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

(於開曼群島註冊成立之有限公司)
(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code：2299

2011 中期報告 Interim Report

Billion is the **leading** developer and manufacturer of **polyester filament yarns** in the PRC.

Main products consist of Drawn Textured Yarn **(DTY)**, Fully Drawn Yarn **(FDY)**, and Partially Oriented Yarn **(POY)**, which are widely used in the production of high-end fabrics and textiles for various products, including apparel, footwear and home furnishings.

We were the **largest** manufacturer in terms of both designed capacity of **DTY** and designed capacity of **FDY** and **POY** in **south China** in 2010, and the **2nd largest DTY** manufacturer in the **PRC** according to CMAI.

Successfully listed on the main board of the **Stock Exchange of Hong Kong** on **18 May 2011**

As a constituent stock of the **Hang Seng Composite Index** in the category of "Consumer Goods", effective from **5 September 2011**

*CMAI: Chemical Market Association, Inc.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao
Mr. Wu Jianshe
Mr. He Wenyao

Independent Non-executive Directors

Mr. Yeung Chi Tat
Ms. Zhu Meifang
Mr. Ma Yuliang

BOARD COMMITTEES

Audit committee

Mr. Yeung Chi Tat *(Chairman)*
Ms. Zhu Meifang
Mr. Ma Yuliang

Remuneration Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Yeung Chi Tat
Ms. Zhu Meifang

Nomination Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Yeung Chi Tat
Mr. Ma Yuliang

COMPANY SECRETARY

Ms. Ng Weng Sin

AUTHORISED REPRESENTATIVES

Mr. Sze Tin Yau
Ms. Ng Weng Sin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Hong Kong:

Unit 1501, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

PRC:

Fenglin Industrial Zone
Longhu County
Jinjiang City
Fujian
China

LEGAL ADVISERS

As to Hong Kong Law:
Orrick, Herrington & Sutcliffe

As to PRC Law:
Tian Yuan Law Firm

AUDITOR

KPMG

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1–1107
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

Hong Kong: Bank of China (Hong Kong) Limited

PRC: China Construction Bank Corporation (Jinjiang Branch)
Agricultural Bank of China Holdings Limited (Jinjiang Branch)

COMPANY WEBSITE

www.baihong.com

Financial Highlights

	For the six months ended 30 June		
	2011	2010	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**2,969,223**	1,791,755	+65.7%
Gross profit	**636,241**	156,193	+307.3%
Profit from operations	**560,008**	121,481	+361.0%
Profit for the period	**448,878**	85,563	+424.6%

	As at 30 June		
	2011	2010	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**2,916,864**	2,498,477	+16.7%
Non-current liabilities	**232,457**	296,790	-21.7%
Current assets	**4,149,909**	2,037,526	+103.7%
Current liabilities	**1,916,525**	1,883,674	+1.7%
Net current assets	**2,233,384**	153,852	+1,351.6%
Total equity	**4,917,791**	2,355,539	+108.8%
Earnings per Share (RMB)	**0.24**	0.05	
Interim dividend (HK cent) (Note 1)	**11.99**	0	
Key Ratio Analysis			
Gross profit margin	**21.4%**	8.7%	
Operating profit margin	**18.9%**	6.8%	
Net profit margin	**15.1%**	4.8%	
Returns on equity (Note 2)	**9.1%**	3.6%	
Current ratio (Note 3)	**2.17**	1.08	
Gearing ratio (Note 4)	**43.7%**	92.6%	

Notes:

1: The interim dividend of HK11.99 cents per share in cash has been paid on 9 September 2011

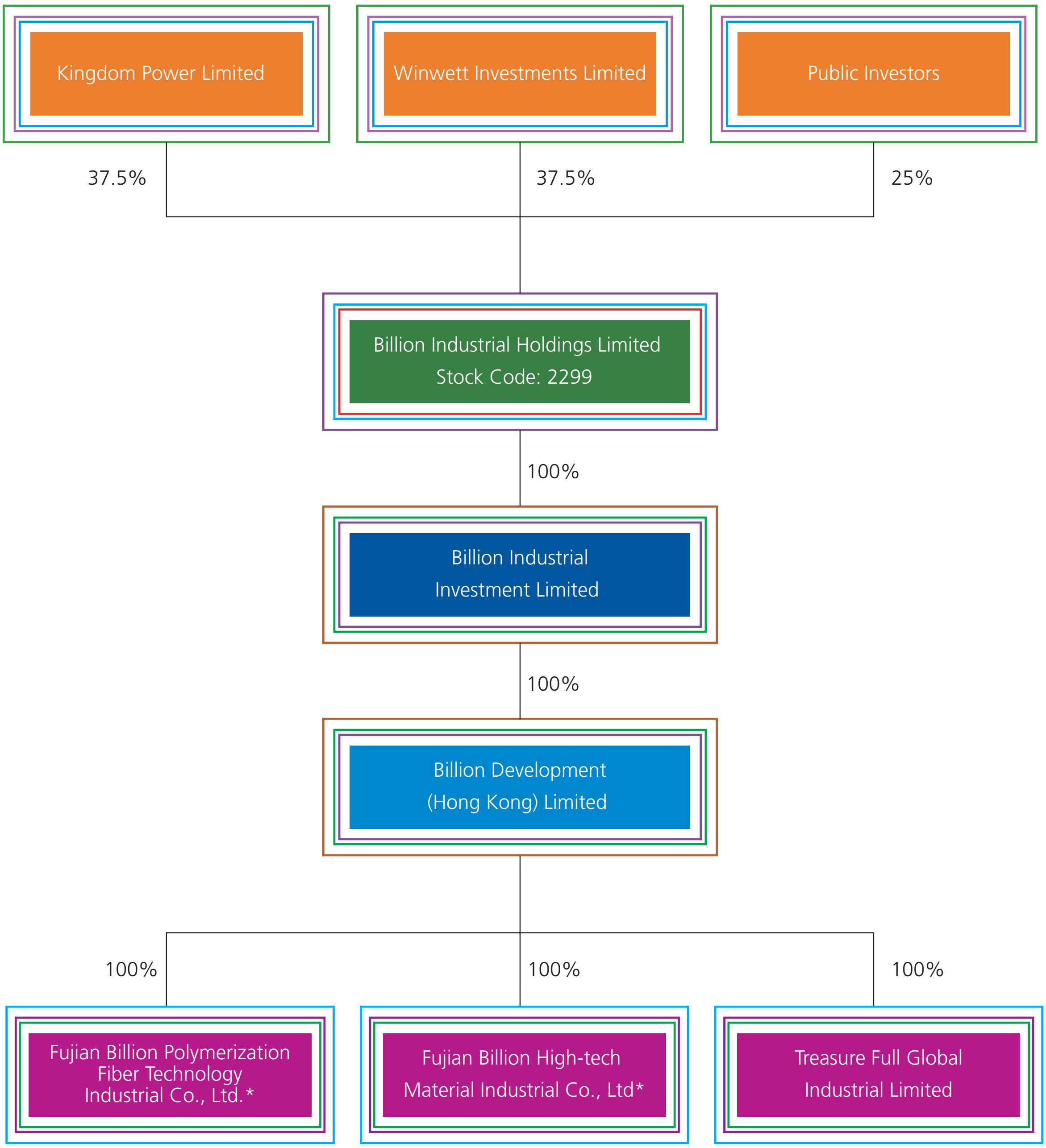
2: Returns on equity: Profit for the period divided by total equity

3: Current ratio: Current assets divided by current liabilities

4: Gearing ratio: Total liabilities divided by total equity

Corporate Structure

As at 1 September 2011



Note:

		Place of incorporation	**Place of operation**
Billion Industrial Holdings Limited	:	Cayman Islands	Hong Kong
Billion Industrial Investment Limited	:	British Virgin Islands	N/A
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 Industrial Co., Ltd	:	PRC	Fujian, PRC
Treasure Full Global Industrial Limited	:	British Virgin Islands	N/A

* The name marked with "*" are for identification purpose only.

EXISTING PRODUCTION SITE

DEVELOPMENT OF THE NEW PRODUCTION SITE

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

Designed Capacity:
FDY+POY : 475,000 tons
DTY : 305,000 tons

Construction Area: Approximately 384,000 square meters
Site Area: Approximately 275,400 square meters

As at 1 September 2011

Located at Jinnan Industrial Zone, approximately two kilometers away from the existing production site
Construction Area: Approximately 375,700 square meters
Site Area: Approximately 500,000 square meters

Designed Capacity will be increased to:

Before the end of 2011	Before the end of 2012	Before the end of 2013
FDY+POY : 475,000 TPY	FDY+POY : 580,000 TPY	FDY+POY : 785,000 TPY
DTY : 340,000 TPY	DTY : 493,000 TPY	DTY : 493,000 TPY

As at 1 September 2011

Management Discussion and Analysis

I. CHANGES IN GLOBAL AND CHINA'S ECONOMY

The global economy weakened in the first half of 2011, with debt crises brewing in the European area and a combination of high unemployment and low growth in the United States. The bonds, equity, and commodity markets including crude oil were volatile, driven by excess liquidity. Looking ahead, there is a significant risk of stagflation in major economies, as monetary easing policies fail to stem inflation or to spur up growth.

China's economy has remained among the few bright spots in the global economy, due to judicious macro-economic tightening to control credit and inflation, reducing the risk of a hard landing. In the first half of 2011, GDP increased by 9.6% to RMB20.44 trillion, according to China's National Bureau of Statistics. Inflation-adjusted per capita income growth increased at a lower rate at 7.6%, to RMB11,041. In nominal terms, per capita income grew by 13.2%. Against this backdrop, Billion Industrial is set to achieve continuous and significant development in the robust market for the polyester filament yarn in the PRC.

II. INDUSTRY REVIEW

Our management is particularly encouraged by trends in consumer spending. According to Frost & Sullivan, a Maryland based global market research firm, by 2015 average spending of China's 1.3 billion consumers will rise to RMB2,440.9 per person. Average spending on sports apparel and footwear will increase to RMB308.8 per person, or just below 13% of total average spending. Sports apparel and footwear are amongst the major applications of our polyester yarn filament products.

According to Frost & Sullivan, Fujian and Guangdong accounted for 33.3% of total production in the PRC in 2009, which will represent 45.0% of the footwear and apparel output by 2015. The chemical markets research and advisory firm CMAI, now owned by IHS, is among those who predicted supply shortages in south China.

In 2011, Billion Industrial Holdings Limited (the "Company") and its subsidiaries (the "Group") conducted trial experiments with cotton-like fibers, which have the softness of cotton but the material strength of polyester. Cotton-like fibers and specialty polyester filaments are among the encouraged industries under China's 12th Five-Year Plan, which began its implementation in 2011. The Company conducted its experiments in cotton-like fibers with Donghua University.

At the end of 2010, the Company was identified as a national-level research and development center for specialty polyester filament yarns. We have applied for the status as a "National Enterprise Technology Center". We completed hearing in front of industrial professionals in July.

Management Discussion and Analysis

III. BUSINESS REVIEW

Diversified Product Mix Led to Greater Pricing Power

Price fluctuations in the Company's primary raw material, purified terephthalic acid (PTA) are effected by crude oil price movements during the period under review. The Company has passed these cost increases in PTA to customers, resulting in higher-end user prices during the first four months of the year followed by adjustments in May and June following a modest decline in May and a huge decline in June in PTA prices.

The Company enjoyed greater pricing power during the period under review, while gross margins remained in higher level.

Southeast Asia and emerging markets grew rapidly during the period under review. Exports grew by 68.8% over the previous half year to RMB404.6 million.

Capacity Expansion on Schedule

As of 30 June 2011, the Group's designed capacity of Fully Drawn Yarn (FDY) and Partially Oriented Yarn (POY) at the Group's current production site reached approximately 475,000 Tons Per Year (TPY) and the Group's designed capacity of Drawn Textured Yarn (DTY) increased to approximately 305,000 TPY, as planned.

In addition, the Group plans to construct a new production line, which is expected to commence production in November 2011. This will increase the Group's designed capacity of FDY and POY by approximately 310,000 TPY to approximately 785,000 TPY and of DTY by approximately 188,000 TPY to approximately 493,000 TPY on its completion at the end of 2013.

In addition, on 30 July 2011, the board approved RMB350 million for expansion of its polyester thin film business, an industry that has been considered as encouraged industry by the Chinese government. We believe that diversifying our product mix by moving into polyester thin film is strategic from the perspective of market potential and is synergistic with our existing product lines. Polyester thin film makes use of the same raw materials, PTA and monoethylene glycol (MEG). The new business will begin contributing to revenues in 2012.

Research and Development

As at 30 June 2011, the Company has developed 25 new specialty polyester filaments yarns and 5 newly developed equipment. Among which, those developed specialty polyester filaments yarns have obtained 18 national patents and the developed equipment has obtained 4 national patents in China, while the application for national patents for another 7 specialty polyester filaments yarns and 1 equipment are still pending. The Company has currently manufactured and sold 16 national patents for specialty polyester filaments yarns obtained from separate development to customers. Out of the remaining 9 yarns, 8 are in pilot testing and 1 has passed trial production. The Group plans to offer all those 9 newly developed products in the future. All of the above achievements are attributable to the experienced research and development team formed by 505 highly qualified engineers and researchers of the Company.

Management Discussion and Analysis

Revenue from the patented specialty polyester filament yarns represented 64% of total revenue in the first half of the year, for a total of RMB1,889,723,000. The Group believes that the intellectual property rights will give us a competitive edge and have helped to build the Group's brand both domestically and globally.

During the period under review, the Group were granted with 7 new patents and launched 6 research projects in order to satisfy the Group's clients' new requirements.

IV. BUSINESS OUTLOOK

China's growth and an expanding international market will create opportunities for the Group in the second half of the year. The Group anticipates the continuous capacity expansion will increase the market share. The Group plans to invest in research and development, improve the quality of our products to meet market demand and win consumer loyalty. The Group will create value for the shareholders by seizing market opportunities as they arise.

Expand Production Capacity and Improve Efficiency and Product Quality

The Group plans to construct a new production site near the existing facility in Jinjiang City, Fujian Province, which will commence production in November 2011. Upon its completion at the end of 2013, the new production site is expected to increase the Group's designed capacity of FDY and POY by approximately 310,000 TPY to approximately 785,000 TPY and increase the designed capacity of DTY by approximately 188,000 TPY to approximately 493,000 TPY. The new production facility will have 12 FDY spinning production lines with a total designed capacity of approximately 175,000 TPY, 8 POY spinning lines with a designed capacity of approximately 135,000 TPY, and 110 DTY texturing machines with a total designed capacity of approximately 188,000 TPY. The Group believe that this increased production capacity will provide the Group additional cost saving advantages from economies of scale and allow the Group to meet additional demand for products and further expand the its market share and coverage.

The new machinery and equipment will incorporate cutting edge design and technology. The Group will use them to improve the production efficiency and product quality, generate higher energy savings and lower the production costs. The Group has engaged Donghua University to study the polymerization and spinning lines and use computer model and simulation technology to help improve the production processes, enhance production efficiency and develop new products. The Group believes this effort should help to raise the efficiency of the existing production lines.

Expand Marketing and Sales Network, Strengthen the Relationships with Fabric and Textile Manufacturers and End Customers

Sales and marketing are keys to maintaining the Group's leadership position in the market. The Group plans to make use of a variety of marketing networks to promote brand awareness. The Group will attend industry exhibitions in China and abroad, invest in product promotion work, and expand the marketing team. The Group will offer additional training programs for the sales and marketing staff to develop their knowledge of the products and improve sales techniques. The Group will also look for ways to increase visibility internationally, via the gateway province of Guangdong and into Vietnam and South America, where footwear and apparel manufacture is expanding. With our production capability, the Group believes that overseas expansion will enable the Group to optimize the client structure and distribution networks.

Management Discussion and Analysis

Enhance Research and Development

The Group has an ambitious timetable for new product development. Individual research and development managers are in charge of each of the new products. By the end of 2011, the Group will begin commercial production of the first 3 out of the 6 specialty polyester filament yarns. By the end of 2012, the Group will begin commercial production of another 3 specialty polyester filament yarn products. In 2012 and 2013, the Group will commercialize production of a total of 10 new specialty polyester filament yarn products, with new products released annually from 2014 onwards. This rapid pace will be made possible by the Group's new production facility, which has been designed to focus on production of ultra-thin and highly functional specialty polyester filament yarns.

The Group is planning strategic cooperation with the end customers in the apparel and footwear industry. In order to have the research and development personnel communicates directly with customers and to understand their requirements in terms of the physical and chemical features of the yarns, the Group also plans to involve the end customers in the testing and trial use of product and fabric samples. The Group will build an operation center in the East Sea District, Quanzhou City, Fujian Province, the PRC, where many of the end consumers have their headquarters, including ANTA, 361 Degrees, Xtep, Peak and SeptWolves.

V. FINANCIAL REVIEW

Operational Situation

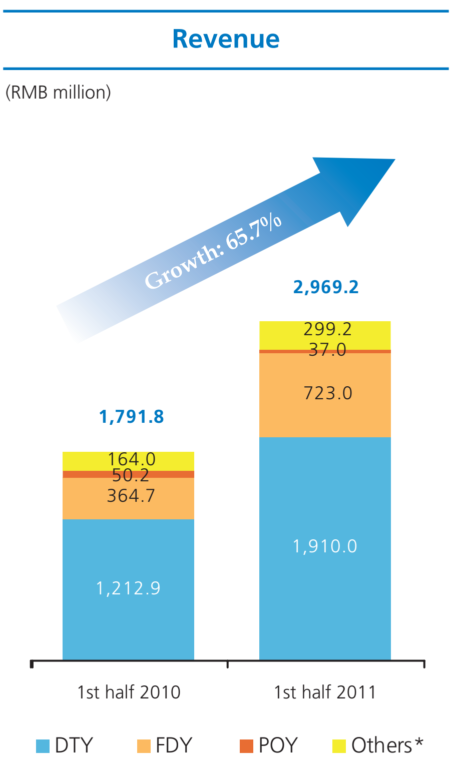
1. Revenue

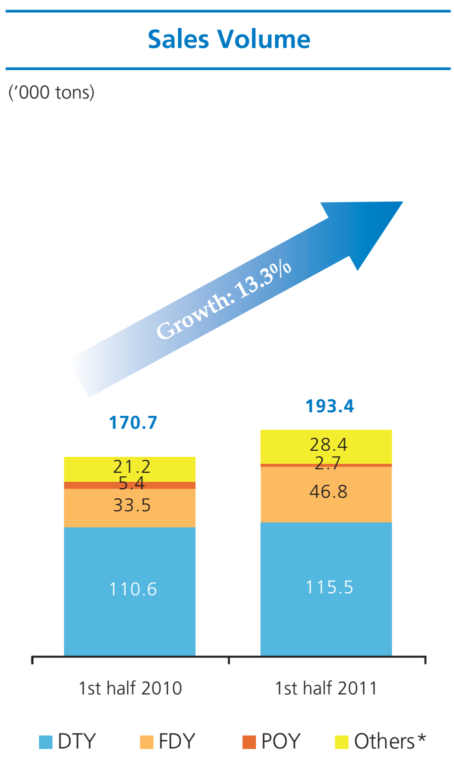
In the first half of 2011, revenue of the Group amounted to RMB2,969,223,000, representing an increase of 65.7% over the same period last year. The increase in revenue was mainly attributable to two factors. First, the sales volume of the first half of the year was 193,364 tons, representing an increase of 13.3% as compared with 170,697 tons over the same period last year. Another factor was that the average selling price of the products reached RMB15,356 per ton during the period, whereas it was RMB10,497 per ton in the same period last year, up by 46.3%. Two reasons contributed to the increase in prices. First, the prices of raw materials (PTA & MEG) climbed up, which drove up the sales prices of products. Second, there was blooming demand in China's consumer market, especially for apparel, footwear and home furnishings, pulling up the selling prices of our products.

Management Discussion and Analysis

Revenue and Sales Volume by Products

	Revenue				Sales volume			
	Six months ended 30 June				Six months ended 30 June			
	2011		2010		**2011**		2010	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
DTY	**1,909,975**	**64.3%**	1,212,895	67.7%	**115,532**	**59.7%**	110,546	64.8%
FDY	**723,039**	**24.4%**	364,700	20.4%	**46,745**	**24.2%**	33,545	19.7%
POY	**37,030**	**1.2%**	50,168	2.8%	**2,695**	**1.4%**	5,383	3.1%
Others*	**299,179**	**10.1%**	163,992	9.1%	**28,392**	**14.7%**	21,223	12.4%
Total	**2,969,223**	**100%**	1,791,755	100%	**193,364**	**100%**	170,697	100%





* *Others represent PET chips and wasted filament produced in the process of production.*

Management Discussion and Analysis

Geographic Breakdown of Sales

	Six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**2,152,573**	**72.5%**	1,276,157	71.2%
Guangdong Province	**392,066**	**13.2%**	262,799	14.7%
Other Provinces	**20,019**	**0.7%**	13,166	0.7%
Export sales	**404,565**	**13.6%**	239,633	13.4%
Total	**2,969,223**	**100%**	1,791,755	100%

Note: Countries of export sales mainly include Turkey, Korea, Belgium, Italy, Vietnam and Germany.

2. Cost of Sales

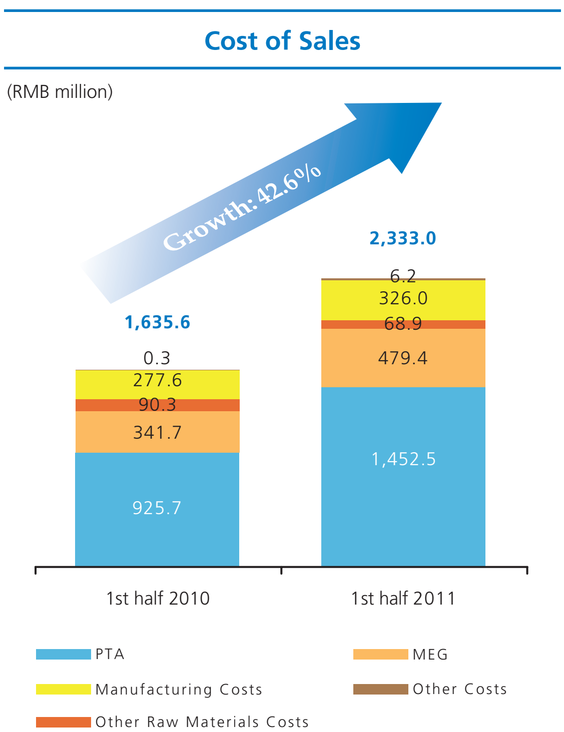
During the period, the cost of sales was RMB2,332,982,000, representing an increase of 42.6% over the same period last year. The average cost was RMB12,065 per ton, representing an increase of 25.9% as compared with that over the same period last year.

The cost of sales mainly comprised of raw materials costs. During the period, the material cost for the sales volume per ton was RMB10,347 (same period of 2010: RMB7,954), accounting for 85.8% (same period of 2010: 83.0%) of the aggregate cost of sales and representing an increase of RMB2,393 or 30.1% per ton over the same period last year. The increase in price of raw materials was mainly attributable to the increase in the price of petroleum, which is the raw material for PTA and MEG. As mechanical automation was utilized in most of the production process, the manufacturing costs, which mainly include water and electricity fees, package materials, depreciation of machineries and direct labor cost, etc., accounted for a small proportion of 14% of cost of sales for the first half of 2011.

Management Discussion and Analysis

Analysis of Cost of Sales

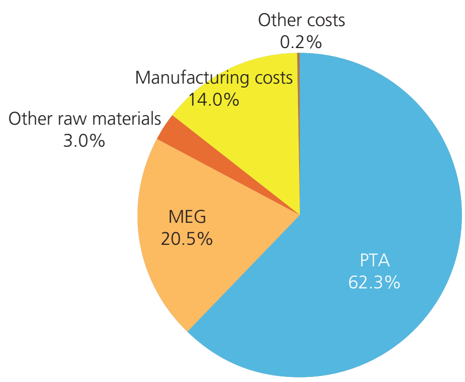
	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Cost of raw materials		
PTA	**1,452,509**	925,737
MEG	**479,393**	341,732
Other raw materials	**68,842**	90,236
	2,000,744	1,357,705
Manufacturing costs	**326,004**	277,624
Other costs	**6,234**	233
	2,332,982	1,635,562



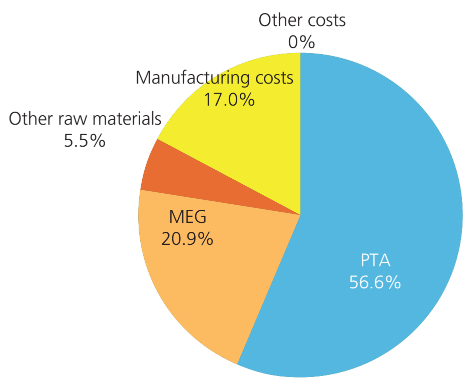
Management Discussion and Analysis

Analysis of Cost of Sales per Ton

	Six months ended 30 June			
	2011		2010	
	RMB	**Percentage**	RMB	Percentage
Raw materials				
PTA	**7,512**	**62.3%**	5,423	56.6%
MEG	**2,479**	**20.5%**	2,002	20.9%
Other raw materials	**356**	**3.0%**	529	5.5%
	10,347	**85.8%**	7,954	83.0%
Manufacturing costs	**1,686**	**14.0%**	1,627	17.0%
	12,033	**99.8%**	9,581	100.0%
Other costs	**32**	**0.2%**	1	0%
Average cost per ton	**12,065**	**100%**	9,582	100%



1st half 2011

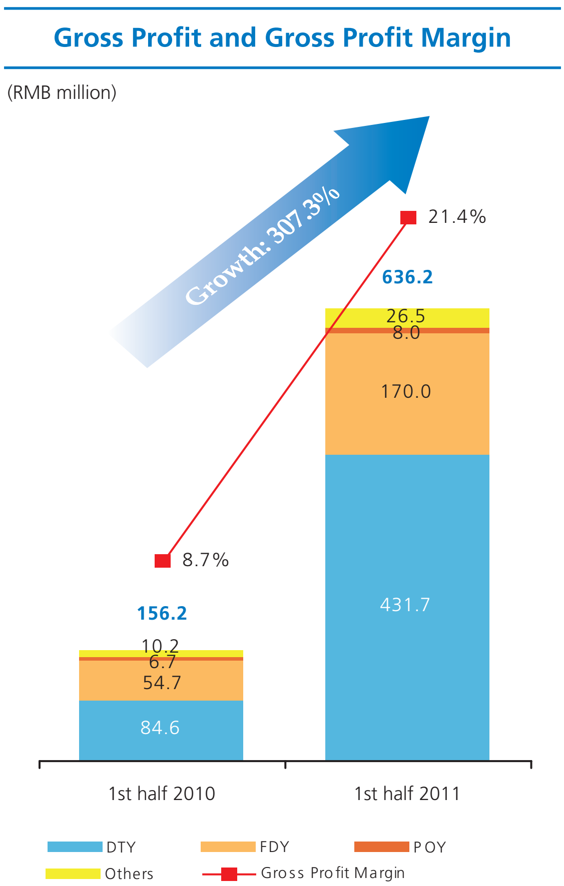


1st half 2010

Management Discussion and Analysis

3. *Gross Profit*

During the period, the gross profit of the Group amounted to RMB636,241,000, representing an increase of 307.3% over the same period last year. The gross profit margin was 21.4%, representing an increase of 12.7% as compared with that of 8.7% over the same period last year.



Management Discussion and Analysis

The increase of gross profit margin was primarily due to two factors:

(i) Buoyant market demand for products

Owing to the flourishing development of Chinese economy, a rapid growth in domestic demand was seen, while the demand for apparel, footwear and home textile products also climbed up continuously. The Company's products are of good quality and are capable to cater market demand, especially high-end products, such as anti-bacterial and fire-retardant chemical fibers, which are suitable for home textile, moisture-absorbing, perspiration-permeable and anti-UV chemical fibers for sportswear, anti-bacterial chemical fibers for the production of socks, down-like material chemical fibers, Bainuan yarn (百暖絲) for the production of underwear and bed sheet, and wear-resistant chemical fibers for the production of footwear.

The large market demand for the Company's products is attributable to the superiority benefited from the efforts of research & development of the Company, including the joint research and development outcomes with Donghua University and the close communication with downstream customers, and thus understanding the needs of end consumers and ensuring the popularity of the products of research and development, the superiority of products strengthens the Company's bargaining power in maintaining the sales prices at a high level.

(ii) Increase in selling price

The market demand is rising and the cotton prices are still at a high level. The Company's specialty products can be used as a substitute for cotton, such as the mixed spinning of polyester filament yarn. Owing to the sustained hikes of cotton prices, whilst the polyester filament yarn possesses unique features and functions that could not be found in cotton, the textile producers may raise the proportion of polyester in the process of terylence/cotton mixed spinning to reduce the costs. The surging prices of cotton pulled up the demand for polyester filament yarns, thereby driving up the prices of polyester filament yarns.

In conclusion, the increase of gross profit was due to the fact that the price effect was larger than the cost effect, hence pulling up the gross profit of the Company.

Management Discussion and Analysis

Analysis of Gross Profit by Products

	Six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage**	RMB'000	Percentage
DTY	**431,672**	**67.9%**	84,663	54.2%
FDY	**170,035**	**26.7%**	54,678	35.0%
POY	**7,979**	**1.2%**	6,670	4.3%
Others	**26,555**	**4.2%**	10,182	6.5%
Total	**636,241**	**100%**	156,193	100%

Average Gross Profit of Product Per Ton

	Six months ended 30 June	
	2011	2010
	RMB	RMB
Average sales price per ton	**15,356**	10,497
Average sales costs per ton	**12,065**	9,582
Average gross profit per ton	**3,291**	915
Average gross profit margin	**21.4%**	8.7%

4. *Other Revenue*

During the period, other revenue amounted to RMB34,155,000, representing an increase of 341.7% over the same period last year. Such increase was primarily attributable to the rise in government subsidy during the period, including subsidies for key research and development (重點研發補助資金), funds for encouraging core integrated enterprises (產業集群核心企業獎勵資金), taxation rewards for key enterprises (重點企業納稅獎勵資金), rewards for enterprises' propriety export (企業自營出口獎勵金) and rewards for technology innovation (科技創新獎項資金), etc. The items and amount were larger than that over the same period last year. In addition, owing to the year-on-year increase of fixed deposit arising from the non-deliverable forward foreign exchange contracts (NDF) and cash in the first half of the year, the interest income generated from bank deposits also recorded a year-on-year growth.

Management Discussion and Analysis

5. *Other Net Gain*

During the period, other net gain amounted to RMB12,711,000, representing an increase of 179.1% over the same period last year. Such increase was primarily due to the foreign exchange gain. The Company arranged a number of NDFs with banks for the external purchase of materials, and following the appreciation of RMB, foreign exchange gains were recorded for borrowings denominated in foreign currencies.

6. *Selling and Distribution Expenses*

During the period, selling and distribution expenses amounted to RMB15,272,000, representing an increase of 80.3% over the same period last year. Distribution costs mainly include transportation cost and travelling expenses, etc. Given the expansion of the Company's business, there was an increase in travelling expenses. And due to the year-on-year increase in export sales volume, there was an increase in the Company's transportation cost as compared with the corresponding period last year.

7. *Administrative Expenses*

During the period, the administrative expenses were RMB107,827,000, representing an increase of 179.9% over the same period last year. The administrative expenses increased in aggregate due to the business development of the Group. During the period, research and development expenses amounted to RMB67,722,000, representing an increase of 163.3% as compared with that of RMB25,718,000 over the same period last year.

In addition, the Company was successfully listed on 18 May this year, and part of the one-off administrative expenses concerning the IPO amounted to RMB12,335,000, which included attorney fees and other professional charges, etc, whereas the remaining initial listing expenses were capitalized in accordance with the accounting standards of Hong Kong.

8. *Finance Costs*

During the period, financial costs amounted to RMB 21,415,000, up by 71.1% from the same period last year. Financial costs mainly comprises of interests of bank borrowings, and its increase was due to the arrangement of more NDFs during the period as compared with last year.

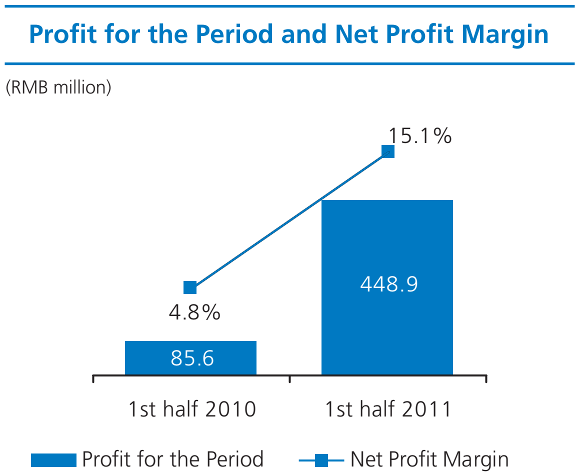
9. *Income Tax*

During the period, the income tax was RMB89,715,000, representing an increase of 283.3% over the same period last year. The increase was primarily due to the better pre-tax performance of the Group during the period as compared with the same period last year, thus the income tax increased correspondingly as compared with that of last year. As an Advanced and New Technology Enterprise, Billion Fujian enjoyed preferential corporate income tax rate of 15%, whereas national income tax rate amounted to 25%.

Management Discussion and Analysis

10. Profit for the Period

Due to the aforesaid factors and reasons, profit for the period amounted to RMB448,878,000, representing an increase of 424.6% over the same period last year. The net profit margin was 15.1%, representing an increase of 10.3% as compared with that of 4.8% over the same period last year.



Financial Position

1. Liquidity and Capital Resources

As at 30 June 2011, the cash and cash equivalent of the Group amounted to RMB2,077,223,000, as compared to RMB151,392,000 as at 31 December 2010, up by 1,272.1%. Such increase was mainly due to the proceeds raised by the listing of the Company and the cash inflow of operating activities.

For the six months ended 30 June 2011, the Group's net cash outflow of investing activities, net cash inflow of financing activities and net cash inflow from operating activities amounted to RMB627,678,000, RMB2,086,488,000 and RMB475,266,000, respectively. The Group primarily uses cash inflow of operating activities to satisfy the requirements of working capital.

As at 30 June 2011, The Group had capital commitments of RMB456,625,000, which was mainly used in the expansion of its production capacity and construction, including the construction of plants and purchase of machines and equipment.

Management Discussion and Analysis

2. *Capital Structure*

As at 30 June 2011, the total liabilities of the Group amounted to RMB2,148,982,000, and the capital and reserve amounted to RMB4,917,791,000. The gearing ratio (total liabilities divided by total equity) was 43.7% (31 December 2010: 92.6%). As at 30 June 2011, the Group's bank borrowing amounted to RMB600,908,000, of which RMB438,228,000 were short term bank borrowings and RMB162,680,000 were long term borrowings. Among the bank borrowings, 98.8% were secured by restricted bank deposits, which were incurred due to the arrangement of NDFs.

Contingent Liabilities

As at 30 June 2011, the Group did not have any contingent liabilities.

Foreign Currency Risk

Substantially all of the Group's revenue and operating costs are denominated in Renminbi. Apart from bank deposits denominated in foreign currencies and bank loans denominated in Hong Kong dollars, the Group's cash flow from operation or liquidity is not directly exposed to any other material fluctuations in foreign exchange rate. The Group has no hedging arrangement in place with respect to the foreign exchange exposure during the period.

Employees and Remuneration

As at 30 June 2011, the Group has a total of 3,860 employees. Remuneration for employees is determined in accordance with performance, professional experiences and the prevailing market practices. Management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance.

Material Investments

As at 30 July 2011, the Board of the Company approved the establishment of 福建百宏高新材料實業有限公司 (Fujian Billion High-tech Material Industry Co., Ltd), a new indirect wholly-owned subsidiary, in Jinnan Industrial Zone, Longhu County, Jinjiang City, Fujian Province, the PRC, to develop polyester thin film business with investment of approximately RMB350,000,000 in aggregate. The new investment will include the construction of two new factories, one warehouse and one staff dormitory with a total construction area of approximately 25,700 square meters for an amount of approximately RMB52,500,000. As part of the development of the polyester thin film business, Billion Development (Hong Kong) Limited has entered into an equipment purchase agreement on 2 August 2011 with an independent third party in Germany to purchase film production line and laboratory equipment at a cash consideration of EUR15,363,000. The Board expects that the new manufacturing facilities for the polyester thin film business will commence commercial production by May 2012. It is expected that the new investment will be partly funded by the proceeds of the initial public offering and partly from the internally generated funds of the Company.

Review Report on the Interim Financial Report

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

INTRODUCTION

We have reviewed the interim financial report set out pages 23 to 43, which comprise the consolidated statement of balance sheet of Billion Industrial Holdings Limited at 30 June 2011, the related consolidated income statement, statement of comprehensive income, the statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

17 August 2011

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
Revenue	*4*	**2,969,223**	1,791,755
Cost of sales		**(2,332,982)**	(1,635,562)
Gross profit		**636,241**	156,193
Other revenue	*5*	**34,155**	7,732
Other net gain	*6*	**12,711**	4,555
Selling and distribution expenses		**(15,272)**	(8,470)
Administrative expenses		**(107,827)**	(38,529)
Profit from operations		**560,008**	121,481
Finance costs	*7(a)*	**(21,415)**	(12,514)
Profit before taxation	*7*	**538,593**	108,967
Income tax	*8*	**(89,715)**	(23,404)
Profit for the period		**448,878**	85,563
Earnings per share			
Basic and diluted *(RMB)*	*10*	**0.24**	0.05

The notes on pages 29 to 43 form part of this interim financial report.
Details of dividend payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**448,878**	85,563
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside mainland China	**(13,696)**	–
Total comprehensive income for the period	**435,182**	85,563

The notes on pages 29 to 43 form part of this interim financial report.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2011
(Expressed in Renminbi)

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000 (audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*11*	**2,277,322**	2,286,023
– Construction in progress	*12*	**121,275**	28,235
– Interests in leasehold land held for own use under operating leases	*13*	**175,474**	171,632
Deposits and prepayments	*15*	**342,793**	12,587
		2,916,864	2,498,477
Current assets			
Inventories	*14*	**667,449**	404,834
Trade and other receivables	*15*	**785,009**	953,897
Restricted bank deposits		**620,228**	527,403
Cash and cash equivalents	*16*	**2,077,223**	151,392
		4,149,909	2,037,526
Current liabilities			
Trade and other payables	*17*	**1,416,754**	1,472,982
Bank loans		**438,228**	383,161
Current taxation	*18(a)*	**61,543**	27,531
		1,916,525	1,883,674
Net current assets		**2,233,384**	153,852
Total assets less current liabilities		**5,150,248**	2,652,329
Non-current liabilities			
Bank loans		**162,680**	121,059
Long term loans		**–**	116,011
Deferred tax liabilities	*18(b)*	**69,777**	59,720
		232,457	296,790
NET ASSETS		**4,917,791**	2,355,539

Consolidated Balance Sheet (Unaudited)

As at 30 June 2011
(Expressed in Renminbi)

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000 (audited)
Capital and reserves	*19*		
Share capital		**19,333**	1,787,457
Reserves		**4,898,458**	568,082
TOTAL EQUITY		**4,917,791**	2,355,539

Approved and authorized for issue by the Board of Directors on 17 August 2011.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 29 to 43 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2011
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
		Share capital	**Share premium**	**Statutory reserve**	**Capital reserve**	**Exchange reserve**	**Retained profits**	**Total equity**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note	*19(a)*	*19(b)(i)*	*19(b)(ii)*	*19(b)(iii)*	*19(b)(iv)*		
Balance at 1 January 2010		1,681,672	–	28,396	15,950	–	255,567	1,981,585
Changes in equity for the six months ended 30 June 2010								
Profit distribution prior to the listing	9	–	–	–	–	–	(180,014)	(180,014)
Capital injection prior to the listing		105,785	–	–	21	–	–	105,806
Total comprehensive income for the period		–	–	–	–	–	85,563	85,563
Balance at 30 June 2010		1,787,457	–	28,396	15,971	–	161,116	1,992,940
Balance at 1 January 2011		**1,787,457**	**–**	**72,992**	**18,174**	**–**	**476,916**	**2,355,539**
Changes in equity for the six months ended 30 June 2011								
Profit distribution prior to the listing	9	**–**	**–**	**–**	**–**	**–**	**(324,569)**	**(324,569)**
Elimination of paid-in capital on reorganisation	*19(a)(ii)*	**(1,787,457)**	**–**	**–**	**1,787,457**	**–**	**–**	**–**
Issue of shares upon reorganisation	*19(a)(iii)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capitalisation issue	*19(a)(iii)*	**14,522**	**(14,522)**	**–**	**–**	**–**	**–**	**–**
Share issued under placing and public offering, net of issuing expenses	*19(a)(iv)*	**4,811**	**2,446,828**	**–**	**–**	**–**	**–**	**2,451,639**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(13,696)**	**448,878**	**435,182**
Balance at 30 June 2011		**19,333**	**2,432,306**	**72,992**	**1,805,631**	**(13,696)**	**601,225**	**4,917,791**

The notes on pages 29 to 43 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Net cash generated from/(used in) operating activities		**475,266**	(324,718)
Net cash (used in)/generated from investing activities		**(627,678)**	15,665
Net cash generated from financing activities		**2,086,488**	315,126
Net increase in cash and cash equivalents		**1,934,076**	6,073
Cash and cash equivalents at 1 January		**151,392**	137,542
Effect of foreign exchange rate changes		**(8,245)**	(21)
Cash and cash equivalents at 30 June	*16*	**2,077,223**	143,594

The notes on pages 29 to 43 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 17 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the changes in accounting policies that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 22.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those 2010 annual financial statements in their report dated 5 May 2011.

The financial information relating to the six months ended 30 June 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial period but is derived from the financial information.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

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

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the interim financial report are identified from the financial information provided regularly to the Group's most senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented for the Group's business segment as the Group is principally engaged in the manufacturing and sales of polyester filament fibre products in the People's Republic of China (the "PRC").

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE

The principal activities of the Group are the manufacturing and sales of polyester filament fibre products.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Domestic sales	**2,564,658**	1,552,122
Export sales	**404,565**	239,633
	2,969,223	1,791,755

5 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Bank interest income	**12,789**	6,848
Government grants*	**14,158**	2,266
Gain/(loss) on sales of raw materials	**7,208**	(1,382)
	34,155	7,732

* *Government grants of RMB14,158,000 and RMB2,266,000 for the period ended 30 June 2011 and 2010 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.*

6 OTHER NET GAIN

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	**–**	(37)
Donations	**(15)**	(60)
Net exchange gain	**11,634**	4,615
Net gain on financial liabilities at a fair value through profit or loss	**62**	63
Others	**1,030**	(26)
	12,711	4,555

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
(a)	**Finance costs:**		
	Interest on bank borrowings	**16,263**	7,891
	Other interest expenses	**5,152**	4,623
		21,415	12,514
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**632**	259
	Salaries, wages and other benefits	**47,896**	40,017
		48,528	40,276
(c)	**Other items:**		
	Amortisation of interests in leasehold land	**1,576**	1,694
	Depreciation**	**70,497**	64,249
	Operating lease charges in respect of properties	**220**	180
	Research and development*	**67,722**	25,718
	Cost of inventories**	**2,332,982**	1,635,562

* *Research and development costs include RMB16,857,000 and RMB15,995,000 for the periods ended 30 June 2011 and 2010 respectively relating to staff costs of employees in the research and development department and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

** *Cost of inventories include RMB85,672,000 and RMB61,478,000 for the periods ended 30 June 2011 and 2010 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**79,658**	11,635
Deferred tax		
Origination and reversal of temporary differences	**10,057**	11,769
	89,715	23,404

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during each of the six months ended 30 June 2011 and 2010.

(iii) Prior to 1 January 2008, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* ("福建百宏聚纖科技實業有限公司" or "Billion Fujian"), being a production-oriented foreign investment enterprise established in Fujian, was entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% reduction in income tax rate commencing from its first profit-making year from PRC tax perspective ("2+3 tax holiday"). Billion Fujian commenced its tax holiday in 2006.

In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance note, the subsidiary in Mainland China, Billion Fujian was granted the Advanced and New Technology Enterprise Status in 2009 for a valid period of 3 years from 2009 to 2011 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations.

Nevertheless this reduced tax rate cannot be applied in conjunction with the grandfathered tax holiday. Accordingly, Billion Fujian is subject to PRC income tax at 12.5% for 2010 and at 15% for 2011. From 2012 onwards, Billion Fujian is subject to PRC income tax at 15% if the Advanced and New Technology Enterprise Status can continued be maintained.

In addition, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to 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.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 DIVIDENDS

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

	2011 **RMB'000**	2010 RMB'000
Interim dividend proposed after the interim period of HK11.99 cents per share (2010: Nil)	**225,204**	–

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends declared and paid to Billion Wise Industrial Limited ("Billion H.K.") prior to the completion of reorganisation on 17 February 2011:

During the six months period ended 30 June 2010, Billion Fujian declared and paid dividends of RMB180,014,000 to Billion H.K., original immediate holding company of Billion Fujian, prior to the completion of the reorganisation.

On 10 January 2011, Billion Fujian also declared a dividend of RMB324,569,000 for the distributable profits generated for the year ended 31 December 2010. This dividend was paid to Billion H.K. on 17 January 2011.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB448,878,000 (six months ended 30 June 2010: RMB85,563,000) and the weighted average of 1,863,968,232 ordinary shares (2010: 1,724,250,000 shares after adjusting for capitalisation issue in 2010) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2011 and 2010, and therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Net book value, at 1 January	**2,286,023**	2,308,019
Additions	**60,759**	40,785
Transfer from construction in progress *(note 12)*	**1,037**	72,532
Disposals (net carrying amount)	**–**	(2,431)
Depreciation charge for the period/year	**(70,497)**	(132,882)
At 30 June/31 December	**2,277,322**	2,286,023

12 CONSTRUCTION IN PROGRESS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At 1 January	**28,235**	36,094
Additions	**94,077**	64,673
Transfer to property, plant and equipment *(note 11)*	**(1,037)**	(72,532)
At 30 June/31 December	**121,275**	28,235

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

Interests in leasehold land held for own use under operating leases represent land use rights in the PRC. At 30 June 2011, the remaining period of the land use rights ranged from 45 to 49 years.

14 INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**293,289**	202,052
Work in progress	**39,913**	31,279
Finished goods	**334,247**	171,503
	667,449	404,834

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis, based on the date of billing, as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	**298,987**	494,668
Less than 1 month past due	**6,913**	12,445
More than 1 month but less than 3 months past due	**23**	4
More than 3 months but less than 1 year past due	**2**	659
More than 1 year past due	**658**	17
Trade debtors and bills receivable, net of allowance for doubtful debts	**306,583**	507,793
Deposits, prepayments and other receivables	**821,219**	458,691
	1,127,802	966,484
Less: non-current portion of deposits and prepayments	**(342,793)**	(12,587)
	785,009	953,897

At 30 June 2011 and 2010, all of the current trade and other receivables are expected to be recovered or recognised as expenses within one year.

Trade debtors are due within 30 to 90 days from the date of billing, except for those due from related parties which were repayable on demand.

Non-current portion of deposits and prepayments represents deposits for purchase of property, plant and equipment and prepayment for construction and construction materials.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**2,077,223**	151,392

17 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 3 months or on demand	**778,901**	733,200
Due after 3 months but within 6 months	**20,916**	132,078
Due after 6 months but within 1 year	**1,365**	604
More than 1 year	**7,442**	6,856
Trade creditors and bills payable	**808,624**	872,738
Other payables and accrual charges		
– related companies	**2,000**	2,915
– others	**107,182**	96,331
Equipment payables	**22,456**	9,812
Construction payables	**290,483**	236,273
Receipts in advance	**181,677**	250,519
Financial liabilities measured at amortised cost	**1,412,422**	1,468,588
Derivative financial liabilities		
– Interest rate swaps	**2,948**	2,856
– forward exchange contracts	**1,384**	1,538
	1,416,754	1,472,982

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represent:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Provision of PRC income tax	**61,543**	27,531

(b) Deferred tax liabilities recognised:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deferred tax liabilities arising from:		
– Depreciation and amortisation of fixed assets	**77,364**	66,509
– Others	**(7,587)**	(6,789)
	69,777	59,720

(c) Deferred tax liabilities not recognised

At 30 June 2011, temporary differences relating to the undistributed profits of Billion Fujian amounted to RMB623,780,000. Deferred tax liabilities of RMB62,378,000 have not been recognised in respect of the withholding tax that would be payable upon distribution of these retained profits as the Board of the Company does not currently intend to distribute the remaining undistributed profit of Billion Fujian to Billion Development (Hong Kong) Limited ("Billion Development"), its wholly-owned controlling parent, in the foreseeable future.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Par value HK$	Number of shares	Nominal value of ordinary shares HK$
Authorised:			
At 25 November 2010	0.01	38,000,000	380,000
Increase in share capital on 31 March 2011	0.01	9,962,000,000	99,620,000
At 30 June 2011	0.01	10,000,000,000	100,000,000

	Note	Par value HK$	Number of shares	Nominal value of ordinary shares HK$	 RMB
Issued and fully paid:					
At 25 November 2010		0.01	2	0.02	0.02
Issue of shares upon reorganisation	*(a)(iii)*	0.01	198	1.98	1.67
Capitalisation issue	*(a)(iii)*	0.01	1,724,249,800	17,242,498	14,522,494
Issues of shares under placing and public offering	*(a)(iv)*	0.01	574,750,000	5,747,500	4,810,772
At 30 June 2011		0.01	2,299,000,000	22,990,000	19,333,268

The Company was incorporated on 25 November 2010 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Pursuant to the resolutions in writing of the shareholders of the Company passed on 31 March 2011, the authorised share capital of the Company was increased to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

(ii) Elimination of paid-in capital on reorganisation

Share capital presented in the consolidated statement of changes in equity at 1 January 2011 and 30 June 2010 represented the combined amount of paid-in capital of the entities comprising the Group.

On 24 January 2011, Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K. entered into an equity transfer agreement pursuant to which Billion H.K. agreed to transfer its entire equity interests in Billion Fujian to Billion Development and as a consideration for such transfer, Mr. Sze Tin Yau and Mr. Wu Jinbiao agreed to procure the Company to allot and issue 99 shares, credited as fully paid, to each of the two immediately holding companies of the Company. Upon completion of the equity transfer on 17 February 2011, the Company became the ultimate parent company of Billion Fujian and the issued share capital of RMB1,787,457,000 of Billion Fujian (that comprised the share capital of the Group before such transaction) was deducted from share capital presented in the consolidated statement of changes in equity with a corresponding credit to capital reserve for the transferral of share capital.

(iii) Issue of shares upon reorganisation and capitalisation issue

On 17 March 2011, the Company issued 198 ordinary shares at par for cash to broaden the capital base of the Company.

Pursuant to the written resolution on 31 March 2011, the Company allotted and issued 1,724,249,800 shares of HK$0.01 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's public offering and pursuant to this resolution, a sum of HK$17,242,498 (equivalent to RMB14,522,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

(iv) Issue of shares under placing and public offering

On 18 May 2011, the Company issued 574,750,000 shares with a par value of HK$0.01 each, at a price of HK$5.18 per share by way of a placing and public offering to Hong Kong and overseas investors. Net proceeds from such issues amounted to HK$2,929,243,000, equivalent to RMB2,451,639,000, (after offsetting expenses directly attributable to the issue of shares of RMB40,341,000), out of which RMB4,811,000 and RMB2,446,828,000 were recorded in share capital and share premium respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND RESERVES (Continued)

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Statutory reserve

Pursuant to applicable PRC regulations, Billion Fujian is required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary.

(iii) Capital reserve

The capital reserve in the consolidated statement of balance sheet at 1 January 2011 mainly represents premium received from capital injection which are required to be included in their reserves by the PRC regulations.

Addition for the six months period ended 30 June 2011 represented the transferred of entire equity interests in Billion Fujian from Billion H.K. to Billion Development at nil consideration (see note 19(a)(ii)).

(iv) Exchange reserve

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

20 CAPITAL COMMITMENTS

Capital commitments for the acquisition of property, plant and equipment outstanding at the end of the reporting period not provided for in the interim financial report are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Authorised and contracted for	**456,625**	29,155

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**2,842**	773
Post-employment benefits	**13**	4
	2,855	777

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

(b) Transactions with a related party

The Group had the following significant transactions with a related party:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of goods		
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd. ("Hengxinglong Polyester") *(notes 1 and 2)* 福建省晉江市恒興隆化纖條綸有限公司	**318**	1,413

Note 1: The English translation of the name is for reference only. The official name of the entity is in Chinese.

Note 2: Hengxinglong Polyester is owned by Mr. Wu Qingshun, the son of Mr. Wu Jianshe.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

At 30 June 2011 and 31 December 2010, the Group had the following balances with related parties:

Amount due to related parties

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade related		
Hengxinglong Polyester	**2,000**	–
Non-trade related		
Billion H.K.	**–**	2,915
	2,000	2,915

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 30 July 2011, the Company approved the establishment of a new indirect wholly-owned subsidiary, Fujian Billion High-tech Material Industry Co., Ltd ("Billion High-tech Material") in the PRC. The Company plans to make new investment into the development of the polyester thin film business, which involves mainly the manufacturing and sales of multi-functional biaxially-oriented polyethylene terephthalate to be operated by Billion High-tech Material. In terms of capital investment, the Board of Directors approved to invest approximately RMB350,000,000 in aggregate in the development of the polyester thin film business.

General Information

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK11.99 cents per share in cash for the six months ended 30 June 2011. It is expected that the dividend will be paid on or about 9 September 2011 to those shareholders whose names appear on the Company's register of members on 6 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 2 September 2011 to Tuesday, 6 September 2011, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m., Thursday, 1 September 2011.

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

As at 30 June 2011, 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 Listing Rules, are as follows:

(a) Long position in ordinary shares of the Company

Name of Director	Nature of interest	*Note*	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Sze Tin Yau	Interest in controlled corporation	*1*	862,125,000	37.5%
Mr. Wu Jinbiao	Interest in controlled corporation	*2*	862,125,000	37.5%

Notes:

1. This 862,125,000 Shares were held by Kingdom Power Limited, the entire issued share capital of which was wholly-owned by Mr. Sze Tin Yau. Accordingly, Mr. Sze Tin Yau is deemed to be interested in the Shares held by Kingdom Power Limited by virtue of the SFO.

2. This 862,125,000 Shares were held by Winwett Investment Limited, the entire issued share capital of which was wholly-owned by Mr. Wu Jinbiao. Accordingly, Mr. Wu Jinbiao is deemed to be interested in the Shares held by Winwett Investment Limited by virtue of the SFO.

General Information

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the 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, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2011, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) has or is 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, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Kingdom Power Limited	Beneficial owner	862,125,000	37.5%
Winwett Investments Limited	Beneficial owner	862,125,000	37.5%

Save as disclosed above, as at 30 June 2011, 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, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 31 March 2011 for the purpose of attracting and retaining skilled and experienced personnel who will contribute to the long-term growth and future success of our Company and our subsidiaries.

No options have been granted under the Share Option Scheme since its adoption up to 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed shares during the period from 18 May 2011 to 30 June 2011.

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set at out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from 18 May 2011 to 30 June 2011.

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 period from 18 May 2011 to 30 June 2011.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members: Mr. Yeung Chi Tat, Ms. Zhu Meifang and Mr. Ma Yuliang. All of them are independent non-executive directors. The chairman of the audit committee is Mr. Yeung Chi Tat.

The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group, the results of the Group for the six months ended 30 June 2011 and this report.

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