
HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our origin can be traced back to 2003, when Billion Fujian was established in the PRC by Billion H.K. as a wholly foreign-owned enterprise with an initial registered capital of US\$88.88 million. At the time of the establishment of Billion Fujian, Billion H.K. injected the registered capital in the form of capital and equipment. Billion H.K. was incorporated in Hong Kong in 1996 and is owned as to 50% by Mr. Sze Tin Yau and 50% by Mr. Wu Jinbiao. Mr. Sze Tin Yau and Mr. Wu Jinbiao have been overseeing the overall management and development of Billion Fujian since its establishment and gained a strong understanding of the differentiated polyester filament yarn industry in the PRC.

Billion Fujian has been our sole operating entity and is primarily engaged in the business of developing, manufacturing and selling regular and differentiated polyester filament yarns in the PRC. After its establishment in 2003, Billion Fujian commenced constructing of its production lines with designed capacity of approximately 200,000 tpa of differentiated polyester filament yarns and formally commenced manufacturing of differentiated polyester filament yarns in June 2005. Billion Fujian launched its products in the PRC market in 2005. The registered capital of Billion Fujian was increased from US\$88.88 million at the time of its establishment to US\$239.99 million on August 15, 2008.

We are one of the largest developers and manufacturers of polyester filament yarns in China, including drawn textured yarn, or DTY, and fully drawn yarn, or FDY, the two main polyester filament yarns. We also produce partially oriented yarns, or POY, which can be used as a raw material to produce DTY or separately sold to our customers. According to CMAI, in 2010, we were the sixth largest manufacturer in terms of combined designed capacity of DTY, FDY and POY in China and the largest in south China, and we were the second largest manufacturer of DTY in terms of designed capacity in China and the largest in south China. As of December 31, 2010, we had a designed capacity of approximately 450,000 tpa of FDY and POY and a designed capacity of DTY of approximately 260,000 tpa, which add up to a combined designed capacity of approximately 710,000 tpa. We market and sell our polyester filament yarns under our brands “百宏” and “Billion”. Our customers are mainly fabric and textile manufacturers based in China who produce and sell knitted fabrics and textiles to manufacturers of apparel, footwear and home furnishings. We also directly export a small portion of our products to North America, Europe, Southeast Asia and South America. In 2010, we sold polyester filament yarns to more than 2,100 customers in China and elsewhere in the world.

Apart from establishing Billion Fujian, Billion H.K. also established Baikai Group which includes Baikai Elastic Weaving (which was established in 1997), Baikai Wrap Knitting (which was established in 2002), Baikai Textile (which was established in 2000), Baikai Zipper (which was established in 2002) and Baikai Paper (which was established in 2001). Baikai Group has been under the operation and management of Mr. Lin Jinjing who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being our executive Directors. Mr. Lin Jinjing has been a director of each of Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile, Baikai Zipper and Baikai Paper since 1997, 2002, 2000, 2008 and 2008, respectively. In about 2008, while Mr. Sze Tin Yau and Mr. Wu Jinbiao intended to expand the polyester filament yarn business, Mr. Lin Jinjing intended to remain focused on the textile industry in which he has solid experience. This difference in the focus of operation led to the disposal of interests in Baikai Group by Mr. Sze Tin Yau and Mr. Wu Jinbiao in July 2008 at nil consideration based on their mutual agreement, Mr. Lin Jinjing’s contributions to Baikai Group and as a gesture of gratitude towards

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Mr. Lin Jinjing as a brother-in-law of Mr. Sze Tin Yau and Mr. Wu Jinbiao, upon which each of the companies in Baikai Group became a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin Jinjing. Since July 2008, Mr. Sze Tin Yau and Mr. Wu Jinbiao have not been involved in the management of Baikai Group. It was decided that Mr. Sze Tin Yau and Mr. Wu Jinbiao would continue to focus on operating the polyester filament yarn business through Billion Fujian, while Mr. Lin Jinjing would continue to focus on operating the textile business through Baikai Group. Currently, Baikai Group is engaged in the businesses of manufacturing fabric, weave belt, knit products and high-end textile through Baikai Elastic Weaving; weaving, dyeing and processing high-end knit fabric through Baikai Wrap Knitting; manufacturing DTY, chemical fabric, clothing and accessories of clothing through Baikai Textile; manufacturing zippers, hardware die cast products and clothing through Baikai Zipper; and manufacturing paper boxes and rolls through Baikai Paper.

Our Group is a supplier of DTY, FDY, POY, semi-dull PET chips and spin finish oil to Baikai Group, while Baikai Group is a supplier of paper boxes and rolls to our Group. To the best knowledge of our Directors, although Baikai Textile also manufactures DTY, its DTY production capacity represents approximately 4% of our Group's POY and FDY production capacity of approximately 450,000 tpa, or less than 7% of our Group's DTY production capacity of approximately 260,000 tpa. Further, the DTY manufactured by Baikai Textile is mainly used for the production of core wired cables and ribbon weaving, the application and usage of which are different from those of the DTY manufactured by our Group. The DTY manufactured by our Group is mainly used for the production of fabric products. The DTY manufactured by Baikai Textile and the DTY manufactured by our Group are targeted at and sold to different customers. Our Company therefore considers that the businesses of Baikai Group do not compete with that of our Group as the products provided by our Group are different from those provided by Baikai Group. For details of the transactions between our Group and Baikai Group, please see the section headed "Connected Transactions" in this prospectus.

The following table illustrates our major business development milestones and achievements:

Year	Event
2005	We were awarded one of the Top 100 Outstanding Foreign Owned Enterprises for 2005* (2005 福建百家優秀外資企業) by Foreign Trade and Economic Cooperation Department of Fujian Province.
	We were awarded Top 10 Satisfied Brands of Chinese Consumers (中國消費者(用戶)十大滿意品牌).
2006	We were awarded one of the Top 100 Enterprises in Fujian Province for 2006* (2006 福建企業100強).
	We were awarded one of the Top 10 Main Industries in Fujian Province* (福建工業主要行業前十強).
	We were recognized as A Level Credible Tax Payer* (納稅信用A級納稅人) for 2004 to 2005.

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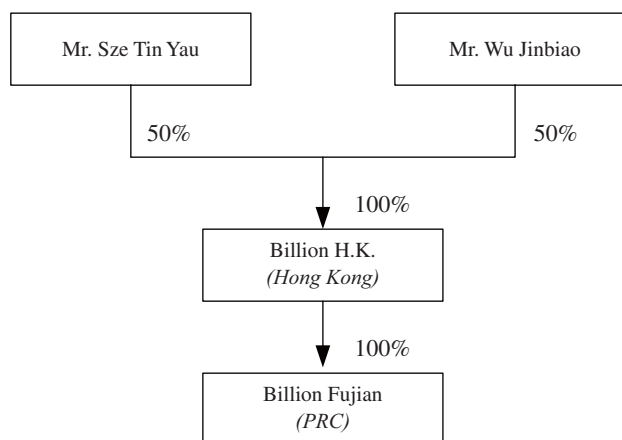
Year	Event
2008	<p>We were awarded Fujian Provincial Enterprise Technology Center* (福建省省級企業技術中心).</p> <p>We were awarded Advanced Enterprise in Equipment Innovation for 2008* (2008年度設備革新先進企業).</p> <p>We obtained OEKO-TEX Standard 100 Certificate to use OEKO-TEX mark in respect of our product class I for baby articles from 2008 to 2011.</p> <p>We were recognized as A Level Credible Tax Payer* (納稅信用A級納稅人) for 2006 to 2007.</p>
2009	<p>We were awarded one of the Top 100 Key Industrial Enterprises in Fujian Province for 2009 to 2011* (福建百家重點工業企業).</p> <p>We were awarded A High and New Technology Enterprise* (高新技術企業).</p> <p>We were awarded Silver Prize of 618 Cross-Straight Employee Innovation Achievement* (618海峽兩岸職工創新成果獎銀獎).</p>
2010	<p>We were recognized as a National Development Site for Functional Differentiated Polyester Filament Yarns (國家功能性差別化聚酯纖維開發基地) in relation to our production and development of differentiated polyester filament yarns.</p> <p>We were recognized as AA Type Custom Administration Enterprise* (海關AA類管理企業).</p> <p>We were awarded Fujian Province Innovative Pioneer Enterprise* (福建省創新試點企業).</p> <p>We were awarded Fujian Province Intellectual Property Experiment Enterprise for 2010* (2010 福建知識產權試點企業).</p> <p>We obtained ISO14001:2004 Environment Management System Certificate for our environmental management standards in respect of our design, production and correlative management activities of polyester filament yarns.</p>

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Year	Event
	We obtained ISO9001:2008 Quality Management System Certificate for our design, production and services of polyester filament yarns.
	We were recognized as A Level Credible Tax Payer* (納税信用A級納税人) for 2008 to 2009.
2011	We were the second largest DTY manufacturer in China in terms of designed capacity in 2010.
	We were awarded one of the Top 100 Tax Paying Enterprises in Fujian Province for 2010* (福建省2010納税百強企業).

GROUP STRUCTURE PRIOR TO THE CORPORATE REORGANIZATION

Set out below is the shareholding structure of our Group immediately prior to the Corporate Reorganization:



CORPORATE REORGANIZATION

In order to prepare for the Listing, we underwent the Corporate Reorganization which involved the following steps:

(1) Incorporation of investment vehicles by Mr. Sze Tin Yau and Mr. Wu Jinbiao

In preparation for the Listing, Mr. Sze Tin Yau subscribed for one share in Kingom Power, which was incorporated in the BVI on July 9, 2010, to hold his interests in our Company. Mr. Sze Tin Yau is the sole shareholder and beneficial owner of Kingom Power. In addition, Mr. Wu Jinbiao also subscribed for one share in Winwett Investments, which was incorporated in the BVI on September 28, 2010, to hold his interests in our Company. Mr. Wu Jinbiao is the sole shareholder and beneficial owner of Winwett Investments.

(2) Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on November 25, 2010 to act as the ultimate holding company of our Group. As of the date of incorporation of our Company, its authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On November 25, 2010, one Share was allotted and issued, credited as fully paid, to Codan Trust Company (Cayman) Limited as the initial subscriber, and was subsequently transferred to Kingom Power on the same day. On the same day, one Share was also allotted and issued, credited as fully paid, to Winwett Investments. Accordingly, Kingom Power and Winwett Investments became the Shareholders of our Company on November 25, 2010.

(3) Incorporation of the Intermediate Holding Companies

Billion Industrial Investment

On November 25, 2010, Billion Industrial Investment was incorporated in the BVI as an intermediate holding company of our Group. As of the date of its incorporation, the authorized share capital of Billion Industrial Investment was US\$50,000 divided into 50,000 shares of US\$1.0 each. On December 7, 2010, our Company subscribed for one share in Billion Industrial Investment. Accordingly, Billion Industrial Investment became the directly wholly-owned subsidiary of our Company.

Billion Development

Billion Development was incorporated in Hong Kong with limited liability on December 15, 2010 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one share in Billion Development was allotted and issued, credited as fully paid, to Billion Industrial Investment. Accordingly, Billion Development became an indirectly wholly-owned subsidiary of our Company.

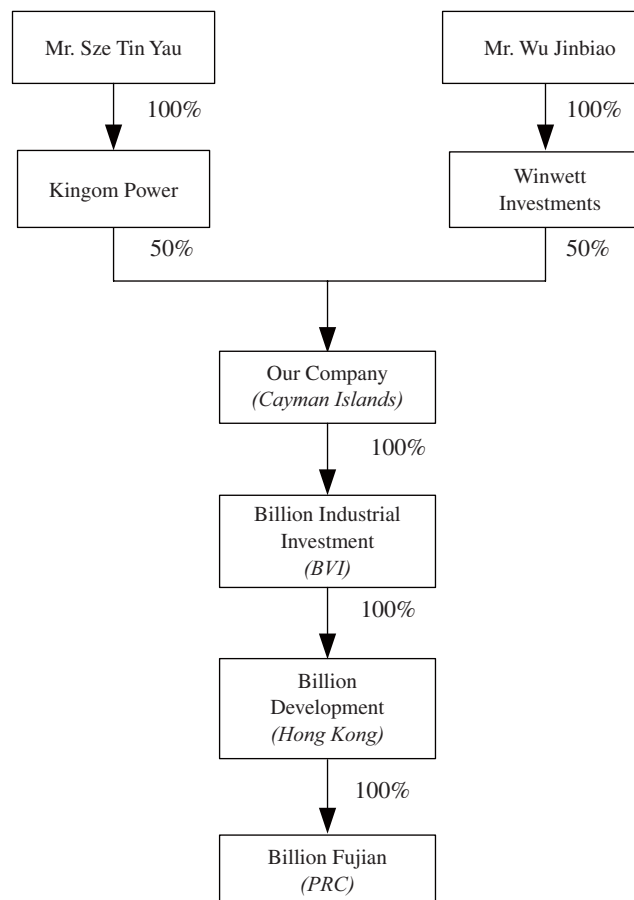
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(4) Transfers of Entire Equity Interests in Billion Fujian to Billion Development

On January 24, 2011, Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K. entered into an equity transfer agreement pursuant to which (i) Billion H.K. agreed to transfer its entire equity interests in Billion Fujian to Billion Development; and (ii) as a consideration for such transfer, Mr. Sze Tin Yau and Mr. Wu Jinbiao agreed to procure our Company to allot and issue 99 Shares, credited as fully paid, to each of Kingom Power and Winwett Investments. Upon completion of the equity transfer on February 17, 2011 and the allotment and issue of Shares on March 17, 2011, each of Kingom Power and Winwett Investments held 100 Shares and continued to hold 50% interests in our Company immediately prior to the Capitalization Issue and the Global Offering.

GROUP STRUCTURE AFTER THE CORPORATE REORGANIZATION BUT PRIOR TO THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The corporate structure of our Group after the Corporate Reorganization but immediately prior to the Capitalization Issue and the Global Offering is set out below:

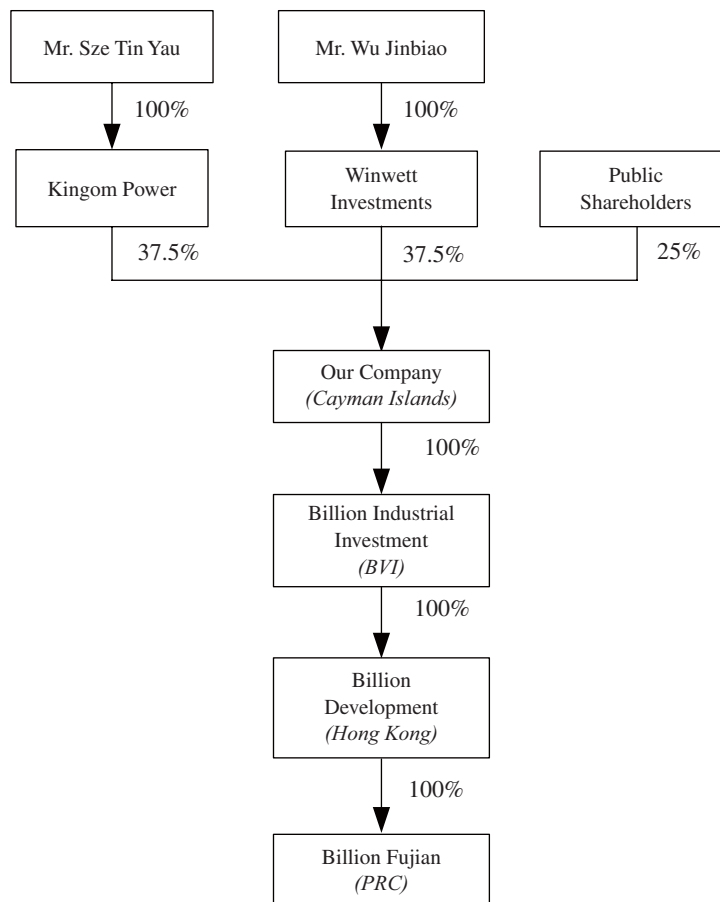


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GROUP STRUCTURE UPON COMPLETION OF THE CORPORATE REORGANIZATION, THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

Pursuant to the Global Offering, assuming the Over-allotment Option is not exercised and no option to be granted under the Share Option Scheme is exercised, our Company will allot and issue new Shares representing 25% of its enlarged issued share capital.

The corporate structure of our Group upon completion of the Corporate Reorganization, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no option to be granted under the Share Option Scheme is exercised) is set out below:



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SAFE REGISTRATION

The Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investment (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “Circular No. 75”) issued by SAFE, requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the Circular No. 75 as offshore special purpose companies. Further, the PRC residents are required to file amendments to their registrations with the local SAFE branch if their offshore special purpose companies undergoes a material event involving changes in capital, such as changes in share capital, mergers and division, share transfers or exchanges, long-term equity or debt investments, etc.

Mr. Sze Tin Yau and Mr. Wu Jinbiao, our beneficial Shareholders, are residents of Hong Kong and Macau, respectively. As a result, Mr. Sze Tin Yau and Mr. Wu Jinbiao are not subject to the registration requirement under the Circular No. 75 by SAFE.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定) (the “M&A Regulation”), which became effective on September 8, 2006 and was revised and reissued by MOFCOM in June 2009. Under the M&A Regulation, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into an foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the appraisal result on the equity or assets to be acquired. According to Article 11 of the M&A Regulation, it is required that a PRC company, enterprise or individual who intends to take over its domestic affiliated company through a foreign company, which such company or individual establishes or controls, must obtain approval of MOFCOM. Avoiding this requirement by making investment through a PRC subsidiary of the foreign company or by other measures is not allowed. Article 40 of the M&A Regulation requires an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by the PRC companies or individuals, to obtain CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Our Company’s PRC legal advisers, Tian Yuan Law Firm, has confirmed that the M&A Regulation is not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC because the foreign invested enterprise involved in our Listing, namely Billion Fujian, was established as a wholly foreign-owned enterprise before September 8, 2006.

Furthermore, our Company’s PRC legal advisers, Tian Yuan Law Firm has confirmed that we have obtained all relevant approvals from the PRC government authorities for the Corporate Reorganization.