OVERVIEW

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, which have a variety of end applications in consumer products, including apparel, footwear and home furnishings. We also produce partially oriented yarn, or POY, which may be used as a raw material for our DTY or sold separately to our customers. As of December 31, 2010, we had a designed capacity of approximately 450,000 tpa of FDY and POY and a designed capacity of approximately 260,000 tpa of DTY, which add up to a combined designed capacity of approximately 710,000 tpa of DTY, FDY and POY. According to CMAI, in 2010, we were the sixth largest manufacturer in China in terms of combined designed capacity of DTY, FDY and POY, and we were the second largest DTY manufacturer in China in terms of designed capacity.(1)

Our sales are primarily focused in south China. According to CMAI, 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 south China represented approximately 6.3% of China's total designed capacity for the polyester filament yarn market in 2010. According to Frost & Sullivan, the apparel and footwear industry is expected to experience rapid growth in south China and, in particular, Fujian and Guangdong provinces are expected to grow from representing 33.3% of China's entire production volume in 2009 to representing 45.0% of China's entire production volume by 2015. CMAI expects that the demand for polyester filament yarns in south China will continue to increase and there will continue to be a supply shortage of polyester filament yarns for the coming years in south China.

A majority of our DTY and FDY are "differentiated", which is recognized in the industry as having special physical features and functionalities achieved through diversifying the chemical components of the filament or through changing the shape or linear density of the filament. We are able to produce differentiated DTY and FDY with special features and functionalities, such as ultraviolet resistant, water absorbing and sweat-dissipating, flame resistant, anti-abrasion, ultra-soft, ultra-white, ultra-bright and anti-bacterial. These products are widely utilized in the production of high-end fabrics and textiles for various consumer products that require such special features or functionalities. We believe that, with increased disposable income, consumers in China will gradually increase their demand for more diversified properties of apparel, footwear and home furnishings. As a result, we expect the demand for differentiated polyester filament yarns to continue to be higher than the demand for regular polyester filament yarns.

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 approximately 2,100 customers in China and elsewhere in the world. Due to our established reputation in the polyester filament yarn industry and our ability to provide a wide

Note:

(1) The polyester filament yarn industry uses "designed capacity" as a ranking tool as the production volume for polyester filament yarns may vary depending on the thickness, or linear density, of the yarns produced, while "designed capacity" is calculated by using a uniform linear density of 150D, which according to CMAI, is the most common linear density in the industry, thus creating a consistent basis for comparison.

variety of high-quality differentiated polyester filament yarns, many well-known leading apparel and footwear manufacturers in China, with whom we have no direct business relationship, have specifically requested their suppliers to supply fabrics and textiles made from our polyester filament yarns. These manufacturers include listed companies, such as Anta (安踏), 361 Degrees (361度), Xtep (特步), Peak (匹克), Lilanz (利郎), SeptWolves (七匹狼), and certain well-known apparel companies, such as K-boxing (勁霸). Many leading Chinese fabric and textile manufacturers are our direct customers who provide high-quality fabrics and textiles to domestic and international branded apparel companies, including several Hong Kong listed and China's A-share listed companies, such as Fynex Textile (鳳竹), some of which have established long-term relationships with us. We have also been appointed by SBS Zipper (SBS 潯興), China's largest and the world's second largest manufacturer of zippers, and one of our direct customers, as one of its designated suppliers for polyester filament yarns. In addition, we also have many direct overseas customers, including Bekaert, a multi-national home textile company based in Europe, and Universal Tekstil, a large textile manufacturer in Turkey.

In 2010, with the increasing recognition of our brand name and as we established closer relationships with our customers, we entered into annual strategic framework agreements with 186 of our large customers. These framework agreements, which are legally binding, provide for minimum purchase volume commitments by our customers, collaborative research and development of differentiated polyester filament yarns and the sharing of various market information. Our revenue generated from customers who entered into such framework agreements was RMB2,484.2 million for the year ended December 31, 2010, accounting for 57.6% of our total revenue in 2010. All of these customers renewed their framework agreements with us in 2011, and substantially all of these agreements provide for equal or higher minimum purchase volume commitments.

Supported by our highly qualified research and development staff, comprising approximately 500 engineers and researchers, we have independently developed 19 types of differentiated polyester filament yarns. Of these, we have obtained patents in the PRC for 17 types and have applied for patents in the PRC for the remaining two types. Of these 19 types of differentiated polyester filament yarns, we currently manufacture and sell 11 patented products to our customers. Of the remaining eight types of differentiated polyester filament yarns, six are being tested for production and two have passed trial production, and we plan to offer all of them in the future. Our revenue from patented differentiated polyester filament yarns as well as those under the patent application process amounted to RMB2,817.5 million for the year ended December 31, 2010, representing 65.4% of our total revenue in 2010. We believe our patented products are well recognized and highly competitive in the domestic and global markets. We also believe that our products undergoing patent applications have the potential to help us gain more market share in the differentiated polyester filament yarn market.

During the Track Record Period, we received various awards for our achievements. With our advanced research and development capabilities and achievements, we were recognized by China National Textile and Apparel Council, China Chemical Fiber Industry Association and China Textile Product Development Center 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 addition, we were recognized as a High and New Technology Enterprise* (高新技術企業), Provincial Enterprise Technology Center of Fujian Province* (福建省省級企業技術中心) and Fujian Province Innovative Pioneer Enterprise* (福建省創新試點企業) by the relevant provincial bureaus of Fujian Province. We were also selected as one of the Top One Hundred Key Industrial Enterprises in Fujian Province* (福建省百家重點工業企業) by Fujian Province Economy and Trade Committee, and were identified as one of the Top One Hundred Enterprises in Fujian Province* (福建企業100強) by Fujian Enterprise Evaluation Association, as well as AA Type

Custom Administration Enterprise* (海關AA類管理企業) by Xiamen Custom and A Level Credible Tax Payer* (納税信用A級納税人) and one of the Top One Hundred Tax Paying Enterprises in Fujian Province for 2010* (福建省2010納税百強企業) jointly by the state and local tax bureau of Fujian Province.

We commenced commercial production of polyester filament yarns in 2005 in the Fenglin Industrial Zone located in Longhu County, Jinjiang City, Fujian Province. Through organic growth, our designed capacity of FDY and POY increased from approximately 200,000 tpa as of January 1, 2008 to approximately 450,000 tpa as of December 31, 2010. We plan to further increase our designed capacity of FDY and POY at our current production site to approximately 475,000 tpa in June 2011. Our designed capacity of DTY increased from approximately 110,000 tpa as of January 1, 2008 to approximately 260,000 tpa as of December 31, 2010, and we plan to increase our designed capacity of DTY at our current production site to approximately 305,000 tpa by June 2011. In addition, we plan to construct a new production site, which is expected to commence production progressively starting from November 2011, to increase our designed capacity of FDY and POY by approximately 310,000 tpa to approximately 785,000 tpa and of DTY by approximately 188,000 tpa to approximately 493,000 tpa by the end of 2013 upon its completion.

Our primary raw materials for the production of polyester filament yarns are PTA and MEG, both of which are crude oil-based downstream commodities. Although there are a large number of PTA and MEG suppliers in China, we purchase substantially all of our PTA and MEG from a limited number of suppliers that have consistently supplied us with qualified raw materials at favorable discounts in large volumes and in a timely manner. We enter into annual supply agreements with some of these suppliers. We have more than four years of business relationships with our two largest suppliers and have on average more than two years of business relationships with our other large suppliers. During the Track Record Period, we did not experience any shortage of supply of PTA or MEG. Purchases from our five largest suppliers of raw materials accounted for 82.6%, 85.6% and 75.6% of our total purchases of raw materials for the years ended December 31, 2008, 2009 and 2010, respectively, and purchases from our largest supplier of raw materials accounted for 41.1%, 53.8% and 44.4% of our total purchases of raw materials during the respective periods.

For the years ended December 31, 2008, 2009 and 2010, our revenue was RMB2,113.6 million, RMB2,963.1 million and RMB4,309.7 million, respectively. Our gross profit for the same periods was RMB124.5 million, RMB249.6 million and RMB630.9 million, respectively, our gross profit margin for the same periods was 5.9%, 8.4% and 14.6%, respectively, and our net profit for the same periods was RMB56.7 million, RMB101.4 million and RMB446.0 million, respectively. The increase in our sales volume contributed to the increase in our revenue, which was primarily due to the continuous expansion of our production capacities and because the demand for our products and their end products, primarily apparel and footwear, recovered after the global financial crisis in 2008. The substantial increase in our gross profit margin for the year ended December 31, 2010 was primarily due to the increase in the average sales prices of our products at a much faster rate than that of our raw material prices, which was driven by the increasing market demand, as the domestic economies recovered from the financial crisis, and was stimulated by the substantial increase in the price of cotton. In particular, cotton prices increased substantially in the fourth quarter of 2010, during which time the market demonstrated a strong demand for polyester filament yarns, which have the ability to serve as a substitute for cotton yarns to some extent. CMAI expects that the market will continue to demonstrate a strong demand for polyester

filament yarns, which will continue to be used as partial substitutes for cotton yarns, considering the short supply of cotton in the near future, the continuous wide price difference between cotton yarns and polyester filament yarns, and the continuing development of technologies used to manufacture polyester filament yarns that have more cotton yarn-like features and additional advantages.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to the following competitive strengths:

We are a leader in the polyester filament yarn market in China, the largest polyester filament yarn market in the world.

We are one of the largest developers and manufacturers of polyester filament yarns in China. According to CMAI, in 2010, we were the sixth largest manufacturer in China and the largest manufacturer in south China in terms of combined designed capacity of DTY, FDY and POY, and we were the second largest DTY manufacturer in China and the largest DTY manufacturer in south China in terms of designed capacity. Through organic growth, our designed capacity of FDY and POY increased gradually from approximately 200,000 tpa as of January 1, 2008 to approximately 450,000 tpa as of December 31, 2010, comprising the designed capacity of approximately 160,000 tpa of FDY and approximately 290,000 tpa of POY. Our DTY production, which utilizes the POY we produce, had a designed capacity of approximately 260,000 tpa as of December 31, 2010. We believe our large production and sales volumes allow us to benefit from economies of scale in various ways, including discounted purchase prices of raw materials, strong bargaining power in pricing of our products, lower fixed unit costs for our products, and higher market recognition and awareness. In addition, supported by the scale of our operations, we are able to maintain a sizable research and development team and a quality control force, which helps us maintain our competitiveness.

Our strong research and development and commercialization capabilities allow us to offer a comprehensive portfolio of differentiated polyester filament yarns with higher profit margins.

Acknowledging the increasingly diversified requirements in the functionalities and features of textile consumer products, we emphasize the continuous development of innovative differentiated polyester filament yarns and improvement in our production processes in order to cater to the market demand for new types of products and expand our market share. Through close communication with our customers, we gain a better understanding of our customers' needs and, along with our strong research and development capabilities, we are able to design and develop new products that cater to market trends. Supported by our strong research and development team consisting of approximately 500 members, we have developed 19 types of differentiated polyester filament yarns, for which 17 have been granted PRC patents and two are under the patent application process in the PRC. These differentiated polyester filament yarns have special physical features and functionalities and generally have higher average sales prices and profit margins compared to regular polyester filament yarns. We are also cooperating with Donghua University (東華大學) in Shanghai, the top university in the textile industry in China previously known as China Textile University (中國紡織大學), in the research and development of new types of differentiated polyester filament yarns, to which we are entitled to patent rights. With our focus on the development of differentiated polyester filament yarns, our revenue from differentiated polyester filament yarns has accounted for a large portion of our total revenue. For the year ended December 31, 2010, our revenue from patented differentiated polyester filament yarns and those we have applied for patents was RMB2,817.5 million, representing 65.4% of our total revenue. We believe that, as we

continue to offer a wide variety of high-quality differentiated polyester filament yarns in the market, we should be able maintain our market share and improve our brand loyalty and awareness among our customers.

With advanced technology and flexibility to accommodate different specifications, our production machineries enable us to produce our newly-developed differentiated polyester filament yarns with special physical features and functionalities, such as ultraviolet resistant, water absorbing, sweat discharging, flame resistant, anti-abrasion, ultra-soft, ultra-white and ultra-bright, to better serve our downstream customers. As of the Latest Practicable Date, our production lines composed of various advanced equipment and machineries, the majority of which were supplied by top textile machinery producers, such as Barmag from Germany and TMT from Japan. These advanced machineries also help to maintain the constant production of high-quality polyester filament yarns and allow us to produce our products at a higher production efficiency compared to less advanced machineries.

In the past several years, we have received various awards for our research and development achievements. We were recognized by China National Textile and Apparel Council, China Chemical Fiber Industry Association and China Textile Product Development Center as a National Development Site for Differentiated Functional 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. We were recognized as a High and New Technology Enterprise* (高新技術企業), a Fujian Province Innovative Pioneer Enterprise* (福建省創新試點企業) and a Provincial Technology Center of Fujian Province* (福建省省級企業技術中心) by the government of Fujian Province. We were also selected as an Advanced Enterprise for Equipment Innovation* (設備革新先進企業) by the government of Jinjiang City, Fujian Province. In addition, we were the silver award winner of 618 Cross-Straight Employee Innovation Achievement* (618海峽兩岸職工創新成果獎銀獎) for our development of a type of differentiated polyester filament yarn known as "three dimensional hollow synthetic yarn".

We are well-positioned to benefit from the rapid growth of China's consumer product market.

As a raw material producer for various fabrics and textiles, which are used in the production of apparel, footwear and home furnishings, we have benefited from China's dynamic and fast-growing consumer product market amid the strong growth of China's GDP and growing disposable income of urban households. According to Frost & Sullivan, China's general consumer spending steadily increased from RMB5,355.1 billion in 2005 to RMB10,250.4 billion in 2009, representing a CAGR of 17.6%. In particular, China's consumer spending on apparel and footwear nearly doubled from 2005 to 2009, steadily increasing from RMB502.0 billion in 2005 to RMB1,001.0 billion in 2009, representing a CAGR of 18.8%. With this steady growth, manufacturers of apparel, footwear and home furnishings have emerged and grown rapidly in the past several years, along with numerous fabric and textile manufacturers. By offering a variety of high-quality differentiated polyester filament yarns and with our increased production capacity, we were able to seize this growth opportunity and establish our reputation as a provider of consistently high-quality differentiated products among fabric and textile manufacturers and consumer product manufacturers in China.

Many well-known leading apparel and footwear manufacturers in China, with whom we have no direct business relationship, have specifically requested their suppliers to supply fabrics and textiles made from our polyester filament yarns. These manufacturers include listed companies, such as Anta, 361 Degrees, Xtep, Peak, Lilanz, SeptWolves and certain well-known apparel companies, such as K-boxing. Our direct customers also include well-known fabric and textile manufacturers who provide high-quality

fabrics and textiles to domestic and international branded sportswear companies, including several Hong Kong listed and China's A-share listed companies, such as Fynex Textile. We have also been appointed by SBS Zipper, China's largest and the world's second largest manufacturer of zippers.

We are strategically located in an area with developed upstream and downstream industries as well as convenient transportation networks.

We believe our strategic location also contributes to our success. We primarily focus our sales in Fujian Province and Guangdong Province, which contributed to a substantial portion of our revenue during the Track Record Period. For the years ended December 31, 2008, 2009 and 2010, our sales in Fujian Province accounted for approximately 82.3%, 77.7% and 76.0%, respectively, of our total revenue, and our sales in Guangdong Province accounted for approximately 9.7%, 10.9% and 13.2%, respectively, of our total revenue. According to Frost & Sullivan, there was rapid growth in the GDP in Fujian Province at a CAGR of 16.9% and that of Guangdong Province at a CAGR of 15.0% from 2005 to 2009. The apparel manufacturing industry in these areas developed rapidly in the past few years, which in turn stimulated the demand for polyester filament yarns in these areas and contributed to our success. In addition, the region of Jinjiang City and its neighboring areas in Fujian Province is regarded as one of the largest apparel production bases and a famous textile production base in China. Jinjiang City and its neighboring areas in Fujian Province have a complete downstream textile production chain, composed of a large number of fabric and textile manufacturers and apparel, footwear and home furnishings manufacturers. China Textile Industry Association has named eight famous production bases for different types of apparel in Jinjiang City and its neighboring areas, which include the production bases for undergarments, children's apparel, pants, sportswear, casual wear, sport utility casual wear and apparel accessories. By leveraging our strategic location in Jinjiang City, we are able to supply our products to our customers at lower transportation costs and within a shorter period of time, closely communicate with our customers and provide timely service to our customers.

We are also located in an area with ample raw material supplies, including major PTA manufacturers in Jinjiang City and its neighboring areas. This advantage allows us to obtain raw materials at relatively lower transportation costs and within a shorter time period. Our proximity to Shenhu Port, a national open port, also facilitates the transportation of our raw materials from domestics and oversea suppliers by sea, which is more cost-efficient than transportation by road.

Most of our products are delivered to our customers by road, including Highway 308, a provincial highway, and Shenhai Highway, a national highway. Our close proximity to these highways allows us to transport our products on a timely and cost-efficient basis to our customers in China.

We provide high-quality products and timely services which help us build our brand awareness and customer loyalty.

As we believe a reputation of high product quality and timely service provides us with the strength for long-term growth, we emphasize our high-quality products and timely customer services by implementing procedures and mechanisms to achieve this goal. We believe our high-quality products and timely services have enhanced our brand awareness and helped us to build a loyal customer base. For the years ended December 31, 2008, 2009 and 2010, we had approximately 1,600, 2,100 and 2,100 customers, respectively, a majority of which have been our customers for more than three years.

To maintain the consistent quality of our products, we have a large quality control force, consisting of approximately 690 personnel, as of March 31, 2011, and we are equipped with various advanced testing devices and machineries. We have adopted a comprehensive set of stringent quality control procedures at all stages of our production processes to ensure product quality. Our quality management systems have been awarded ISO9001:2008 certification for the design, production and service of polyester filament yarns. We are also permitted to use the internationally recognized "Oeko-Tex" mark on our polyester filament yarns, indicating a successful testing result for harmful substances. We are devoted to the timely pre-sales and post-sales services to our customers in order to strengthen our customer relationship and to sustain our long-term growth. To achieve this goal, we have implemented and have committed to our customers the performance of a strict customer service scheme, under which our sales personnel are required to visit our customers within certain time limits upon our customers' request based on their geographical area. We believe that this scheme has enhanced our customer loyalty and will continue to help us build a reputation of timely services.

We are led by a professional management team with extensive experience in the industry.

Our senior management team and executive directors have an average of more than 15 years' experience in the textile and polyester filament yarn industries. In particular, Mr. Sze Tin Yau and Mr. Wu Jinbiao, our executive directors, have approximately 20 years and 25 years of experience in polyester filament yarn production and management, respectively. Our senior management team has an extensive industry experience as well as rich knowledge in all areas of the polyester filament yarn industry, including sales and marketing, research and development, production and finance. We believe that our management team has the leadership, in-depth industry knowledge and outlook which are necessary to form sound business strategies and develop cost-effective business growth and also the insight to seize market opportunities.

OUR BUSINESS STRATEGIES

Our goal is to maintain our leading position in the polyester filament yarn industry in China and continue to increase our market share. We will continue to seek opportunities to achieve business growth and maximize the benefits to our shareholders. We plan to achieve this goal through the following strategies:

Further expand our production capacity and improve our production efficiency and product quality

We seek to maintain our leading position in the polyester filament yarn industry in China by capturing the increasing domestic market demand and further grow our market share in the domestic market by continuing to expand our production capacity. We expect to achieve our goal by further increasing our designed capacity of polyester filament yarns. We plan to further increase our designed capacity of polyester filament yarns in our current production site from approximately 450,000 tpa as of December 31, 2010 to approximately 475,000 tpa in June 2011 by adding one FDY spinning production line with a designed capacity of approximately 12,000 tpa and one POY spinning production line with a designed capacity of approximately 13,000 tpa. We also plan to add 25 DTY texturing machines in our current production site, increasing our designed capacity of DTY from approximately 260,000 tpa as of December 31, 2010 to approximately 305,000 tpa by June 2011.

In addition, we plan to construct a new production site near our existing production site in Jinjiang City, Fujian Province, which is expected to commence productions progressively starting from November 2011. Upon its completion, the new production site is expected to increase our designed capacity of FDY and POY by approximately 310,000 tpa to approximately 785,000 tpa and increase our designed capacity of DTY by approximately 188,000 tpa to approximately 493,000 tpa by the end of 2013. The new production site is designed to have 12 FDY spinning production lines with a total designed capacity of approximately 175,000 tpa, eight POY spinning production lines with a designed capacity of approximately 135,000 tpa, and 110 DTY texturing machines with a total designed capacity of approximately 188,000 tpa. We believe that this increased production capacity will provide us with additional cost saving advantages from economies of scale and allow us to meet the additional demand for our products and further expand our market share and coverage.

We expect these new machineries and equipment to have more up-to-date designs and technologies. Together with our operating expertise, we expect to utilize these new machineries and equipment to improve our production efficiency and product quality, generate higher energy savings and lower our production costs. We have also engaged Donghua University to study our polymerization and spinning production lines and use computer model and simulation technology to help us improve our production processes, enhance our production efficiency and develop new product. We believe this study should increase our production efficiency for our existing production lines.

Continue to utilize technologically advanced equipment to produce differentiated products with strong demand and special features and functionalities

We plan to utilize machineries and equipment with up-to-date technologies to help us commercialize our research and development achievements and further diversify our product portfolio with more innovative differentiated polyester filament yarns. In particular, our DTY texturing machines, FDY spinning machines and POY spinning machines are all expected to be supplied by the well-known German supplier, Barmag, and the well-known Japanese supplier, TMT. These new machineries are expected to be capable of producing polyester filament yarns with more diversified properties and functionalities. We believe this should help us seize the market opportunities for new types of differentiated polyester filament yarns and increase our competitiveness.

In designing our new production site, we also considered the potential market demand and market trend for each of FDY and DTY in order to enhance our competitiveness. According to CMAI, the increase in the demand for polyester filament yarns is primarily driven by a robust growth in China's domestic consumption, and in particular, the FDY market is expected to slightly outperform that of DTY in the coming years, due to the development of post-treatment technology and the lower cost level of FDY. To seize this market opportunity, our new production site is designed to have a approximately 175,000 tpa of FDY in designed capacity.

Continue to strengthen our research and development capabilities and further commercialize our new products

We plan to strengthen our research and development capabilities in highly technological and highly profitable differentiated polyester filament yarns. We intend to increase investments in research and development activities, including hiring more senior and experienced experts and engineers, as well

as buying more advanced research and development equipment and testing equipment. In addition, we plan to continue to cooperate with Donghua University in developing new types of differentiated polyester filament yarns, which has helped our research and development activities in the past.

To enhance the competitiveness of our differentiated polyester filament yarns in terms of product quality and functionality, we have applied for the certification as a National Standard Laboratory (國家標準實驗室) by China National Accreditation Service for Conformity Assessment ("CNAS") (中國合格評定國家認可委員會) for testing laboratories of polymerization raw materials and filament yarn physical features. National Standard Laboratories are considered to be more reliable in terms of testing and measurement and are more likely to achieve the highest level of the laboratory standards in China. National Standard Laboratories have the right to issue test results to a third party and print the laboratory proof on the packaging of the qualified products. We believe that, as of the Latest Practicable Date, we had fulfilled the relevant requirements and criteria for the certification as a National Standard Laboratory.

As of the Latest Practicable Date, we were in the process of commercializing six types of differentiated polyester filament yarns and were in the process of developing five types of differentiated polyester filament yarns. Based on our research and development plans for our new products, each of which is lead by individual research and development managers, we expect to commercialize three of the six types of differentiated polyester filament yarns by the end of 2011 and the other three by the end of 2012. With the expansion of our research and development capabilities, we expect to commence the development of five new types of differentiated polyester filament yarns in each of 2012 and 2013 and more new types of differentiated polyester filament yarns from 2014 onwards. Our new production site will allow us to commercialize the new types of differentiated polyester filament yarns and to meet the additional demand for our differentiated polyester filament yarns. In particular, we designed our new production site with a focus on the production of ultra-thin and highly-functional differentiated polyester filament yarns.

Further expand our marketing network and strengthen our relationships with fabric and textile manufacturers and end customers to enhance our brand awareness and reputation

We plan to maintain our leading market position through our successful sales and marketing activities. We will continue to use different marketing networks to promote our brand awareness and recognition, such as attending industrial exhibitions in China and abroad, enhancing our product promotion activities and expanding our marketing team. We plan to offer more training programs on product knowledge and sales techniques to enhance the overall performance of our sales and marketing staff. We also plan to further expand our market coverage in domestic and overseas markets which have demands for our products. For example, to further increase our market share in the domestic market and to expand in the international market, we plan to increase our marketing activities in Guangdong Province, Vietnam and South America, where the apparel and consumer product manufacturing industries are rapidly developing.

We plan to further strengthen our communication and business relationships with our primary customers, namely, fabric and textile manufacturers. We entered into annual strategic framework agreements with some of our large customers in 2010, which provide for, among other things, the collaborative research and development of differentiated polyester filament yarns and sharing of various market information. Through the joint research activities conducted with our direct customers and by sharing various market information such as new trends or novel technologies, we believe we should be able to better anticipate market trends for our products and, as a result, conduct our research and

development activities in a more effective and timely manner. We expect to continue this effort and enhance our communication with our direct customers through such cooperation arrangements.

We also plan to establish, through strategic cooperation, direct communication channels with the end customers of our polyester filament yarns, which primarily include apparel and footwear manufacturers. We intend to have our research and development personnel communicate directly with our end customers on a regular basis to understand their requirements on the physical and chemical features of the differentiated polyester filament yarns and to involve our end customers in the testing and trial use of our product samples as well as textile samples made by our products. In addition, we plan to build an operation center in East Sea District, Quanzhou City, Fujian Province, where many of our end consumers are building their headquarters, including Anta, 361 Degrees, Xtep, Peak and SeptWolves. Upon its completion, which we expect to be 2013, we plan to move our sales and marketing department and our research and development department to the operation center.

We believe a direct communication channel with our end consumers should enable us to obtain their opinions and requirements on the clothing and footwear materials more quickly, help us respond to market needs more effectively and allow us to develop new types of polyester filament yarns or adjust our existing polyester filament yarns more timely. At the same time, we will further take advantage of our close proximity to, and regular communications with, Hong Kong and Taiwan to keep abreast of changes in demands for polyester filament yarns and trends in the foreign textile industry and respond to the market as quickly as possible. We believe that these initiatives should help to enhance our reputation as an industry leader and further strengthen our leading position in the industry.

OUR PRODUCTS

We primarily produce drawn textured yarn, or DTY, fully drawn yarn, or FDY, and partially oriented yarn, or POY. DTY and FDY, the two main products of the polyester filament yarn industry, have wide applications. DTY is generally used by fabric and textile manufacturers for a variety of applications for consumer products that require a cotton-like feel, such as high-end apparel, sportswear, sports shoes, home furnishings and zipper tapes, while FDY is more commonly used in consumer products that require a silk-like or leather-like feels, such as high-end undergarments, high-end sportswear and home furnishings.

We primarily produce differentiated polyester filament yarns, including DTY, FDY and POY, by adding additives, adjusting our production equipment and utilizing special procedures. Each differentiated polyester filament yarn has special features or functionalities such as ultraviolet resistant, water absorbing and sweat-dissipating, flame resistant, anti-abrasion, ultra-soft, ultra-white and ultra-bright. As of the Latest Practicable Date, we had developed 19 types of differentiated polyester filament yarns independently, of which we have obtained PRC patents for 17 types and have applied for PRC patents for the remaining two types in the PRC. In addition, we have been licensed with five-year exclusive rights to use, manufacture and sell five types of patented differentiated polyester filament yarns from Donghua University (東華大學) in Shanghai, the top university in the textile industry in China previously known as China Textile University (中國紡織大學). As of the Latest Practicable Date, we were able to offer for general sales and keep regular stock for the 11 types of patented differentiated polyester filament yarns to our customers. The remaining six types of patented differentiated polyester filament yarns and the two types of differentiated polyester filament yarns that we applied patents for have not been marketed and are reserved for future sales, of which six are being tested for production and

two have passed trial production. We expect to commercialize three of the six products in 2011 and the other three in 2012. We believe none of these 24 differentiated polyester filament yarns mentioned above are obsolete. In addition, through our joint efforts with Donghua University, we have commercialized the five types of more specialized differentiated polyester filament yarns licensed from Donghua University and may produce them at our customers' requests.

Based on our research and development plans for our new products, each of which is led by individual research and development managers, we expect to further commence the development of five new types of differentiated polyester filament yarns in each of 2012 and 2013. We are also in the process of developing one new type of differentiated polyester filament yarn through our cooperation with Donghua University, which we will have proprietary rights to apply for patents pursuant to our cooperation agreements.

A majority of our sales volume is attributable to the sale of DTY. For the years ended December 31, 2008, 2009 and 2010, the sales volume of our DTY accounted for 48.7%, 70.6% and 63.0%, respectively, of the total sales volume of our polyester filament yarns.

The table below sets forth our sales volume for our polyester filament yarns for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	(tons)	%	(tons)	%	(tons)	%
DTY	97,051	48.7	236,450	70.6	238,821	63.0
FDY	39,811	20.0	42,961	12.8	80,705	21.3
POY	37,706	18.9	27,388	8.2	11,950	3.2
Others[(1)]	24,644	12.4	28,190	8.4	47,837	12.5
Total	199,212	100.0	334,989	100.0	379,313	100.0

Note:

(1) Others represents PET chips and wasted filament.

DTY (Drawn Textured Yarn)

DTY is a type of polyester filament yarn produced by processing POY through a texturing process. This process disperses, curls and entangles the filaments composing the POY yarn, which gives DTY a fluffy appearance and gives it the properties of both natural and synthetic fiber. DTY is typically used to produce fabrics and textiles for high-end apparel, high-end sports shoes, sports bags, home furnishings and zipper tapes.

Properties

- High elasticity, highly fluffy, comfortable hand feel, sheeny and gentle
- Warm, readily washable with quick drying function
- Anti-wrinkle and anti-wear

We offer DTY with a filament count of 24f to 576f, a linear density of 30D to 1200D and a denier per filament of 0.28dpf to 6.25dpf.

FDY (Fully Drawn Yarn)

FDY is a type of highly drawn polyester filament yarn which can be used to produce high strength fabrics and textiles. We produce both semi-dull FDY and bright FDY. The fabrics and textiles made from bright FDY have a bright luster. FDY is typically used to produce fabrics and textiles for high-end undergarments, high-end sportswear and home furnishings.

Properties

- High strength, smooth and lubricating hand feel and sheeny
- Warm, readily washable with quick drying function
- Anti-wear

We offer FDY with a filament count of 18f to 192f, a linear density of 30D to 600D and a denier per filament of 0.5dpf to 6.25dpf.

POY (Partially Oriented Yarn)

POY is a type of polyester filament yarn yet to be processed through the drawing process, which is the primary form of polyester filament yarn made through the polymerizing and spinning processes. It is primarily used as a main raw material for DTY. Our POY is primarily used by us as a raw material for our production of DTY. Any POY not consumed by our DTY production capacity is sold separately as end products.

Properties

- Low strength, smooth, shiny and sheeny
- Can be further drawn
- High extensibility

We offer POY with a filament count of 24f to 288f, a linear density of 50D to 1000D and a denier per filament of 0.34dpf to 6.25dpf.

PET Chips

Polyester chips, or PET chips, are dried particles of polyester melt. When we have surplus polyester melt during the production process of our polyester filament yarns, we produce PET chips and stock them for use at times when the production demand is beyond our polymerization capacity. This allows us to minimize changes in the amount and proportion of raw materials we fill in our polymerizing production facilities during a given time, and thus maintaining the quality of our products. We occasionally sell PET chips to FDY and POY manufacturers who we understand use the traditional

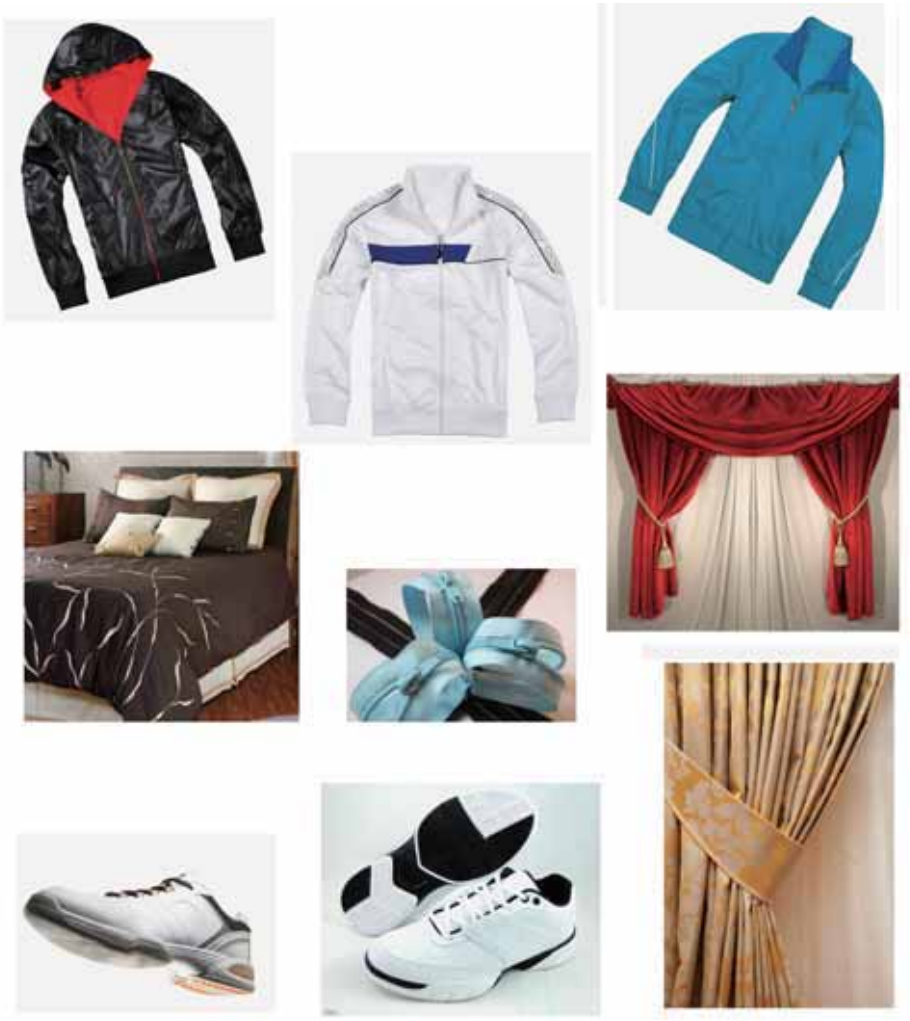
method rather than the polyester melt direct spinning method to produce polyester filament yarns. See "—Production—Production Processes—Polyester Melt Direct Spinning Method and Integrated DTY Production." We produce both bright PET chips and semi-dull PET chips.

Properties

- Used as a raw material for the production of polyester filament yarns

END APPLICATIONS OF OUR PRODUCTS

The end application of our products primarily include apparel, footwear and home furnishings. Below are examples of some of the end applications that can be made by using polyester filament yarns:



Properties of our products

- Ultraviolet resistant
- Water absorbing and sweat-dissipating
- Flame resistant
- Anti-abrasion
- Ultra-white
- Ultra-soft
- Ultra-bright
- Anti-bacterial

Companies specifically requested fabrics and textiles made from our products

- Anta (安踏)
- 361 Degrees (361度)
- Xtep (特步)
- Peak (匹克)
- Lilanz (利郎)
- K-boxing (勁霸)
- SeptWolves (七匹狼)

PRODUCTION

Production Processes

Polyester Melt Direct Spinning Method and Integrated DTY Production

We use the technologically advanced polyester melt direct spinning method to produce polyester filament yarns. In the traditional production process, FDY and POY manufacturers have to heat up and melt PET chips, the particles of dried polyester melt, as the main raw material to produce FDY and POY. In contrast, we combine purified terephthalic acid, or PTA, and mono-ethylene glycol, or MEG, two chemical compounds derived from crude oil, in a reactor under high pressure and temperature to produce polyester melt and then transport it directly through pipelines to our spinning production lines to produce FDY and POY. This integrated production process enables us to produce polyester filament yarns more efficiently and at a lower cost.

We believe that the production of both POY and DTY also differentiates ourselves from many DTY producers on the market. We primarily use POY produced by us in our production of DTY. Unlike many DTY producers who we understand purchase POY in the market to produce DTY. The ability to produce both POY and DTY allows us to reduce our DTY production costs as there is no need for commercial package or vehicle transportation of POY in our DTY production. As of December 31, 2010, our designed capacity of POY was approximately 290,000 tpa while our designed capacity of DTY was approximately 260,000 tpa.

Production Process for our Polyester Filament Yarns

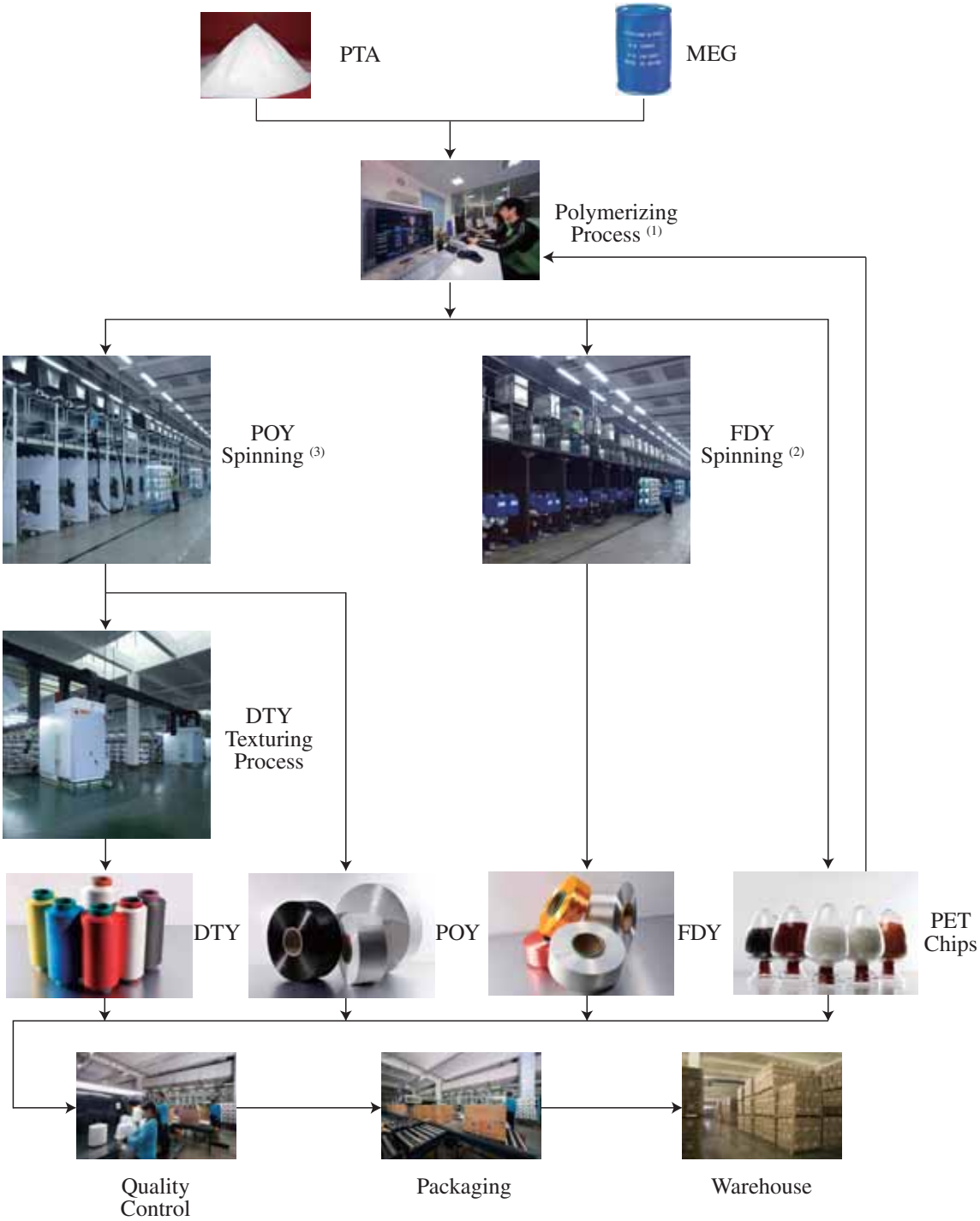
The production of our polyester filament yarns, both regular and differentiated, primarily involves two or three main production processes.

The production of FDY and POY generally involves two main production processes, namely, the polymerizing and spinning processes. The polymerizing process mixes together PTA and MEG, our main raw materials, to react with each other under high temperature and high pressure to produce polyester melt. In the spinning process, polyester melt is first pushed through the spinning holes on the spinneret into polyester filaments which are then drawn and combined into polyester filament yarns. In the spinning process, FDY is fully drawn through a heated drawing process while POY is processed through a pre-orientation process to prepare for further texturing. After the main production processes, FDY and POY are wound into reels separately.

The production of DTY uses POY as a raw material. The POY is processed through a texturing process, which disperses, curls and entangles the filaments composing the POY. After the texturing process is completed, DTY thread is wound into reels.

All of our polyester filament yarns are then inspected by our quality control personnel, packed into boxes and then stored in our warehouse.

The chart below shows our production processes for our DTY, FDY and POY products.



Notes:

(1) The polymerizing process includes mixing of raw materials, esterifying, pre-polymerizing and final polycondensation.

(2) The spinning process for FDY includes extrusion, spinning, drawing with heated godets, and high-speed winding.

(3) The spinning process for POY includes extrusion, spinning and winding.

Production Process for Differentiated Polyester Filament Yarns

We achieve special features and functionalities of differentiated polyester filament yarns by applying various methods during the production process of our polyester filament yarns. For example, we add special chemical additives during the polymerizing process to achieve special features such as ultraviolet resistant and ultra-white on our polyester filament yarns. We also 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 and sweat-dissipating and ultra-soft. In addition, we adjust the various parameters and processing measures in the spinning and texturing processes to achieve different textures and feels of our polyester filament yarns.

Production Process for PET Chips

The production of PET chips involves only one main production process, the polymerizing process, as described above. After the polymerizing process, polyester melt is cooled, cut into small parcles, dried, tested for quality, packed and then stored in our warehouse.

Production Facilities and Capacity

Current Production Facilities and Capacity

Our production facilities occupy an area of 275,398 square meters and are located in the Fenglin Industrial Zone, Longhu County, Jinjiang City, Fujian Province. We have easy access to Highway 308, a provincial highway, and we are 25 kilometers away from Shenhai Highway, a national highway that connects Shenyang, Liaoning Province with Haikou, Hainan Province. We are also ten kilometers away from Shenhu Port, a national open port located in Jinjiang City, Fujian Province. Easy access to the highways and port facilities enables us to deliver our products to our customers and to transport raw materials from our suppliers in a cost-efficient and timely manner.

We have two polymerizing production lines, which supply polyester melt, an intermediate product used in the production of our FDY and POY. One production line has a designed capacity of approximately 200,000 tpa and commenced production in June 2005. The other production line has a designed capacity of approximately 260,000 tpa and commenced production in September 2008. Any polyester melt not consumed by our FDY and POY production capacities is used to produce PET chips.

The two polymerizing production lines are composed of various equipment and machineries, the core components of which were imported from various countries, including Germany, Japan and the United States.

The outflow speed of polyester melt from the polymerizing production lines may be adjusted based on the production requirement for the polyester filament yarns. The outflow speed of our polymerizing production lines may be adjusted downwards by up to 50% and may be adjusted upwards by up to 20% of its designed capacity.

The following table sets forth the effective designed capacity, production volume and effective utilization rate of our polymerizing production lines during the period indicated.

	Year ended December 31,								
	2008			2009			2010		
Production Facilities	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]
	(ton)	(ton)	%	(ton)	(ton)	%	(ton)	(ton)	%
Polymerizing production lines	287,000	193,730	67.6	460,000	348,872	75.8	460,000	358,778	78.0

Notes:

(1) Effective designed capacity of our polymerizing production lines are calculated by multiplying the total designed daily production capacity of our polymerizing production lines by 350 days. The effective designed capacity for the year ended December 31, 2008 has been adjusted on a pro rata basis to reflect the actual production period of the second polyermization production line during 2008, which was the first production year for the second polymerization production line.

(2) Production volume represents the actual production volume during the year indicated.

(3) Effective utilization rate for each of the year indicated is derived by dividing the actual production volume by the effective design capacity.

As of the Latest Practicable Date, we had nine FDY production lines, 17 POY production lines and 180 DTY texturing machines. All of our production lines have been operated on a 24-hour and 365-day basis, stopped only for regular inspection and maintenance work and unexpected incidents. The effective utilization rate had fluctuated during the Track Record Period because the production volume of our FDY and POY spinning production lines and our DTY texturing machines may vary significantly depending on the weight, or the linear density, of the polyester filament yarns produced as the production speed of the production lines is relatively stable. As a result, the smaller the linear density, the lighter the production volume may be during a given time, and vice versa. Therefore, the utilization rates are more reflective of polyester filament yarn with specification of smaller linear density produced as opposed to downtime and do not reflect, and are not a result of low demand of our polyester filament yarns.

The following table sets forth the effective designed capacity, production volume and effective utilization rate of our polyester filament yarn production lines during the period indicated.

	Year ended December 31,								
	2008			2009			2010		
Production Facilities	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]	Effective Designed Capacity[1]	Production Volume[2]	Effective Utilization Rate[3]
	(ton)	(ton)	%	(ton)	(ton)	%	(ton)	(ton)	%
FDY spinning production lines[4] . . .	85,000	172,292	65.6	160,000	325,287	72.3	160,000	321,925	71.5
POY spinning production lines[4] . . .	178,000			290,000			290,000		
DTY texturing machines[4]	137,000	94,457	68.9	211,000	249,779	118.4[5]	260,000	237,780	91.5

Notes:

(1) Effective designed capacity of our FDY spinning production line, our POY spinning production line and our DTY texturing machine is calculated by multiplying the daily production capacity by 350 days, assuming the FDY, POY and DTY produced have the most representative linear density of around 150D, adjusted on a pro rata basis to reflect the actual production period during the first production year of each of the production lines or texturing machines.

(2) Production volume represents the actual production volume during the year indicated.

(3) Effective utilization rate for each of the year indicated is derived by dividing the actual production volume by the effective designed capacity.

(4) The production volume for the FDY spinning production lines and POY spinning production lines is combined together because the FDY spinning production lines may be used and have been used to produce POY during the Track Record Period when the production of POY by POY production lines is insufficient.

(5) Our effective utilization rate for DTY was higher than 100% during the year ended December 31, 2009 as we produced more DTY with higher linear density during this year than the 150D linear density used in the calculation of our effective designed capacity as designed in note 1 above.

Our spinning machines for FDY and POY were all imported from Germany and Japan. Of the nine FDY spinning production lines, four are composed of spinning machines imported from a well-known German supplier, Barmag, and five are composed of spinning machines imported from a well-known Japanese supplier, TMT. All of our 17 POY spinning production lines are composed of POY spinning machines imported from Barmag. Of our 180 DTY texturing machines, 53 were imported from Barmag, 98 imported from TMT, and 29 were supplied by Jiangsu Hongyuan, the largest domestic texturing machine producer.

The layout of our production facilities as well as the polymerizing production lines were designed by China Textile Industry Engineering Institute ("CTIEI"), a well-known domestic design institution in the fabric and textile industry in the PRC.

Expansion of Existing Production Site

We are currently constructing one additional FDY spinning production line and one additional POY production line. Upon their completion, our designed capacities of FDY and POY are expected to increase by approximately 12,000 tpa and approximately 13,000 tpa, respectively. We are also installing 25 DTY texturing machines, which are expected to increase our designed capacity of DTY by approximately 45,000 tpa upon completion. We expect these production facilities to be completed in June 2011 and to increase our total designed capacity of FDY and POY by approximately 25,000 tpa to approximately 475,000 tpa and of DTY by approximately 45,000 tpa to approximately 305,000 tpa.

The spinning machines for the additional FDY and POY production lines are expected to be imported from Barmag of Germany and 16 out of the 25 DTY texturing machines are expected to be purchased from Barmag of Germany while nine are expected to be purchased from TMT of Japan. We expect to spend a total of RMB300.0 million on capital expenditures for these production facilities, of which RMB13.5 million has been spent as of December 31, 2010. We estimate we will spend the remaining RMB286.5 million in the year ending December 31, 2011. We intend to finance these capital expenditure from the proceeds of the Global Offering and cash generated from our operating and other financing activities.

Construction of New Production Site

We plan to construct a new production site in Jinjiang City, Fujian Province, for which we plan to purchase and apply the land use right through a public tender for an expected 500,000 square meters of land. This land is located approximately two kilometers away from our existing production site in Fenglin Industrial Zone. We expect our new production site to commence production progressively starting from

November 2011 and to be in full operation by the end of 2013. Upon its completion, our new production site is expected to expand our designed capacity of FDY and POY by approximately 310,000 tpa to reach approximately 785,000 tpa and our designed capacity of DTY by approximately 188,000 tpa to approximately 493,000 tpa.

We expect to spend a total of RMB3.3 billion on capital expenditures between 2011 and 2013 to acquire land use rights for our new production facilities, to complete the construction of new production facilities and to purchase and install new machineries at our new production site, all of which are expected to be funded by the proceeds of the Global Offering and cash generated from operating and financing activities.

The following table sets forth certain historical and forward-looking information relating to our existing production facilities and new production facilities upon their completion.

Production Facilities	Number of Facilities	Principle Products	Location	Expected Commencement Date	Designed Capacity[1], [2]
					(ton per annum)
Polymerizing production lines	2	Polyester melt	Current production site	In operation	460,000
	1	Polyester melt	New production site	By December 2012	110,000
	1	Polyester melt	New production site	By August 2013	220,000
Subtotal:					790,000[3]
FDY spinning production lines	9	FDY	Current production site	In operation	160,000
	1	FDY	Current production site	in June 2011	12,000
	6	FDY	New production site	By November 2012	105,000
	6	FDY	New production site	From August 2013 to October 2013	70,000
Subtotal:					347,000
POY spinning production lines	17	POY	Current production site	In operation	290,000
	1	POY	Current production site	in June 2011	13,000
	8	POY	New production site	From October 2013 to the end of 2013	135,000
Subtotal:					438,000[4]
DTY texturing machines	180	DTY	Current production site	In operation	260,000
	25	DTY	Current production site	From April to June 2011	45,000
	20	DTY	New production site	By December 2011	34,000
	90	DTY	New production site	By December 2012	154,000
Subtotal:					493,000

Note:

(1) Designed capacity represents the annual designed capacity. The designed capacity of a polymerizing production line is calculated by multiplying the designed daily production capacity by 350 days. The designed capacity of a

FDY spinning production line, a POY spinning production line and a DTY texturing machine is calculated by multiplying the daily production capacity by 365 days, assuming the FDY, POY and DTY produced are of the maximum linear density of the designed denier range.

(2) The designed capacities for those production lines and texturing machines in operation represent the designed capacity as of December 31, 2010.

(3) Polyester melt is an intermediate product, which is used to produce FDY and POY. Any polyester melt not consumed by our FDY and POY production capacities is used to produce PET chip.

(4) POY is primarily used by us as raw material for the production of DTY. Any POY not consumed by our DTY production capacity is sold separately as end products.

With the continuous economic development in the PRC, the polyester filament yarn market in the PRC has experienced steady growth and is expected to continue its growth in the coming years. In particular, with the strong market demand in Fujian and Guangdong Provinces driven by the expected rapid growth in the apparel and footwear industries, which according to Frost & Sullivan, are expected to grow to 45.0% of China's entire production volume by 2015, the expected demand for high-quality and functional apparel and footwear in the coming few years and the general supply shortage of polyester filament yarns in Fujian Province and, in particular, Guangdong Province, we expect the demand for our polyester filament yarns to remain strong. In light of this, we anticipate that our new production capacity can be absorbed by the market.

Maintenance

We operate our production facilities on a continuous and uninterrupted basis and conduct regular maintenance and repair work on our production lines. We have implemented a repair and maintenance system for our equipment and production facilities to ensure production efficiency and safety. In addition, we suspend our production every two years for further maintenance and repair, which usually lasts for seven to ten days. We have backup spinning machines for our FDY and POY spinning production lines and we use them when we conduct maintenance. The temporary maintenance or repair work does not affect our overall production capacity. During the Track Record Period, we did not experience any substantial disruption to our operations.

RAW MATERIALS AND PROCUREMENT

Primary Raw Materials

Our primary raw materials for the production of polyester filament yarns are purified terephthalic acid, or PTA, and mono ethylene glycol, or MEG. On average, we use 0.86 tons of PTA and 0.34 tons of MEG to produce one ton of polyester filament yarns.

PTA is an organic compound developed from crude oil. It is widely used as a raw material in the production of polyester products and polyester bottle resin. We primarily purchase PTA from suppliers in Fujian Province and we also import a small portion of PTA from Taiwan. We from time to time solicit offer prices of PTA from approximately 20 PTA suppliers. We did not experience any shortage of supply during the Track Record Period. Currently, we primarily purchase PTA from three domestic suppliers. Our management team believes that there will be sufficient supply of PTA for the foreseeable future.

MEG is an organic compound developed from crude oil and is widely used as automotive antifreeze and as a raw material to polymers. At room temperature MEG is an odorless and colorless liquid. We primarily purchase MEG produced in Guangdong Province and we also import a small portion of MEG from Taiwan. We from time to time solicit offer prices of MEG from approximately ten suppliers of MEG. We did not experience any shortage of supply during the Track Record Period. Currently, we primarily purchase MEG from three domestic suppliers. Our management team believes that there will be sufficient supply of MEG for the foreseeable future.

Spin Finish Oil and Other Raw Materials

We also use a small amount of spin finish oil and other additives in our production processes. We use spin finish oil in our production as a lubricant in the spinning process of polyester filament yarns to prevent the filament from breaking. We mainly purchase spin finish oil from two German suppliers and two Japanese suppliers and we from time to time solicit offer prices from other potential suppliers. We use a number of additives in our production processes. We also purchase a small amount of catalysts from time to time for use in our production. We did not experience any shortage of supply of spin finish oil and the other raw materials during the Track Record Period. Our management team believes that there will be sufficient supply of spin finish oil and other raw materials for the foreseeable future.

Procurement and Suppliers

Our procurement department is responsible for acquiring raw materials, selecting suppliers as well as coordinating with our quality control department to ensure that the delivered raw materials meet our specifications.

Procurement Terms

We usually enter into purchase contracts for a fixed term of one year or less with our major suppliers of PTA and MEG. These contracts usually set forth the estimated monthly delivery amount and a price determination mechanism, which is usually by reference to the suppliers' price announced publicly and may be adjusted by current market prices. We also enter into purchase contracts for fixed amounts and fixed prices with domestic and overseas suppliers from time to time when we believe such purchases are in our interest.

Our suppliers usually deliver their products directly to our production site or Shenhu Port. In the case of MEG, our suppliers generally deliver MEG to our MEG tanks at Shenhu Port. We typically pay our domestic suppliers by cash, bank bills and letters of credit and we usually pay our overseas suppliers by letters of credit.

Our letters of credit for the purchase of imported raw materials usually have a term of 90 days. Upon the expiry of the letters of credit, depending on the then prevailing exchange and interest rates, we may either pay back the letter of credit by cash or enter into a non-deliverable forward arrangement, or NDF arrangement, with our local banks. The NDF arrangement includes a deposit-secured foreign currency loan and a forward foreign exchange contract. Pursuant to the deposit-secured foreign currency loan, we will deposit a specified amount of Renminbi as collateral and borrow the equivalent amount of foreign currency (using the then-effective exchange rate) to pay back all or part of the letter of credit. Pursuant to the forward foreign exchange contract, at the expiry of the foreign currency loan, which usually has a term of one year, we will purchase such amount of foreign currency using a pre-agreed

exchange rate. We entered into these arrangements for the purpose of securing a fixed additional income in connection with our secured foreign currency loans as the net difference in the then-effective foreign exchange rate at the time of signing of such arrangement and the pre-agreed foreign exchange rate on the loan amount will be paid to us upon the expiry of the foreign currency loan.

We usually maintain an inventory of raw materials based on our production schedule and keep sufficient supply of PTA and MEG for two to four weeks of polyester filament yarn production. From time to time we may increase our purchase volume of raw materials when we believe that the cost of raw materials and our estimates of production and sales make it prudent to do so.

Suppliers

Most of our suppliers have supplied us with their products for more than three years. When selecting suppliers, our procurement department primarily focuses on the quality of the raw materials and considers the stability of supply, timeliness of delivery and location of the suppliers. Our procurement department then compares the prices offered by a few preferred suppliers and negotiates with such suppliers to determine from which supplier we shall purchase raw materials.

Although we from time to time solicit offer prices from a number of suppliers of PTA and MEG, we currently primarily purchase PTA from three suppliers and MEG from three suppliers. We purchase raw materials from only a limited number of suppliers because these suppliers provide us with continuous and timely supply of raw materials at higher volume discounts. We review the performance of our suppliers through a supplier management mechanism, which includes reviews by our procurement department, quality control department and finance department on a supplier's performance. If a supplier fails to achieve our desired performance standard, we will stop purchasing from such supplier.

We did not engage in any hedging activities or enter into any futures contracts to stabilize the prices of our raw materials during the Track Record Period.

All of our five largest suppliers are Independent Third Parties. For the years ended December 31, 2008, 2009 and 2010, purchases from our five largest suppliers accounted for 82.6%, 85.6% and 75.6%, respectively, of our total purchases and purchases from our largest supplier accounted for approximately 41.1%, 53.8% and 44.4%, respectively, of our total purchases. None of our Directors, chief executives, management, associates or Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

UTILITIES

Our primary utilities used for the production of polyester filament yarns are water and electricity. We also use a small amount of coal and heat transfer oil in our production.

Electricity

We require a significant amount of electricity in our production processes. On average, we use approximately 1,200 Kwh of electricity to produce one ton of polyester filament yarn. We consumed 252.4 Gwh, 402.8 Gwh and 458.1 Gwh of electricity for the years ended December 31, 2008, 2009 and 2010, respectively.

Electricity used in our production is high-voltage industrial electricity supplied by a 110kV power station through a power line directly connected to our production site. We also have a back-up power line from another power station which can supply electricity for our production if the main electricity line is cut off. During the Track Record Period, we experienced a few minor power stoppages, each lasting only a few seconds, and did not experience any material stoppages of, or restrictions on, electricity supply. Please refer to "Risk Factors — Our operations are subject to uncertainties and we may not have sufficient insurance coverage for all the risks related to our operations" and "Risk Factors — We rely on external supplies of electricity and water for our product in processes."

Water

On average, we consume approximately 4.6 kilograms of water to produce one ton of polyester filament yarn. We consumed approximately 1,105,000 tons, 1,407,000 tons and 1,505,000 tons of water for the years ended December 31, 2008, 2009 and 2010, respectively. We rely on the local municipal water supply system for the water used in our production. Our production site is located near the Jinjiang City Longhu Water Plant.

To conserve water for our production, we constructed a conservation system at our production site. The conservation system has a storage capacity of 6,000 tons of water, which can supply water for three days of production. During the Track Record Period, we did not experience any material shortages of water supply.

INVENTORY MANAGEMENT

We monitor and control the inventory levels of our raw materials and finished products to optimize our operations, sales and delivery of our polyester filament yarns. Our inventory primarily consists of PTA, MEG, finished polyester filament yarns and PET chips. Our storage facilities are located at our production site with a total floor area of approximately 69,500 square meters. Our PTA storage facilities can store up to approximately 40,000 tons of PTA and our finished products storage facilities can store up to approximately 40,000 tons of finished products. We have also entered into an agreement with Jinjiang Pacific Ports Development Co., Ltd.* (晉江太平洋港發展有限公司), pursuant to which we are entitled to use two MEG tanks for a 20 year period at Shenhu Port. Together with two other MEG tanks at our production site, we have a total storage capacity of approximately 13,000 tons of MEG.

We typically maintain inventories of PTA and MEG at levels sufficient for two to four weeks of polyester filament yarn production. Other raw materials, such as spin finish oil, are purchased whenever their inventory level is lower than the prescribed level pursuant to our production schedule. The inventory level of our finished products is managed based on our sales and delivery schedules. To ensure that there is sufficient inventory at all times in our storage facilities to meet purchase orders, we conduct monthly reviews of our physical inventories.

SALES AND MARKETING

As of the December 31, 2010, our sales and marketing department consisted of two senior management members and 34 sales personnel. In an effort to expand our operations, we intend to further increase the size of our sales force.

Sales

During the Track Record Period, all of our sales activities were conducted by our sales and marketing department directly with our customers.

Sales to our domestic customers have accounted for a substantial portion of our revenue during the Track Record Period. Our direct customers are primarily fabric and textile manufacturers located in Fujian Province and Guangdong Province. We also sell a small portion of our products to domestic trading companies who then sell our products to fabric and textile manufacturers. Our sales personnel directly contact our customers and communicate with them regularly to collect information on their preferences, special requirements and general demands with respect to our polyester filament yarns. Our sales personnel also contact our indirect customers from time to time to collect such information. Based on this information, we were able to develop the differentiated polyester filament yarns our customers required in a timely manner, which generally have higher profit margins. In furtherance of our commitment to providing timely and quality service to our customers, we implemented a policy to ensure our sales and marketing team visit our customers' sites at their requests within 24 hours if they are located in Fujian Province and within 48 hours if they are located outside Fujian Province but within China. Our sales personnel also frequently communicate with our customers to strengthen our relationship with our customers and to better understand their preferences to our products.

In addition to sales to domestic customers, we also export a portion of our products. Export sales increased from 6.8% of our revenue in the year ended December 31, 2008 to 9.7% in the year ended December 31, 2010, which primarily included sales of DTY. We directly export our polyester filament yarns to overseas customers without using domestic trading companies. Our overseas customers are primarily fabric and textile manufacturers located in Europe, Southeast Asia, North America and South America, including our long-term customer Bekaert, a multi-national home textile company based in Europe. From time to time, we sell a portion of our polyester filament yarns to large trading companies located in such markets to facilitate our expansion into new markets.

The geographical breakdown of our revenue during the Track Record Period is as follows:

	Year ended December 31,					
	2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic sales						
Fujian Province	1,738,878	82.3	2,301,057	77.7	3,276,500	76.0
Guangdong Province	205,353	9.7	321,722	10.9	569,691	13.2
Other Provinces	25,326	1.2	27,012	0.8	46,975	1.1
Export sales	144,057	6.8	313,307	10.6	416,565	9.7
Total	2,113,614	100.0	2,963,098	100.0	4,309,731	100.0

Marketing

Our sales and marketing department is responsible for conducting marketing activities and building relationships with potential customers. We use various marketing channels to promote our brand recognition and reputation, including attending various industrial exhibitions in China, advertising on outdoor billboards, dispatching marketing brochures and advertising through website. Through these activities, we expect to enhance our brand recognition in the fabric and textile industry and expand our sales to cover new customers. We expect to further expand the scope of our marketing activities, including attending well-known overseas industrial exhibitions and establishing strategic cooperation with end users of our products. We also intend to provide more training programs to our sales and marketing personnel to improve their product knowledge and sales skills. In addition, we plan to increase our marketing activities in domestic and overseas markets where we believe there is demand for our products, such as Guangdong Province in China, Vietnam, South America and other foreign countries, to further increase our domestic market share and to expand our international exposure.

PRICING AND TERMS OF SALES

Pricing

We set the sales prices of our polyester filament yarns based on a variety of factors, including raw material prices, production costs, market conditions and the potential movement of market conditions, our inventory condition and the quality of the product required by a customer. PTA and MEG, our primary raw materials, are derived from crude oil and their prices are indirectly related to the movement of international and domestic crude oil prices. As such, we adjust our sales prices from time to time to pass on the expected increase in our raw material costs to our customers. However, we may not be able to, and there is no guarantee that we will be able to, pass on all the increased costs of PTA and MEG to our customers on a timely manner, or at all. Any increase in raw material prices that we are unable to pass through to our customers will increase our production costs and adversely affect our profit margin. For a detailed description of the impact of the fluctuations in the price of our raw materials, please see "Risk Factors — Risks relating to Our Business — Our business and profitability may be affected by fluctuations in the raw material prices as we may not be able to pass on the increase in raw material costs to our customers" in this prospectus.

We believe that, with the increasing market demand for differentiated polyester filament yarns, the price of differentiated polyester filament yarns will remain higher than the price of regular polyester filament yarns of the same specification. Depending on the complexity of the manufacturing process, including any adjustments to our manufacturing process or special technology that we must use, the prices of our differentiated polyester filament yarns may vary.

We generally offer uniform sales prices to most of our customers and give small discounts to long-term customers with large purchase orders. Members from our management, sales and marketing department and procurement department meet on a frequent basis to review the sales prices of our polyester filament yarns in order to respond to the changes of the various factors affecting our sales prices, in particular, the change of international and domestic crude oil price.

Our products are not subject to any pricing controls under the PRC laws and regulations.

Terms of Sales

We enter into individual purchase orders with our customers for sales of our products. The terms included in these purchase orders usually include a specification of the product, unit price, volume, delivery terms and payment terms.

For domestic sales, we typically deliver our polyester filament yarns within 7 to 30 days after we enter into purchase orders. Our customers typically pay the full contract price before we deliver our polyester filament yarns. Our sales orders with our customers provide for mutually agreed sales price and do not provide for price adjustment mechanisms. For our export sales, we typically despatch products within 30 days after we enter into sales contracts and we typically receive payment upon shipment of our polyester filament yarns through letters of credit issued by our customers. When the demand for our polyester filament yarns outpaces our capacity, we typically enter into contracts with priority allocations to our major customers.

Transportation

Our domestic customers typically require us to deliver our polyester filament yarns to their designated locations. We primarily arrange and pay third-party transportation companies for the delivery of our products. Some of our long-term customers or customers located close to us arrange their own vehicles to transport our polyester filament yarns to their locations. We usually arrange the transportation to the designated delivery points for products sold to our overseas customers.

CUSTOMERS

Our main customers are fabric and textile manufacturers who use our polyester filament yarns to produce and supply knitted fabrics and textiles to manufactures of apparel and other consumer products. Our domestic customers are primarily based in Fujian and Guangdong Provinces. Our overseas customers are primarily located in Europe, Southeast Asia, North America and South America.

In 2010, with the increasing recognition of our brand name and as we established closer relationships with our customers, we entered into annual strategic framework agreements with 186 of our large customers. These framework agreements, which are legally binding, provide for the minimum purchase volume commitments by our customers, the collaborative research and development of differentiated polyester filament yarns and the sharing of various market information. Our revenue generated from customers with whom we entered into such framework agreements accounted for 57.6% of our total revenue for the year ended December 31, 2010. All of these customers renewed their framework agreements with us in 2011, and substantially all of these agreements provide for equal or higher minimum purchase volume commitments. If any of our customers fails to purchase the minimum volume while our products meet the price and quality requirements, we have the right to take legal actions and seek for any related damages.

Our sales have historically been concentrated in Fujian Province, which accounted for 82.3%, 77.7% and 76.0% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively. With our sales and marketing efforts, we have increased the proportion of our sales to customers in Guangdong Province since 2008. Our sales to Guangdong Province accounted for 9.7%, 10.9% and 13.2% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively. We also increased the proportion of our export sales from 6.8% of our revenue for the year ended December 31, 2008 to 9.7% of our revenue for the year ended December 31, 2010.

We have a diversified customer base. For the three years ended December 31, 2008, 2009 and 2010, we had approximately 1,600, 2,100 and 2,100 customers, respectively, a majority of which have been our customers for more than three years as of December 31, 2010. Revenue from our five largest customers, other than Baikai Group, accounted for 8.1%, 7.6% and 10.5% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively. Our largest customer, Baikai Group accounted for 8.4%, 7.7% and 7.4% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively. Baikai Group comprises five of our connected parties and is considered as one customer in calculating our five largest customers. Other than Baikai Group, four of our five largest customers are Independent Third Parties and none of our Directors, chief executives, management, associates or Shareholders holding more than 5% of our issued share capital had any interest in any of these four largest customers during the Track Record Period.

COMPETITION

The polyester filament yarn industry in the PRC is highly fragmented. According to CMAI, there were over 300 polyester filament yarn manufacturers in China and the total designed capacity in China was approximately 19.8 million tpa in 2010. The production of polyester filament yarn is centralized in east and south China, where Jiangsu, Zhejiang, Fujian and Guangdong Provinces are the major regions of supply. According to CMAI, high local consumption rates combined with logistic conveniences for both domestic and imported raw materials provides these regions with cost advantages. In addition to the domestic polyester filament yarn manufacturers, we also compete with international manufacturers based on product quality, product differentiation, brand recognition, production capacity, research and development capabilities, production technology and proximity to customers.

We believe the barrier for entry into the polyester filament yarn industry is very high. In particular, the construction of polyester filament yarn production facilities requires substantial investments to achieve production capacities that provide a reasonable economic return. The production of high-quality and differentiated polyester filament yarns requires technical knowledge and significant investment in research and development. In addition, new market entrants face obstacles in obtaining customer acceptance without a track record.

Our sales were primarily focused in south China during the Track Record Period and, according to CMAI, 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. According to CMAI, there are five large polyester filament yarn manufacturers including us, Jinxing (Fujian) Fiber Textile Industrial Co., Ltd.* (錦興(福建)化纖紡織實業有限公司), Xianglu Polyester Fiber (Xiamen) Co., Ltd.* (翔鷺滌綸紡織(廈門)有限公司), Fujian Jinlun Fiber Shareholding Co., Ltd.* (福建省金綸高纖股份有限公司) and Guangdong Kaiping Chunhui Co., Ltd.* (廣東開平春暉股份有限公司). According to CMAI, we and these four manufacturers collectively have a total designed capacity of approximately 1.2 million tpa of polyester filament yarns, accounting for approximately 92.0% of the total designed capacity in south China, and provided a substantial portion of polyester filament yarns used in the production of garments in south China. According to CMAI, our market share based on designed capacity of FDY and POY in south China is approximately 36%. While our key focus is south China, most of the polyester filament yarn manufacturers in China, including the top five players, are located in east China, where we believe the competition is more intense. According to CMAI, the top five players in China collectively have a designed capacity of approximately 4.0 million tpa of polyester filament yarns, which represents approximately 20.3% of China's total designed capacity of polyester filament yarns, with each of the top five players accounting for no more than approximately 6.0% of China's total designed capacity.

We believe that we are well-positioned to compete effectively in the PRC and international markets and that our strengths will distinguish us from our competitors. See "—Our Competitive Strengths" for a discussion of our competitive strengths.

MAJOR AWARDS AND RECOGNITIONS

During the Track Record Period, we were granted the following major awards, recognitions and certifications:

Award, Recognitions and Certifications	Awarding or Granting Organization	Date of Issue
Top One Hundred Tax Paying Enterprises in Fujing Province for 2010* (福建省2010年度納税百強企業)	Fujian Province State Tax Bureau and Fujian Province Local Tax Bureau	March 2011
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	China National Textile and Apparel Council China Chemical Fiber Industry Association China Textile Product Development Center	December 2010
Fujian Province Intellectual Property Experiment Enterprise for 2010* 2010 福建知識產權試點企業	Fujian Province Intellectual Property Rights Bureau	December 2010
A Level Credible Tax Payer for 2004 to 2009* 納税信用A級納税人	Fujian Province State Tax Bureau Fujian Province Local Tax Bureau	December 2010, October 2008 and December 2006
Fujian Province Innovative Pioneer Enterprise* 福建省創新試點企業	Fujian Province Science and Technology Bureau	July 2010
AA Type Custom Administration Enterprise* 海關AA類管理企業	Xiamen Custom	February 2010
Fujian High and New Technology Enterprise* 福建高新技術企業	Fujian Province Science and Technology Bureau, Fujian Province Bureau of Finance, Fujian Province State Tax Bureau, Fujian Province Local Tax Bureau	October 2009

Award, Recognitions and Certifications	Awarding or Granting Organization	Date of Issue
Top One Hundred Enterprises in Fujian Province* 福建企業100強	Fujian Enterprise Evaluation Association	September 2009
618 Cross-Straight Employee Innovation Achievement* 618 海峽兩岸職工創新成果獎銀獎	Cross-Straight Employee Innovation Achievement Committee	June 2009
2008 Advanced Enterprise in Equipment Innovation* 2008年度設備革新先進企業	Jinjiang City Government	April 2009
Top One Hundred Key Industrial Enterprises in Fujian Province* 福建省百家重點工業企業	Fujian Province Economy and Trade Committee	March 2009
2007-2008 Trustworthy Enterprise* 2007-2008 重合同守信用企業	Jinjiang City Administration of Industry and Commerce	January 2009
Provincial Enterprise Technology Center of Fujian Province* 福建省省級企業技術中心	Fujian Province Economy and Trade Committee	December 2008
2007-2008 Trustworthy Enterprise* 2007-2008 重合同守信用單位	Quanzhou City Government	December 2008

QUALITY ASSURANCE AND QUALITY CONTROL

We have adopted a comprehensive set of stringent quality control procedures at all stages of our production process to ensure product quality. Our quality control system ensures that our polyester filament yarns comply with the various standards set by us as well as industrial standards. Our quality control systems have been evaluated and certified by China United Certification Center and we have received ISO9001:2008 certification for our quality management system for the design, production and service of polyester filament yarns.

Our polyester filament yarns comply with the requirements set out in the national product standards. Our DTY products comply with the national standard GB/T14460-2008, our FDY products comply with the national standard GB/T8060-2008, our POY products comply with the industrial standard FZ/T54003-2004 and our PET chip products comply with the national standard GB/T14189-2008.

In addition, we were granted with the authorization to use Oeko-Tex mark on our FDY, DTY and POY products, which certifies that our polyester filament yarns passed the test for harmful substances based on the results of inspection made according to Oeko-Tex Standard 100, product class I for baby articles.

Raw Materials and Product Quality Control

We conduct chemical and physical testing on the raw materials we receive from our suppliers to ensure that they meet our quality requirements for use in our production. Our quality control team tests

PTA and MEG samples at our testing laboratories to determine their chemical composition and purity. During the Track Record Period, we did not experience any material quality defects for PTA and MEG purchased from our suppliers.

Our quality control procedures require inspections by our quality control team at various stages of our different production processes and on our finished products to ensure that our finished products conform to the relevant requirements. In particular, our quality control team inspects the appearance and color of our polyester filament yarns and conducts tests on the chemical compositions and physical properties of our polyester filament yarns at various stages throughout the production process.

Quality Control Personnel and Facilities

As of December 31, 2010, we had a team of 685 quality control personnel, including six chemical laboratory technicians, 14 physics laboratory technicians, 22 quality inspectors of accessory materials, 221 color matching inspectors and 422 appearance inspectors. In addition, we conduct regular training sessions and administer regular assessments for our quality control team in order for them to stay current in their testing knowledge and skills.

We purchase various advanced testing machines, such as heated stretch devices, Uster stretch testers, Uster evenness testers, spin finish analyzers and various other testing devices, many of which were imported from Switzerland, United States, Germany and Japan. These testing devices allow our quality control team to test the chemical compositions and physical properties of our polyester filament yarns, and to detect any defects in our polyester filament yarns. We configure and maintain our testing equipment and instruments regularly to ensure the accuracy of our quality testing.

RESEARCH AND DEVELOPMENT

We believe that our research and development efforts are crucial to our competitiveness and market share. We focus our research and development efforts on the development of new differentiated polyester filament yarns and on production process improvements. With the expansion of our offerings of differentiated polyester products, the reinforcement of our production process, and the acquisition of high-technology manufacturing and testing devices, we believe we may further increase our market share by providing high-quality and high technology products to our customers.

As of March 31, 2011, we had approximately 500 research and development personnel, including approximately 220 core research and development engineers and technicians. Of our core research and development engineers and technicians, approximately 100 have college degrees and above. Supported by our research and development department, we had independently developed 19 types of differentiated polyester filament yarns. As of the Latest Practicable Date, we offered for general sales the 11 types of the PRC patented differentiated polyester filament yarns to our customers. The remaining six types of the PRC patented differentiated polyester filament yarns and the two types of differentiated polyester filament yarns which we have applied for the PRC patents have not been marketed and are reserved for future sales. For the year ended December 31, 2010, our revenue from patented differentiated polyester filament yarns and those under the patent application process RMB2,817.5 million which accounted for 65.4% of our total revenue.

We are currently in the process of commercializing six types of differentiated polyester filament yarns and are in the process of developing five types of differentiated polyester filament yarns. In addition, we expect to commence the development of five new types of differentiated polyester filament yarns in each of 2012 and 2013. We also engaged in the research and development to save energy in our production process and to improve the function and production capacity of our machineries. We successfully developed a steam recycling system with CTIEI and we invented a spinneret and a cooling and humidifying device.

We have a close relationship with Donghua University (東華大學) in Shanghai, the top university in the textile industry in China previously known as China Textile University (中國紡織大學). We started our cooperation with Donghua University in 2007 primarily focusing on the research of polymerizing and production technologies. In May 2008, we were licensed with five years of exclusive rights to use, manufacture and sell five types of differentiated polyester filament yarns from Donghua University, all of which were developed by Donghua University. These products have been commercialized under our joint research effort with Donghua University. In 2010, we entered into a cooperation agreement with Donghua University for the collaborative research and development of new types of differentiated polyester filament yarns. Pursuant to the cooperation agreement, we are entitled to the intellectual property rights of the new patents and technological know-how developed through our cooperation. In exchange, we are responsible for the research costs and we pay an annual fixed fee to Donghua University. Through our cooperation with Donghua University, we expect to complete the research and development for two new types of differentiated polyester filament yarns each year, which we are entitled to patent rights. In addition, pursuant to the cooperation agreements, we have established a polyester filament yarn technology center devoted to the joint research projects with Donghua University. We do not have any profit sharing arrangement with Donghua University.

We have received various awards and recognitions for our research and development achievements, including the recognition by China National Textile and Apparel Council, China Chemical Fiber Industry Association and China Textile Product Development Center as a National Development Site for Differentiated Polyester Filament Yarns (國家功能性差別化聚酯纖維開發基地). We were also recognized as a High and New Technology Enterprise* (高新技術企業), a Fujian Province Innovative Pioneer Enterprise* (福建省創新試點企業), a Provincial Enterprise Technology Center of Fujian Province* (福建省省級企業技術中心) and an Advanced Enterprise for Equipment Innovation* (設備革新先進企業). We also won the silver award of 618 Cross-Straight Employee Innovation Achievement* (618海峽兩岸職工創新成果獎銀獎) for our development of a type of differentiated polyester filament yarn known as "three dimensional hollow synthetic yarn". See "—Major Awards and Recognitions" for details of the awards and recognitions.

To increase the competitiveness of our differentiated polyester filament yarns and to further improve the quality of our products, we are currently upgrading our testing and research laboratory and we have applied for the certification of our laboratory as a National Standard Laboratory by CNAS. A National Standard Laboratory is recognized as more reliable and meeting the highest laboratory standards in China for testing and calibration. It is authorized to issue testing results to third parties and the qualified products may have the laboratory's certification printed on its package. The requirements for the certification as a National Standard Laboratory include the fulfillment of certain management criteria and certain technical requirements. The management criteria include, among other things, a team of management and technical personnel, which shall consist of qualified management and testing experts, and an effective laboratory management system, which shall include procedures that maintain and control the management documents and laboratory records and mechanisms based on quality principles and

targets that can continuously improve the management system. The technical requirements include, among other things, a team of qualified testing personnel, equipment and environment conditions that comply with laboratory requirements, accurate testing and measuring methodologies, and an effective implementation system that maintains equipment and measuring standards.

For the years ended December 31, 2008, 2009 and 2010, our research and development expenses were RMB2.0 million, RMB46.1 million and RMB51.8 million, respectively.

INTELLECTUAL PROPERTY

Patent, Patent Applications and Licensed Patents

In order to protect our intellectual property rights, we have obtained 19 registered patents in China for 17 new types of differentiated polyester filament yarns and new device we developed, and for a two device, the patent of which was acquired from a third party in January 2008. We have also applied for two patents in China for new types of differentiated polyester filament yarns we developed and two patents for two devices we developed. Regarding the two types of differentiated polyester filament yarns and the two devices that we have applied for patents, our Directors confirmed that they were not aware of any potential factor which could impede our patent applications as of the Latest Practicable Date.

Donghua University has licensed us the exclusive rights to use six registered patents, including five types of differentiated polyester filament yarns and a new device, for a term of five years until November 2013.

The table below sets forth certain information on our 19 registered patents in China for the 17 types of differentiated polyester filament yarns and a new device we developed, and for a device, the patent of which was acquired from a third party.

Patent Name	Classification	Effective Period		Description
Baiku yarn* (百酷絲)	Utility Model	April 14, 2009	April 13, 2019	Absorbent and dry keeping DTY
Bainuan yarn* (百暖絲)	Utility Model	April 14, 2009	April 13, 2019	Warm keeping DTY which can be used to produce underwear and bed linens
Baiwei ultra-soft fiber* (一種百微超柔絲纖維)	Utility Model	April 14, 2009	April 13, 2019	High elasticity DTY which is soft in texture with soft luster
A profile fiber* (一種異型纖維)	Utility Model	April 14, 2009	April 13, 2019	Dry keeping and multi-colored DTY
A golden yarn* (一種金絲線)	Utility Model	April 14, 2009	April 13, 2019	High in strength FDY which is environmentally friendly in its production
A florescent extra-white fiber* (一種熒光增白纖維)	Utility Model	April 20, 2009	April 19, 2019	Environmentally friendly and high color fastness DTY
A black flame resistant fiber* (一種黑色阻燃纖維)	Utility Model	April 20, 2009	April 19, 2019	Flame resistant DTY in bright black color
Ultraviolet resistant low elasticity yarn* (抗紫外線滌綸低彈絲)	Utility Model	April 20, 2009	April 19, 2019	Ultraviolet resistant DTY

Patent Name	Classification	Effective Period		Description
Three-dimensional ultra-bright yarn* (三維超亮光絲)	Utility Model	April 22, 2009	April 21, 2019	Ultra-bright FDY with light reflecting feature
Full bright dyed yarn* (大有光有色光絲)	Utility Model	April 22, 2009	April 21, 2019	Environmentally friendly FDY with light reflecting feature
Black crystal bamboo charcoal fiber yarn* (黑晶竹炭纖維絲)	Utility Model	April 22, 2009	April 21, 2019	Mold resistant DTY with bacteria resistant, warm keeping feature
A new type of nozzle with no shuttle* (一種新型無梭機織頭)	Utility Model	December 28, 2006	December 27, 2016	A type of nozzle used in the spinning process of FDY which exempts the use of shuttle
Anti-distortion and –pilling low shrinkage FDY fiber* (抗變形的低縮率抗起球功能FDY纖維絲)	Utility Model	April 29, 2010	April 28, 2020	High in strength FDY with warm-keeping and low shrinkage feature
Fine denier hollow and ultra-bright reflex FDY profile fiber* (特粗旦超亮反光異形FDY纖維)	Utility Model	April 29, 2010	April 28, 2020	Ultra-bright reflex FDY with warm- keeping feature
Anti-bacterial flame resistant and moisture absorbing synthetic fiber* (抗菌阻燃排汗合成纖維)	Utility Model	April 29, 2010	April 28, 2020	Anti-bacterial DTY with flame resistant and moisture absorbing feature
High polymer material profile fiber* (高分子材料異形纖維)	Utility Model	April 29, 2010	April 28, 2020	W-Type DTY with soft and warm-keeping feature
Whiting anti-bacterial moisture absorbing synthetic fiber * (增白抗菌排汗合成纖維)	Utility Model	April 29, 2010	April 28, 2020	Anti-bacterial DTY with moisture absorbing feature
Imitation sherpa fleece thermal synthetic chelating fiber* (仿羊羔絨保暖合成功能纖維絲)	Utility Model	April 29, 2010	April 28, 2020	Highly tenacious DTY with soft and warm-keeping feature
A shaped plate* (一種成形板)	Utility Model	July 28, 2010	July 27, 2020	Advice with anti-fluff and anti-soap feature

The table below sets forth certain information on two types of differentiated polyester filament yarns and two new devices we developed, which are under the patent application process in China.

Patent Name	Classification	Date of Application	Description
An esterification waste heat recovery device* (酯化蒸氣餘熱回收方法裝置)	Invention	January 19, 2009	Environmentally friendly device which esterifies waste heat for refrigeration
A yarn type of carpet silk* (一種滌綸地毯絲)	Utility Model	April 20, 2009	Heavy-denier (600 ~ 1200D) DTY with anti-distortion feature)

Patent Name	Classification	Date of Application	Description
A new type of high polymer material profile fiber* (新型高分子材料異形纖維)	Utility Model	April 29, 2010	Dual-net DTY with wide applications
A melt direct spinning cooling humidification device* (一種熔體直紡冷卻加濕裝置)	Utility Model	July 28, 2010	Device installed on the air conditioning system with cooling and humidifying features

The table below sets forth certain information on the five patents of differentiated polyester products (including one related device) and the device patent, for which five years of exclusive rights were granted to us by Donghua University.

Patent Name	Classification	Start of Exclusive Rights	End of Exclusive Rights	Description
Down-like material* (仿羽絨材料)	Utility Model	May 10, 2008	November 9, 2013	Environmentally friendly and high functionality
A "U" shape fiber* (一種"U"型纖維)	Utility Model	May 10, 2008	November 9, 2013	Moisture absorbing, air and moisture permissible and anti-pilling FDY
An air and moisture permissible PTT fiber and related spinneret* (一種透氣導濕PTT纖維及其所用的噴絲板)	Utility Model	May 10, 2008	November 9, 2013	Environmentally friendly with high functionality and comfort, air and moisture permissible and moisture absorbing
A thin denier hollow anti-bacteria PTT fiber* (一種細旦中空抗菌PTT纖維)	Utility Model	May 10, 2008	November 9, 2013	Environmentally friendly and high functionality, bacterial resistant and warm-keeping
A three dimensional curly hollow synthetic fiber* (一種三維捲曲中空合成纖維)	Utility Model	May 10, 2008	November 9, 2013	Environmentally friendly with health function, warm-keeping
A new type of profile fiber spinneret* (一種新型異性纖維噴絲板)	Utility Model	May 10, 2008	November 9, 2013	A spinneret that can produce "U" shape FDY with soft and water absorbing feature

Trademarks and Other Intellectual Properties

As of the Latest Practicable Date, we have registered in China nine trademarks, including our brands "百宏" and "Billion", for our polyester filament yarns and we have registered Hong Kong trademarks for polyester filament yarns. We also used to jointly own ten "Billion" trademarks with certain entities of Baikai Group. On May 1, 2011, we entered into a trademark transfer agreement with all these entities, pursuant to which such entities will transfer the ten trademarks to us at nil consideration. We will apply for a change of registered owner at the competent trademark authorities in the PRC and have engaged trademark agents to handle the registration of the trademark transfer. As advised by our PRC legal advisers, Tian Yuan Law Firm, registration will generally be completed within 12 months upon filing with the competent trademark authorities in the PRC in accordance with the relevant regulations and legal procedures.

We have also entered into employment contracts, confidentiality agreements, non-compete agreements and cooperation agreements, with our research and development personnel and parties we cooperate with in research and development activities to protect our intellectual property rights.

In addition to patented intellectual property rights and trademarks, we rely on trade secrets, proprietary technologies, know-how and processes and other intellectual property rights in our operations. For risks associated with our intellectual property rights, see "Risk Factors — Risks Relating to Our Business — Our intellectual property rights may be infringed by our competitors" and "Risk Factors — Risks Relating to Our Business — We may be affected by claims by third parties alleging possible infringement of their intellectual property rights."

WORK SAFETY

We are subject to certain PRC laws on occupational health and safety, including *the Work Safety Law of the PRC*. Our managers in the production departments oversee our compliance with relevant laws, conduct regular safety performance reviews, identify safety risks, implement accident prevention measures and ensure our compliance with safety performance requirements.

We established our safety procedures and policies to ensure that our working environment is safe for our employees. We implement and ensure that all of our employees are aware of our safety procedures and policies, which include guidelines for safety management, emergency situations and the proper operation of machinery. Our employees who are involved in production and quality control are required to attend internal training courses and take examinations on workplace safety. As confirmed by our Directors and our PRC legal advisers, Tian Yuan Law Firm, no serious or material work-related injuries or fatalities occurred at our production facilities during the Track Record Period. There were three work-related injuries during the Track Record Period and through the Latest Practicable Date which we have settled with the three respective employees involved in these accidents. See "Risk Factors — Risk Relating to Our Business — We may encounter work-related accidents in our operations".

According to our PRC legal advisers, Tian Yuan Law Firm, we complied with all applicable health and safety laws and regulations during the Track Record Period and were not subject to any material occupational health and safety claims, lawsuits, penalties or disciplinary actions as of the Latest Practicable Date.

ENVIRONMENTAL MATTERS

Our operations are subject to various PRC laws and regulations concerning environmental protection. We believe that compliance with environmental standards is important to our operations. Our operations are subject to, among other relevant environmental protection laws and regulations, the following: (i) *the Environmental Protection Law*; (ii) *the Prevention and Control of Water Pollution Law*; (iii) *the Prevention and Control of Environmental Noise Pollution*; (iv) *the Prevention and Control of Atmospheric Pollution Law*; (v) *the Law of the PRC on Promoting Clean Production*; (vi) *the Prevention and Control of Solid Waste Pollution*; and (vii) *the Law of the PRC on Appraising the Environmental Impact*. See "Regulations". Under the PRC law, we may commence a construction project only after we register or file an environmental impact assessment for such project and obtain approval from the relevant environmental authorities.

We have implemented environmental standards for our production processes and have set out detailed environmental procedures. Our environmental management systems have been evaluated and certified by China United Certification Center and we have 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.

With regard to our operations, we are committed to strict and full compliance with the relevant PRC environmental protection requirements. We recognize that the environment may be negatively affected as a result of our operations and we strive to reduce the adverse impact on the environment by using technologies to conserve and efficiently use resources in our production process. We have installed environmental protection devices and equipment that reduce noise pollution, treat and recycle waste water and reduce gas pollution. Such devices and equipment increase the efficiency of our operations, reduce the consumption of water, contribute to the reduction of greenhouse effect and reduce the amount of dust produced during loading and storage. In addition, the low levels of waste water, gas pollution, noise pollution and solid waste we generate during our production process, after internal processing, are all within the permitted levels. We have also set up an environment monitoring system for the emission of waste water, polluted air, noise and other wastes to ensure full compliance with state and local regulations.

For the years ended December 31, 2008, 2009 and 2010, our expenditure in respect of compliance with applicable environmental protection requirements amounted to approximately RMB89,000, RMB139,000 and RMB112,000, respectively. It is expected that we will incur approximately RMB550,000 on compliance with applicable environmental protection requirements for the year ending December 31, 2011.

REAL PROPERTIES

We own the land use rights for our production site in the Fenglin Industrial Zone located in Longhu County, Jinjiang City, Fujian Province, which occupies an area of 275,398 square meters. We constructed and own all the buildings on it, which include 63 buildings with a gross total floor area of 384,289 square meters. As confirmed by our PRC legal advisers, Tian Yuan Law Firm, as of the Latest Practicable Date, other than two safety guard stations with a total floor area of 328 square meters, we have obtained all land use right certificates and building ownership certificates for the land and buildings and have not pledged or encumbered any such land or buildings.

We also own the land use right for a parcel of land adjacent to and outside the abovementioned parcel of land, which occupies an area of 6,879 square meters. We are constructing a 4-story industrial building on this parcel of land, which shall serve as our additional production facilities with a designed capacity of FDY and POY of approximately 25,000 tpa. The development of these facilities is scheduled to be completed in August 2011. These facilities are expected to have a gross floor area of approximately 28,451 square meters.

The table below sets forth certain information on the major production buildings owned by us in our existing production site:

Plant Name	Facilities	Gross Floor Area (sqm)
Polymerizing plant 1	Polymerizing production line 1	10,996
Polymerizing plant 2	Polymerizing production line 2	9,925
Spinning plant 1	Four FDY spinning production lines Ten POY spinning production lines	59,849
Spinning plant 2	Five FDY production lines Seven POY production lines	66,194
Texturing plant 1 and 2	71 DTY texturing machines	39,522
Texturing plant 3	28 DTY texturing machines	24,205
Texturing plant 4	67 DTY texturing machines	40,019
Texturing plant 5	14 DTY texturing machines	15,835

We are also entitled to the land use right for a parcel of vacant land located at the coastal corporate headquarters area in East Sea District, Quanzhou City, Fujian Province, which occupies an area of 11,228 square meters. We plan to construct our operation center on this parcel of land with a total planned floor area of 76,347 square meters. The construction of this operation center is expected to commence in May 2011 and be completed by September 2013. Upon completion, we plan to move our sales and marketing department and research and development department to the operation center. The capital expenditures for the construction of this operation center are expected to be approximately RMB191 million, which we plan to finance from our proceeds raised from the Global Offering.

As of the Latest Practicable Date, we plan to purchase the land use right through a potential public tender for an expected 500,000 square meters of land for our new production site which is close to our existing production site in Fenglin Industrial Zone.

Please refer to "Appendix IV — Property Valuation" for further details of our owned and leased properties.

EMPLOYEES

We had a total of 2,725, 3,586 and 3,544 employees as of December 31, 2008, 2009 and 2010, respectively. The following table provides a breakdown of our employees by function as of December 31, 2010.

	Number of employees	% of total
Production	2,041	57.7%
Quality control	685	19.3%
Research and development	501	14.1%
Support and others	182	5.1%
Accounting and Finance	49	1.4%
Administration and management	40	1.1%
Sales and marketing	35	1.0%
Procurement	11	0.3%
Total	3,544	100.0%

The remuneration package we offer to our employees includes salary and housing. In general, we determine employee salaries based on each employee's qualifications, position and seniority. We review the performance of our employees annually and decide their salary raises, bonuses and promotions based on their performance.

We provide various trainings for our employees to improve their work skills. We provide orientation training for newly hired employees and continue to provide them with professional trainings during their terms of employment. Our training programs for our employees cover various topics, such as professional skills, quality control, production safety and regulations, and internal procedures, all of which are designed to improve the overall performance of our employees. We also provide management trainings for our management personnel to promote their management skills.

INSURANCE

We contribute to social welfare insurance for our full-time employees in accordance with the relevant PRC regulations, which includes contributions to basic medical insurance fund, basic pension insurance fund, occupational injury insurance fund, maternity insurance fund and unemployed insurance fund. We maintain all-risk property insurance for primarily all of our production facilities in our production site and the vehicles used in our operations.

We do not maintain product liability insurance or third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations. These insurance policies are not mandatory under PRC laws and would impose additional costs to our operations, which may reduce our competitiveness. See "Risk Factors — Risks Related to Our Business — Our operations are subject to uncertainties and we may not sufficient insurance coverage for all the risks related to our operations". As of the Latest Practicable Date, we have not been subject to any claims for product liability or any other litigation, nor have we experienced any material business interruptions.

We believe our current level of insurance coverage is adequate and in line with the practice of the polyester filament yarn industry in China.

LEGAL COMPLIANCE AND PROCEEDINGS

Our Company and its subsidiary may from time to time be involved in litigations incidental to the conduct of their business. As of the Latest Practicable Date, to the best of our knowledge, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against our Company or its subsidiaries that could have a material adverse effect on our business, financial condition or results of operations. Tian Yuan Law Firm has confirmed that as of the Latest Practicable Date, our Group had complied with all the PRC laws and regulations and had obtained all requisite permits, licenses and approvals for its operations in all material aspects.