profit and gross profit margin of the Group's polyester filament yarns decreased as compared to the same period last year, mainly due to the impact of market conditions. The gross profit and gross profit margin of polyester products also decreased as compared to the same period last year, mainly due to the higher growth of the average price of raw materials as compared to the same period last year.

Management Discussion and Analysis

Analysis of gross profit by product

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	110,035	27.8%	422,969	39.6%
FDY	81,974	20.7%	119,520	11.2%
POY	(3,060)	(0.8%)	(1,999)	(0.2%)
Other polyester filament yarns products*	7,720	2.0%	17,836	1.7%
Sub-total	196,669	49.7%	558,326	52.3%
ES fiber	(1,140)	(0.3%)	(8,079)	(0.8%)
Others	(48)	0.0%	11	0.0%
Sub-total	(1,188)	(0.3%)	(8,068)	(0.8%)
Polyester industrial yarns	49,999	12.7%	59,119	5.6%
Others	12,384	3.1%	14,059	1.3%
Sub-total	62,383	15.8%	73,178	6.9%
Polyester products				
BOPET thin films	59,808	15.1%	274,441	25.7%
Polyester bottle chips	39,833	10.1%	122,673	11.5%
Other polyester products**	38,104	9.6%	46,964	4.4%
Sub-total	137,745	34.8%	444,078	41.6%
Total	395,609	100.0%	1,067,514	100.0%

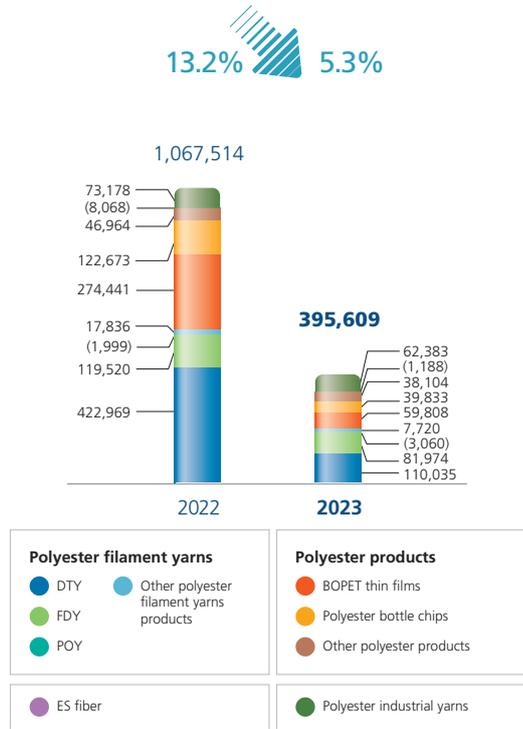
* Other polyester filament yarns products represent PET chips and wasted filament generated during the production process.

** 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	
	2023	2022
	RMB	RMB
Polyester filament yarns		
Average selling price per ton	8,479	8,955
Average cost of sales per ton	8,046	7,758
Average gross profit per ton	433	1,197
Average gross profit margin	5.1%	13.4%
ES fiber		
Average selling price per ton	9,197	9,024
Average cost of sales per ton	9,452	10,917
Average gross loss per ton	(255)	(1,893)
Average gross loss margin	(2.8%)	(21.0%)
Industrial yarns		
Average selling price per ton	7,697	7,921
Average cost of sales per ton	7,119	7,295
Average gross profit per ton	578	626
Average gross profit margin	7.5%	7.9%
Polyester products		
Average selling price per ton	6,866	8,018
Average cost of sales per ton	6,525	6,817
Average gross profit per ton	341	1,201
Average gross profit margin	5.0%	15.0%

4. Other revenue

Other revenue of the Group for the period under review amounted to RMB294,964,000 representing a decrease of 12.7% as compared to RMB338,039,000 in the first half of 2022. 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 a decrease in bank interest income and gains on sales of raw materials, and a decrease in government grants as compared to those of the same period last year.

5. Other net gains and losses

Other net losses of the Group during the period under review amounted to RMB28,250,000 as compared to other net losses of RMB78,017,000 in the first half of 2022. 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 decrease in realised losses on other financial assets.

6. Selling and distribution expenses

Selling and distribution expenses of the Group for the period under review amounted to RMB96,585,000, representing a decrease of 20.7% as compared to RMB121,825,000 in the first half of 2022. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such decrease was mainly due to the decrease in relevant transportation costs resulted from the decrease in sales volume in other provinces outside Fujian province and overseas during the period under review.

7. Administrative expenses

Administrative expenses of the Group for the period under review amounted to RMB254,803,000, representing a decrease by 17.9% as compared to RMB310,254,000 in the first half of 2022. 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 decrease 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 RMB58,995,000, representing a decrease by 54.2% as compared to RMB128,916,000 in the first half of 2022. Such change was mainly due to the decrease in related interests as a result of the decrease in the weighted average interest rate of bank loan during the period under review.

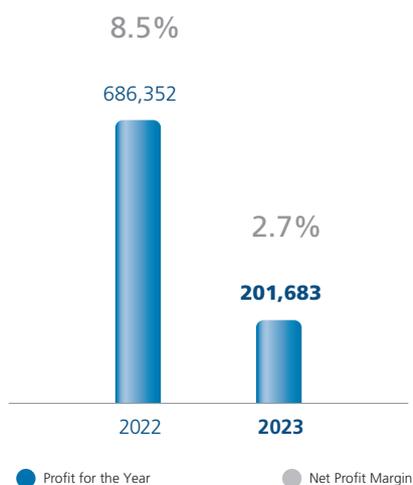
9. Income tax

Income tax of the Group for the period under review amounted to RMB50,257,000, representing a decrease by 37.3% as compared to RMB80,189,000 in the first half of 2022. Such change was mainly due to a decrease in profit before income tax.

10. Profit for the period

Profit of the Group for the period under review amounted to RMB201,683,000, representing a decrease by RMB484,669,000 or 70.6% as compared to RMB686,352,000 in the first half of 2022. Such decline was mainly attributable to the combined effects of (i) the decrease in sales unit price and (ii) the increase in the cost of sales.

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



Financial position

1. *Liquidity and capital resources*

As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB218,106,000, representing a decrease by RMB13,514,000 or 5.8% as compared to RMB231,620,000 as at 31 December 2022.

During the period under review, net cash outflow from operating activities amounted to RMB1,244,946,000. Net cash inflow from investing activities amounted to RMB264,578,000, which mainly comprised the capital expenditure of RMB787,047,000 and the net decrease of restricted bank deposit placement of RMB873,366,000. Net cash inflow from financing activities amounted to RMB927,804,000, which mainly comprised repayment of bank loans of RMB1,668,090,000 and proceeds from new bank loans of RMB2,672,731,000 during the period.

During the period under review, inventory turnover days were 106.5 days (for the first half of 2022: 81.5 days), an increase of 25.0 days as compared to the same period last year, which was mainly due to the decreased speed of inventory being realised as a result of optimizing inventory management by the Group. The trade receivable turnover days were 35.0 days (for the first half of 2022: 21.2 days), representing an increase of 13.8 days as compared to the same period last year, which was mainly due to the decrease in the discounting of bills receivables during the period. The trade payable turnover days were 295.3 days (for the first half of 2022: 386.0 days), representing a decrease of 90.7 days as compared to the same period last year mainly due to the sound relationship the Group maintains with the suppliers.

As at 30 June 2023, the Group had capital commitments of RMB2,310,222,000, 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 2023, the total liabilities of the Group amounted to RMB16,342,047,000, whereas capital and reserves amounted to RMB10,117,696,000. The gearing ratio (total liabilities divided by total equity) was 161.5%. Total assets amounted to RMB26,459,743,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.6 times. Bank loans of the Group amounted to RMB1,870,791,000, of which RMB1,019,795,000 were repayable within one year, and RMB850,996,000 were repayable after one year. RMB542,196,000 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 interim report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

The Group will continue to seek opportunities in utilising its idle cash by investing in appropriate financial products. The Company's future plans 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 plans through internally generated funds and bank loans.

Charges on assets

Save as disclosed in the paragraph headed "Financial position – 2. Capital Structure" and note 17 to the condensed consolidated financial statements, there was no other charge on Group's assets as of 30 June 2023.

Contingent liabilities

As at 30 June 2023, the Group did not have any contingent liabilities (2022: 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 2023, 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 2023, the Group had a total of 9,089 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

BUSINESS OUTLOOK

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 that, 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. As a number of Coronavirus Vaccines and drugs have been approved for marketing, giving people greater hope a complete recovery from the epidemic. As many countries implemented vaccination one after another and improved fiscal and currency policy, the global economy is expected to continue to rebound in 2023, and China is striving for the stable economic development, which is more conducive to people's access to services and commodities to stimulate consumption in this way.

As the largest polyester filament yarns manufacturer in Southern China, 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 invested 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 gradually commenced commercial production.

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons. It is expected to be put into commercial production gradually in the second half of 2023.



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. The production line for polyester thin films established by the Group with a planned investment of US\$320 million over a period of four years from 2020 to 2023 is being brought into production successively. At present, the polymerization equipment project, No. 16 and No. 17 production lines for thin films have been put into operation. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 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	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	7,504,397	8,102,579
Cost of sales		(7,108,788)	(7,035,065)
Gross profit		395,609	1,067,514
Other revenue	4	294,964	338,039
Other net gains and losses	5	(28,250)	(78,017)
Selling and distribution expenses		(96,585)	(121,825)
Administrative expenses		(254,803)	(310,254)
Profit from operations		310,935	895,457
Finance costs	6	(58,995)	(128,916)
Profit before tax	6	251,940	766,541
Income tax expenses	7	(50,257)	(80,189)
Profit for the period attributable to owners of the Company		201,683	686,352
Earnings per share	9		
Basic and diluted (RMB)		0.10	0.32

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period attributable to owners of the Company	201,683	686,352
Other comprehensive income for the period:		
<i>Item that will not be reclassified to profit or loss</i>		
Translation of the Company's financial statements into presentation currency	4,548	6,122
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	85,350	84,951
Total other comprehensive income for the period	89,898	91,073
Total comprehensive income for the period attributable to owners of the Company	291,581	777,425

Unaudited Condensed Consolidated Statement of Financial Position

	Note	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	12,722,070	12,322,233
Intangible assets		39,785	7,378
Deposits and prepayments	12	257,520	402,055
		13,019,375	12,731,666
Current assets			
Inventories	11	4,350,357	4,011,391
Trade and other receivables	12	3,197,375	2,886,168
Financial assets at FVPL	13	30,548	96,065
Restricted bank deposits	14	5,643,982	6,517,348
Cash and cash equivalents	15	218,106	231,620
		13,440,368	13,742,592
Current liabilities			
Trade and other payables	16	14,015,839	15,386,124
Contract liabilities		160,319	153,162
Bank loans	17	1,019,795	758,870
Lease liabilities	18	1,021	1,082
Tax payable		96,589	57,734
		15,293,563	16,356,972
Net current liabilities		(1,853,195)	(2,614,380)
Total assets less current liabilities		11,166,180	10,117,286

Unaudited Condensed Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Bank loans	17	850,996	101,567
Lease liabilities	18	2,607	3,156
Deferred tax liabilities		194,881	185,686
		1,048,484	290,409
NET ASSETS		10,117,696	9,826,877
Capital and reserves			
Share capital	19	17,819	17,819
Reserves		10,099,877	9,809,058
TOTAL EQUITY		10,117,696	9,826,877

The unaudited condensed consolidated financial statements on pages 33 to 59 were approved and authorised for issue by the Board of Directors on 22 August 2023 and signed on its behalf by

Sze Tin Yau
Director

Wu Jinbiao
Director

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 2022 (audited)	17,819	72,926	1,514	829,095	1,805,631	(263,729)	6,640,083	9,085,520	9,103,339
Profit for the period	-	-	-	-	-	-	686,352	686,352	686,352
Other comprehensive income:									
<i>Item that will not be reclassified to profit or loss</i>									
Translation of the Company's financial statements into presentation currency	-	-	-	-	-	6,122	-	6,122	6,122
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	84,951	-	84,951	84,951
Total other comprehensive income	-	-	-	-	-	91,073	-	91,073	91,073
Total comprehensive income for the period	-	-	-	-	-	91,073	686,352	777,425	777,425
At 30 June 2022 (unaudited)	17,819	72,926	1,514	829,095	1,805,631	(172,656)	7,326,435	9,862,945	9,880,764
At 1 January 2023 (audited)	17,819	72,926	1,514	896,182	1,805,631	(196,009)	7,228,814	9,809,058	9,826,877
Profit for the period	-	-	-	-	-	-	201,683	201,683	201,683
Other comprehensive income:									
<i>Item that will not be reclassified to profit or loss</i>									
Translation of the Company's financial statements into presentation currency	-	-	-	-	-	4,548	-	4,548	4,548
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	-	85,350	-	85,350	85,350
Total other comprehensive income	-	-	-	-	-	89,898	-	89,898	89,898
Total comprehensive income for the period	-	-	-	-	-	89,898	201,683	291,581	291,581
Transactions with owners:									
<i>Contributions and distributions</i>									
Purchase and cancellation of own shares (Note 19(b))									
- premium paid	-	(145)	-	-	-	-	-	(145)	(145)
Appropriation to statutory reserve	-	-	-	(392)	-	-	(225)	(617)	(617)
Total transactions with owners	-	(145)	-	(392)	-	-	(225)	(762)	(762)
At 30 June 2023 (unaudited)	17,819	72,781	1,514	895,790	1,805,631	(106,111)	7,430,272	10,099,877	10,117,696

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Operating activities		
Cash (used in) generated from operations	(1,242,738)	1,575,883
Income tax paid	(2,208)	(113,214)
Net cash (used in) from operating activities	(1,244,946)	1,462,669
Investing activities		
Purchase of property, plant and equipment and intangible assets	(59,048)	(1,669)
Expenditure on construction in progress	(727,999)	(1,064,892)
Investments in unlisted wealth management products	–	(12,000)
Proceeds from disposal of unlisted wealth management deposits	50,000	300,478
Withdrawal of restricted bank deposits	1,374,853	594,833
Placement of restricted bank deposits	(501,487)	(2,028,247)
Other cash flows arising from investing activities	128,259	43,451
Net cash from (used in) investing activities	264,578	(2,168,046)
Financing activities		
Capital element of lease rentals paid	(782)	(767)
Interest element of lease rentals paid	(108)	(126)
Payment for repurchase of shares	(145)	–
Proceeds from new bank loans	2,672,731	1,492,761
Repayment of bank loans	(1,668,090)	(532,273)
Other cash flows used in financing activities	(75,802)	(132,126)
Net cash from financing activities	927,804	827,469
Net (decrease) increase in cash and cash equivalents	(52,564)	122,092
Cash and cash equivalents at beginning of the reporting period	231,620	149,339
Effect of foreign exchange rate changes, net	39,050	19,979
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	218,106	291,410

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2023 (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 financial assets at fair value through profit or loss (“**FVPL**”) which are stated at fair value. The Interim Financial Statements are presented in Renminbi (“**RMB**”) as the functional currency of the Group’s major operating subsidiaries is 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 2022, 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 2022 (the “**2022 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 2023

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 2022 Annual 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 2023, the Group recorded net current liabilities of approximately RMB1,853,195,000. 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 2023; 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.

Adoption of 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these new/revised HKFRSs did not result in any material changes to the Group’s accounting policies and/or amounts reported for the current and prior periods.

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 2023

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products lines</i>		
Polyester filament yarns products	3,853,583	4,174,488
Polyester products	2,777,561	2,963,940
Polyester industrial yarns products	830,423	925,699
ES fiber products	42,830	38,452
	7,504,397	8,102,579
<i>Disaggregated by geographical location of customers</i>		
The People's Republic of China (the "PRC")	5,711,162	5,972,023
Vietnam	326,714	510,199
Others	1,466,521	1,620,357
	7,504,397	8,102,579

The Group's customer base is diversified. No individual customer (*six months ended 30 June 2022: Nil*) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2023.

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 2023

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
The PRC	10,264,208	10,041,892
Vietnam	2,712,621	2,647,913
Hong Kong	42,546	41,861
	13,019,375	12,731,666

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. OTHER REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	110,692	138,985
Government grants (Note)	161,925	172,681
Sales of raw materials	17,913	25,209
Others	4,434	1,164
	294,964	338,039

Note:

For the six months ended 30 June 2023, the government grants include approximately RMB161,925,000 (six months ended 30 June 2022: approximately RMB172,681,000) were received from several local government authorities for the Group's contribution to local economies of which the entitlement was unconditional. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to the grants recognised as revenue.

5. OTHER NET GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Donations	(184)	(187)
Exchange loss, net	(12,423)	(15,570)
(Loss) Gain on disposal of property, plant and equipment, net	(83)	1,776
Unrealised gain on financial instruments at FVPL, net		
– Other financial assets	–	5,506
– Contracts for financial instruments at FVPL	4,760	39,712
Realised (loss) gain on financial instruments at FVPL, net		
– Other financial assets	–	453
– Contracts for financial instruments at FVPL	(12,384)	(112,473)
Others	(7,936)	2,766
	(28,250)	(78,017)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX

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

(a) Finance costs

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest on bank loans (<i>Note (i)</i>)	54,951	93,635
Interest on lease liabilities	108	126
Other interest expenses	6,058	43,475
	61,117	137,236
Less: Capitalised into construction in progress	(2,122)	(8,320)
	58,995	128,916

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries, wages, allowances and other benefits	204,852	227,718
Contributions to defined contribution retirement plans	7,967	7,263
	212,819	234,981

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX (CONTINUED)**(c) Other items**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in "Administrative expenses")	861	1,067
Auditors' remuneration	178	166
Cost of inventories (Note (ii))	7,108,788	7,035,065
Depreciation (included in "Cost of sales" and "Administrative expenses", as appropriate)		
– property, plant and equipment	371,699	335,588
– right-of-use assets	12,238	10,947
Loss allowance on trade receivables, net	2,210	–
Research and development costs (Note (iii))	178,232	220,351

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.32%-4.95% (six months ended 30 June 2022: 2.64%-3.00%) per annum for the six months ended 30 June 2023.
- (ii) For the six months ended 30 June 2023, cost of inventories included approximately RMB510,643,000 (six months ended 30 June 2022: approximately RMB460,057,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iii) For the six months ended 30 June 2023, research and development costs included approximately RMB73,261,000 (six months ended 30 June 2022: approximately RMB76,059,000) 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 2023

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax ("CIT")	41,021	75,183
Withholding tax		
Withholding tax on dividends	41	–
Deferred tax		
Origination and reversal of temporary differences	9,195	5,006
	50,257	80,189

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 CIT (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 subsidiaries in the PRC, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚織科技實業有限公司) ("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") were approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2021 to 2023 and from 2020 to 2022, respectively, which entitles Billion Fujian and Billion High-tech to a reduced CIT tax rate at 15% during the valid period under the new tax law and its relevant regulations. Billion High-tech 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 by end of 2023.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. INCOME TAX EXPENSES (CONTINUED)

For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong.

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 2023. 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 2023.

The standard corporate income tax rate in Vietnam is 20%. The provisions of the Investment Registration Certificate of Billion Industrial (Viet Nam) Co., Ltd. (“**Billion Vietnam**”), the subsidiary in Vietnam, allow Billion Vietnam to be exempted from income tax for 2 years starting from the first year it generates taxable profit and entitled to a 50% reduction in income for the 4 succeeding years. The above exemption and reduction are not applicable to other income. As Billion Vietnam generated taxable profit for the first year in 2021, Billion Vietnam is exempted from Vietnam CIT for the year ended/ending 31 December 2022 and 2023.

8. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2022.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	201,683	686,352

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Number of shares:		
Issued ordinary shares at 1 January	2,118,986,000	2,118,986,000
Effect of shares repurchased	(20,541)	–
Weighted average number of ordinary shares	2,118,965,459	2,118,986,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022, 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 2023

10. PROPERTY, PLANT AND EQUIPMENT**(a) Other property, plant and equipment**

	Six months ended 30 June 2023 RMB'000 (unaudited)	Year ended 31 December 2022 RMB'000 (audited)
At the beginning of the reporting period	9,881,152	9,005,021
Exchange adjustments	56,896	103,748
Transfer from construction in progress (<i>Note 10(b)</i>)	506,897	1,465,027
Disposals	(83)	(651)
Depreciation charge for the period/year	(371,699)	(691,993)
At the end of the reporting period	10,073,163	9,881,152

(b) Construction in progress

	Six months ended 30 June 2023 RMB'000 (unaudited)	Year ended 31 December 2022 RMB'000 (audited)
At the beginning of the reporting period	1,486,270	1,219,184
Exchange adjustments	12,018	39,376
Additions	705,299	1,661,210
Interest expense	2,122	31,527
Transfer to other property, plant and equipment (<i>Note 10(a)</i>)	(506,897)	(1,465,027)
At the end of the reporting period	1,698,812	1,486,270

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Included in "Property, plant and equipment":		
Interests in leasehold land held for own use	948,416	952,737
Buildings leased for own use	1,679	2,074
	950,095	954,811

11. INVENTORIES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Raw materials	764,200	672,260
Work in progress	160,733	106,923
Finished goods	3,425,424	3,232,208
	4,350,357	4,011,391

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade receivables from third parties	1,603,808	963,060
Less: Loss allowance	(21,243)	(19,033)
	1,582,565	944,027
Bills receivables from third parties	59,759	319,002
	1,642,324	1,263,029
Deposits, prepayments and other receivables	1,812,571	2,025,194
	3,454,895	3,288,223
Less: Non-current portion of deposits and prepayments	(257,520)	(402,055)
	3,197,375	2,886,168

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 2023, the Group had discounted bank acceptance bills totalling approximately RMB624,152,000 (31 December 2022: approximately RMB5,652,298,000) and endorsed bank acceptance bills totalling approximately RMB71,104,000 (31 December 2022: approximately RMB92,169,000), which are derecognised as financial assets. These bank acceptance bills matured within one year from date of issue. The Group considered that 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	1,632,328	1,262,348
1 to 2 months	824	681
2 to 3 months	2,191	–
Over 3 months	6,981	–
	1,642,324	1,263,029

Trade receivables and bills receivables are due within 90 to 210 days (31 December 2022: 90 to 210 days) and 1 to 365 days (31 December 2022: 1 to 365 days), respectively, from the date of billing.

13. FINANCIAL ASSETS AT FVPL

Details of financial instruments represented by financial assets at FVPL are set out as follows:

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Unlisted wealth management products	–	50,000
Contracts for financial instruments at FVPL	30,548	46,065
	30,548	96,065

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. FINANCIAL ASSETS AT FVPL (CONTINUED)

The following table presents the fair value of the financial assets at FVPL 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.

	Fair value measurements At 30 June 2023 (unaudited) using			
	Fair value at 30 June 2023 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	30,548	30,548	–	–

	Fair value measurements At 31 December 2022 (audited) using			
	Fair value at 31 December 2022 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				
Unlisted wealth management products	50,000	50,000	–	–
Contracts for financial instruments at FVPL	46,065	46,065	–	–

At 30 June 2023 and 31 December 2022, the fair values of the unlisted wealth management products and contracts for financial instruments at FVPL are determined by reference to the prices quoted by the financial institutions.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. RESTRICTED BANK DEPOSITS

At 30 June 2023, the restricted bank deposits of approximately RMB420,000,000 (31 December 2022: approximately RMB582,690,000) and approximately RMB5,223,982,000 (31 December 2022: approximately RMB5,934,658,000) were pledged to the banks to secure certain bank loans (Note 17) and bills payables (Note 16), respectively.

15. CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Cash at bank and in hand	218,106	231,620

16. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade payables	2,156,687	1,907,623
Bills payables	11,064,212	12,748,674
Other payables and accrued charges	323,189	223,792
Salaries and welfare payables	46,772	43,765
Interest payables	2,929	15,600
Equipment payables	125,903	88,231
Construction payables	104,383	92,054
Accrued land cost	5,163	64,211
Other tax payables	186,601	202,174
	14,015,839	15,386,124

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 the end of each reporting period (Note 14).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. 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, based on the invoice date, is as follows:

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 3 months	8,016,230	4,189,117
More than 3 months but within 6 months	2,666,637	3,803,830
More than 6 months but within 1 year	2,536,636	6,662,854
More than 1 year	1,396	496
	13,220,899	14,656,297

17. BANK LOANS

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 year or on demand	1,019,795	758,870
After 1 year but within 2 years	658,844	98,588
After 2 years but within 5 years	192,152	2,979
	850,996	101,567
	1,870,791	860,437

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. BANK LOANS (CONTINUED)

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Secured	542,196	860,437
Unsecured	1,328,595	–
	1,870,791	860,437

At 30 June 2023, the secured bank loans are collectively secured by:

- (i) bank deposits amounted to approximately RMB420,000,000 (31 December 2022: approximately RMB582,690,000); and
- (ii) building held for own use amounted to approximately RMB42,289,000 (31 December 2022: approximately RMB41,611,000).
- (iii) corporate guarantee given by the Company, Billion Fujian and Billion High-tech to the extent of RMB661,358,000 (31 December 2022: approximately RMB780,553,000).

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

	Six months ended 30 June 2023 % (unaudited)	Year ended 31 December 2022 % (audited)
Fixed rate bank loans	2.28 – 2.80	2.35 – 2.45
Variable rate bank loans	1.10 – 5.60	1.10 – 4.79

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. 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 2023		At 31 December 2022	
	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	1,152	1,082	1,376
After 1 year but within 2 years	409	888	425	518
After 2 years but within 5 years	84	392	664	1,021
After 5 years	2,114	4,118	2,067	4,060
	2,607	5,398	3,156	5,599
	3,628	6,550	4,238	6,975
Less: Future finance charges		(2,922)		(2,737)
Present value of lease liabilities		3,628		4,238

At 30 June 2023, the weighted average of the incremental borrowing rates for the lease liabilities of the Group was 4.87% (31 December 2022: 4.87%) per annum.

19. SHARE CAPITAL**(a) Authorised and issued share capital**

	Par value HK\$	Number of shares	Nominal value of ordinary shares HK\$
Authorised: At 1 January 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)	0.01	10,000,000,000	100,000,000

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. SHARE CAPITAL (CONTINUED)

(a) Authorised and issued share capital (Continued)

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares	
			HK\$	RMB
Issued and fully paid:				
At 1 January 2022 and 31 December 2022 (audited)	0.01	2,118,986,000	21,189,860	17,819,454
Repurchase and cancellation of shares (Note 19(b))	0.01	(42,000)	(420)	(354)
At 30 June 2023 (unaudited)	0.01	2,118,944,000	21,189,440	17,819,100

(b) Purchase of own shares

During the six months ended 30 June 2023, 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
March 2023	12,000	3.88	3.76	40
April 2023	30,000	4.05	3.88	105
Repurchased and cancelled during the reporting period	42,000			145
May 2023	80,000	4.20	4.01	299
June 2023	136,000	4.21	3.85	500
Repurchased during the reporting period and cancelled subsequent to reporting period	216,000			799
Total	258,000			944

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 258,000 (30 June 2022: Nil) shares were repurchased during six months ended 30 June 2023 of which 42,000 repurchased shares were cancelled during the six months ended 30 June 2023. The remaining 216,000 repurchased shares were cancelled subsequently in July 2023. Accordingly, the issued share capital of the Company was reduced by the nominal value of 42,000 shares. The premium for the repurchase of 42,000 shares of approximately HK\$164,000 (equivalent to approximately RMB145,000) was paid during the six months ended 30 June 2023 and the premium for remaining 216,000 shares of approximately HK\$873,000 was paid in July 2023.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Authorised but not contracted for	1,788,392	514,684
Contracted for	521,830	563,898
	2,310,222	1,078,582

21. SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries, wages, allowances and benefits in kind	2,583	2,437
Retirement scheme contributions	28	26
	2,611	2,463

(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 2023 and 2022.

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 2023 (2022 interim dividend: nil).

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

As at 30 June 2023, 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

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of ordinary shares interested</u>	<u>Percentage of the Company's issued share capital</u> ⁽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 2,118,944,000 issued shares of the Company as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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 2023, 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 ^(d)
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An")	Beneficial owner	780,870,808	36.85%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") ^(a)	Interest in controlled corporation	780,870,808	36.85%
CECEP Energy Conservation Technology Co., Ltd. ("CECEP Technology") ^(b)	Interest in controlled corporation	780,870,808	36.85%
China Energy Conservation and Environmental Protection Group ("CECEP") ^(c)	Interest in controlled corporation	780,870,808	36.85%

General Information

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital ^(d)
Kingom Power Limited	Beneficial owner	643,720,000	30.38%
Winwett Investments Limited	Beneficial owner	136,820,000	6.46%
Mr. Huang Shaorong	Beneficial owner Interest in controlled corporation	19,425,000 188,532,000	0.92% 8.90%
Ever Luxuriant Global Trading Limited	Beneficial owner	188,532,000	8.90%
Mr. Lin Haibin	Beneficial owner Nominee for another person (other than a bare trustee)	27,723,000 166,706,000	1.31% 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 Technology. CECEP Technology was therefore deemed to be interested in all shares of the Company that CECEP Chongqing was interested in under the SFO.
- (c) CECEP Technology was a wholly-owned subsidiary of CECEP. CECEP was therefore deemed to be interested in all shares of the Company that CECEP Technology was interested in under the SFO.
- (d) Base on a total of 2,118,944,000 issued shares of the Company as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2023, the Company bought back a total of 258,000 shares on the Stock Exchange. The 42,000 bought-back shares were cancelled during the six months ended 30 June 2023 and the remaining 216,000 bought-back shares were cancelled subsequently in July 2023. The details of the bought-back shares are as follows:

Date	Number of shares bought back	Price per share or highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate price paid (HK\$)
24 March 2023	10,000	3.76	3.76	37,600
31 March 2023	2,000	3.88	3.88	7,760
4 April 2023	14,000	3.89	3.88	54,360
6 April 2023	8,000	4.02	4.02	32,160
11 April 2023	4,000	4.02	4.02	16,080
17 April 2023	4,000	4.05	4.05	16,200
25 May 2023	30,000	4.15	4.15	124,500
29 May 2023	50,000	4.20	4.01	206,300
6 June 2023	24,000	4.21	4.05	100,300
12 June 2023	10,000	3.95	3.95	39,500
13 June 2023	20,000	3.90	3.86	77,600
15 June 2023	2,000	3.85	3.85	7,700
16 June 2023	20,000	3.98	3.94	79,200
19 June 2023	10,000	3.90	3.90	39,000
23 June 2023	10,000	3.95	3.95	39,500
27 June 2023	40,000	3.99	3.95	159,100
Total	258,000			1,036,860

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the six months ended 30 June 2023.

There have been no options, awards, convertible securities or similar rights or arrangements, issued or granted by the Group during the six months ended 30 June 2023 and as at the date of this interim report.

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.

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2023, 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 2023.

AUDIT COMMITTEE

The Company has established an audit committee (the “**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. Yu Wai Ming, Mr. Lin Jian Ming and Mr. Shih Chun Pi. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Yu Wai Ming. 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 2023.

