

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Billion Fujian, a member of our Group, has entered into certain transactions with parties who are connected persons of our Company and transactions with these connected persons will continue after the Listing, thereby constituting continuing connected transactions for our Company under the Listing Rules. A summary of these continuing connected transactions is set out below:

Type of Transaction	Term	Applicable Listing Rule	Waiver Sought
Non-exempt continuing connected transactions			
1.(a) Sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving	From January 1, 2011 to December 31, 2013	Rule 14A.35	Announcement and independent Shareholders' approval requirements
(b) Sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting	From January 1, 2011 to December 31, 2013		
(c) Sales of semi-dull PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile	From January 1, 2011 to December 31, 2013		
(d) Sales of DTY by Billion Fujian to Baikai Zipper	From January 1, 2011 to December 31, 2013		
2. Provision of paper boxes and rolls and related processing services by Baikai Paper to Billion Fujian	From January 1, 2011 to December 31, 2013	Rule 14A.35	Announcement and independent Shareholders' approval requirements
Exempted continuing connected transaction			
3. Sales of DTY and POY by Billion Fujian to Hengxinglong Polyester	From January 1, 2011 to December 31, 2013	Rule 14A.33(3)	Not applicable

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CONNECTED PERSONS

The relevant connected persons, with whom a member of our Group has entered into continuing connected transactions, are as follows:

- (a) *Baikai Elastic Weaving*: Baikai Elastic Weaving is engaged in the business of manufacturing fabric, weave belt, knit products and high-end textile, and is a wholly foreign-owned subsidiary of Baikai H.K. Baikai H.K. is wholly-owned by Mr. Lin Jinjing (“Mr. Lin”) who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being our executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Elastic Weaving. Accordingly, Baikai Elastic Weaving is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao and therefore a connected person of our Company. None of Mr. Sze Tin Yau and Mr. Wu Jinbiao is beneficially interested in Baikai Elastic Weaving.
- (b) *Baikai Wrap Knitting*: Baikai Wrap Knitting is engaged in the business of weaving, dyeing and processing high-end knit fabric, and is a wholly foreign-owned subsidiary of Baikai H.K. Baikai H.K. is wholly-owned by Mr. Lin. Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Wrap Knitting. Accordingly, Baikai Wrap Knitting is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao and therefore a connected person of our Company. None of Mr. Sze Tin Yau and Mr. Wu Jinbiao is beneficially interested in Baikai Wrap Knitting.
- (c) *Baikai Textile*: Baikai Textile is engaged in the business of manufacturing DTY, chemical fabric, clothing and accessories of clothing, and is a wholly foreign-owned subsidiary of Baikai H.K. Baikai H.K. is wholly-owned by Mr. Lin. Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Textile. Accordingly, Baikai Textile is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao and therefore a connected person of our Company. None of Mr. Sze Tin Yau and Mr. Wu Jinbiao is beneficially interested in Baikai Textile. Although Baikai Textile also manufactures DTY, its DTY production capacity is relatively small as compared to our Group’s DTY production capacity of approximately 260,000 tpa. Further, the DTY manufactured by Baikai Textile is mainly used for the production of core wired cables and ribbon weaving, the application and usage of which are different from those of the DTY manufactured by our Group. The DTY manufactured by our Group is mainly used for the production of fabric products. The DTY manufactured by Baikai Textile and the DTY manufactured by our Group are targeted at and sold to different customers.
- (d) *Baikai Zipper*: Baikai Zipper is engaged in the business of manufacturing zippers, hardware die cast products and clothing, and is a wholly foreign-owned subsidiary of Baikai H.K. Baikai H.K. is wholly-owned by Mr. Lin. Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Zipper. Accordingly, Baikai Zipper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao and therefore a connected person of our Company. None of Mr. Sze Tin Yau and Mr. Wu Jinbiao is beneficially interested in Baikai Zipper.

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- (e) *Baikai Paper*: Baikai Paper is engaged in the business of manufacturing paper boxes and rolls, and is a wholly foreign-owned subsidiary of Baikai H.K. Baikai H.K. is wholly-owned by Mr. Lin. Mr. Lin controls the exercise of 100% of the voting power at general meetings and is a director of Baikai Paper. Accordingly, Baikai Paper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao and therefore a connected person of our Company. None of Mr. Sze Tin Yau and Mr. Wu Jinbiao is beneficially interested in Baikai Paper.
- (f) *Hengxinglong Polyester*: Hengxinglong Polyester is engaged in the business of processing products related to polyester filament yarns and chemical fabric, and is wholly-owned by Mr. Wu Qingshun, the son of Mr. Wu Jianshe, our executive Director. Accordingly, Hengxinglong Polyester is an associate of Mr. Wu Jianshe and therefore a connected person of our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below are the details of the non-exempt continuing connected transactions entered into between the connected persons and a member of our Group (the “Non-exempt Continuing Connected Transaction(s)”). Having considered that the products to be provided by our Group under the Non-exempt Continuing Connected Transactions with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper (the “Baikai Sales Arrangement”) are of the same nature and the relevant counter parties are controlled by the same ultimate shareholder, namely Mr. Lin, the sales arrangements with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper are aggregated under Rule 14A.25 of the Listing Rules. The applicable percentage ratio (other than the profits ratio) of the Baikai Sales Arrangement are in aggregate, on an annual basis, expected to be more than 5%. The applicable percentage ratio (other than the profits ratio) of the Non-exempt Continuing Connected Transaction with Baikai Paper (the “Baikai Purchase and Processing Arrangement”) is also, on an annual basis, expected to be more than 5%. As such, each of the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement is subject to the reporting, announcement and independent shareholders’ approval requirements set out in Rules 14A.45 to 14A.48, and the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

(1) Baikai Sales Arrangement – Sales agreements with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper

(a) Sales of DTY, FDY and POY by Billion Fujian to Baikai Elastic Weaving

Nature of transaction

On March 31, 2011, Baikai Elastic Weaving and Billion Fujian entered into a sales agreement pursuant to which Billion Fujian agreed to provide DTY, FDY and POY to Baikai Elastic Weaving. The sales agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration subject to compliance with the Listing Rules.

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For the three years ended December 31, 2008, 2009 and 2010, our sales of DTY, FDY and POY to Baikai Elastic Weaving amounted to approximately RMB22,180,000, RMB58,976,000 and RMB58,276,000, and accounted for approximately 1.05%, 1.99% and 1.35% of our total sales during the same periods, respectively.

Price determination

The prices for the sales of DTY, FDY and POY to Baikai Elastic Weaving are agreed between Baikai Elastic Weaving and us from time to time after arm's length negotiation and are comparable to market prices of similar products that we sell to other independent customers.

Annual caps

Our Directors anticipate that the annual caps of the transaction amounts under the sales agreement with Baikai Elastic Weaving will be approximately RMB77,000,000, RMB85,000,000 and RMB95,000,000, respectively, for each of the three years ending December 31, 2011, 2012 and 2013. The above annual caps are based on (i) the actual sales made to Baikai Elastic Weaving in the year ended December 31, 2010; (ii) the prevailing market price for the sales of similar products; (iii) the expected increase in our production capacity; and (iv) the estimated growth of Baikai Elastic Weaving which requires more of our products.

(b) Sales of DTY and FDY by Billion Fujian to Baikai Wrap Knitting

Nature of transaction

On March 31, 2011, Baikai Wrap Knitting and Billion Fujian entered into a sales agreement pursuant to which Billion Fujian agreed to provide DTY and FDY to Baikai Wrap Knitting. The sales agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration subject to compliance with the Listing Rules.

For the three years ended December 31, 2008, 2009 and 2010, our sales of DTY and FDY to Baikai Wrap Knitting amounted to approximately RMB19,658,000, RMB66,156,000 and RMB107,970,000, and accounted for approximately 0.93%, 2.23% and 2.51% of our total sales during the same periods, respectively.

Price determination

The prices for the sales of DTY and FDY to Baikai Wrap Knitting are agreed between Baikai Wrap Knitting and us from time to time after arm's length negotiation and are comparable to market prices of similar products that we sell to other independent customers.

Annual caps

Our Directors anticipate that the annual caps of the transaction amounts under the sales agreement with Baikai Wrap Knitting will be approximately RMB118,000,000, RMB120,000,000 and RMB123,000,000, respectively, for each of the three years ending December 31, 2011, 2012 and 2013.

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The above annual caps are based on (i) the actual sales made to Baikai Wrap Knitting in the year ended December 31, 2010; (ii) the prevailing market price for the sales of similar products; (iii) the expected increase in our production capacity; and (iv) the estimated growth and increase in production capacity of Baikai Wrap Knitting and the anticipated increase in demand for the products of Baikai Wrap Knitting within the PRC domestic market, which require more of our products.

(c) Sales of semi-dull PET chips, POY and spin finish oil by Billion Fujian to Baikai Textile

Nature of transaction

On March 31, 2011, Baikai Textile and Billion Fujian entered into a sales agreement pursuant to which Billion Fujian agreed to provide semi-dull PET chips, POY and spin finish oil to Baikai Textile. The sales agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration subject to compliance with the Listing Rules.

For the three years ended December 31, 2008, 2009 and 2010, our sales of semi-dull PET chips, POY and spin finish oil to Baikai Textile amounted to approximately RMB133,281,000, RMB95,726,000 and RMB145,648,000, and accounted for approximately 6.31%, 3.23% and 3.38% of our total sales during the same periods, respectively.

Price determination

The prices for the sales of semi-dull PET chips, POY and spin finish oil to Baikai Textile are agreed between Baikai Textile and us from time to time after arm's length negotiation and are comparable to market prices of similar products that we sell to other independent customers.

Annual caps

Our Directors anticipate that the annual caps of the transaction amounts under the sales agreement with Baikai Textile will be approximately RMB175,000,000, RMB183,000,000 and RMB192,000,000, respectively, for each of the three years ending December 31, 2011, 2012 and 2013. The above annual caps are based on (i) the actual sales made to Baikai Textile in the year ended December 31, 2010; (ii) the prevailing market price for the sales of similar products; (iii) the expected increase in our production capacity; and (iv) the estimated growth of Baikai Textile and the anticipated increase in demand for the products of Baikai Textile within the PRC domestic market, which require more of our products.

(d) Sales of DTY by Billion Fujian to Baikai Zipper

Nature of transaction

On March 31, 2011, Baikai Zipper and Billion Fujian entered into a sales agreement pursuant to which Billion Fujian agreed to provide DTY to Baikai Zipper. The sales agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration subject to compliance with the Listing Rules.

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For the three years ended December 31, 2008, 2009 and 2010, our sales of DTY to Baikai Zipper amounted to approximately RMB1,278,000, RMB8,122,000 and RMB5,983,000, and accounted for approximately 0.06%, 0.27% and 0.14% of our total sales during the same periods, respectively.

Price determination

The prices for the sales of DTY to Baikai Zipper are agreed between Baikai Zipper and us from time to time after arm's length negotiation and are comparable to market prices of similar products that we sell to other independent customers.

Annual caps

Our Directors anticipate that the annual caps of the transaction amounts under the sales agreement with Baikai Zipper will be approximately RMB8,000,000, RMB8,000,000 and RMB8,000,000, respectively, for each of the three years ending December 31, 2011, 2012 and 2013. The above annual caps are based on (i) the actual sales made to Baikai Zipper in the year ended December 31, 2010; (ii) the prevailing market price for the sales of similar products; (iii) the expected increase in our production capacity; and (iv) the estimated growth of Baikai Zipper which requires more of our products.

(2) Baikai Purchase and Processing Arrangement – Purchase agreement and processing agreement with Baikai Paper

Nature of transaction

On March 31, 2011, Baikai Paper and Billion Fujian entered into a purchase agreement pursuant to which Baikai Paper agreed to provide paper boxes and rolls to Billion Fujian. On the same day, Baikai Paper and Billion Fujian entered into a processing agreement pursuant to which Baikai Paper shall provide processing services in relation to the provision of paper boxes and rolls to Billion Fujian. Each of the purchase agreement and processing agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate each of the purchase agreement and processing agreement at any time before expiration subject to compliance with the Listing Rules.

For the three years ended December 31, 2008, 2009 and 2010, the provision of paper boxes and rolls and related processing services by Baikai Paper amounted to approximately RMB28,389,000, RMB30,975,000 and RMB54,951,000, and accounted for approximately 1.47%, 1.21% and 1.56% of our total purchases during the same periods, respectively.

Price determination

The prices for the provision of paper boxes and rolls and related processing services to us are agreed between Baikai Paper and us from time to time after arm's length negotiation and are comparable to market prices of similar products and services that we pay to other independent suppliers.

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Annual caps

Our Directors anticipate that the annual caps of the transaction amounts under the purchase agreement and processing agreement with Baikai Paper will be approximately RMB96,000,000, RMB120,000,000 and RMB170,000,000, respectively, for each of the three years ending December 31, 2011, 2012 and 2013. The above annual caps are based on:

- (i) the actual transaction amount we paid to Baikai Paper in the year ended December 31, 2010;
- (ii) the prevailing market price for the provision of similar products and services;
- (iii) the production base of Baikai Paper is in close proximity to our Group, which allows timely delivery of the paper boxes and rolls and minimizes our costs of delivery;
- (iv) the paper boxes and rolls produced or processed by Baikai Paper are of high quality and are suitable for our use;
- (v) our designed capacity of each of DTY, POY and FDY in 2010 of approximately 260,000 tpa, 290,000 tpa and 160,000 tpa, respectively;
- (vi) the expected annual increases in our designed capacity of DTY of approximately 79,000 tpa in 2011 (representing an increase of approximately 30.4% from 2010) and approximately 154,000 tpa in 2012 (representing an increase of approximately 45.4% from 2011);
- (vii) the expected annual increases in our designed capacity of POY of approximately 13,000 tpa in 2011 (representing an increase of approximately 4.5% from 2010) and approximately 135,000 tpa in 2013 (representing an increase of approximately 44.6% from 2012);
- (viii) the expected annual increases in our designed capacity of FDY of approximately 12,000 tpa in 2011 (representing an increase of approximately 7.5% from 2010), approximately 105,000 tpa in 2012 (representing an increase of approximately 61.0% from 2011) and approximately 70,000 tpa in 2013 (representing an increase of approximately 25.3% from 2012);
- (ix) the estimated growth of our sales and production which requires more paper boxes and rolls and related processing services to be provided by Baikai Paper; and
- (x) having considered all of the above, the annual caps are acknowledged by Baikai Paper, and are set out in the purchase agreement and processing agreement.

WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FROM THE STOCK EXCHANGE

Our Directors (including the independent non-executive Directors) consider that (i) each of the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement has been entered into in the ordinary and usual course of business of our Group; and is based on arm's length negotiation and on normal commercial terms that are fair and reasonable and are in the interests of the Shareholders as a whole; and (ii) the annual caps for the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement are fair and reasonable.

CONNECTED TRANSACTIONS

Each of the applicable percentage ratios of the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement is, on an annual basis, expected to be more than 5%. As such, the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

As the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be unduly burdensome and impractical.

Accordingly, we have applied for, and have received from, the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements set out in Rules 14A.47 and 14A.48 of the Listing Rules for the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement.

In respect of Rules 14A.35(2) of the Listing Rules, the maximum aggregate annual caps for the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement shall not exceed the applicable limits set out below:

Non-exempt Continuing Connected Transactions	Annual caps for the year ending December 31		
	2011	2012	2013
	(RMB)	(RMB)	(RMB)
Baikai Sales Arrangement	378,000,000	396,000,000	418,000,000
Baikai Purchase and Processing Arrangement	96,000,000	120,000,000	170,000,000

Our Company will comply with the requirements set out in Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40 and 14A.45 of the Listing Rules in relation to the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement and that the maximum aggregate annual values of the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement for the three years ended December 31, 2011, 2012 and 2013 are not expected to exceed the annual caps, and will re-comply with Rules 14A.35(3) and (4) of the Listing Rules if any of the respective annual caps set out above are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement for which waivers are sought have been entered into in the ordinary and usual course of business of our Group on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the annual caps for the Baikai Sales Arrangement and the Baikai Purchase and Processing Arrangement are fair and reasonable.

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EXEMPTED CONTINUING CONNECTED TRANSACTION

The following connected transaction will constitute an exempted continuing connected transaction for our Group under Rule 14A.33(3) of the Listing Rules and accordingly, will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules. The following transaction is undertaken on an arms' length basis and on normal commercial terms or terms more favorable to our Group and the percentage ratios (other than the profits ratio) of the following transaction on an annual basis are less than 0.1%.

Sales agreement with Hengxinglong Polyester

Nature of transaction

On March 31, 2011, Hengxinglong Polyester and Billion Fujian entered into a sales agreement pursuant to which Billion Fujian agreed to provide DTY and POY to Hengxinglong Polyester. The sales agreement is for a term of three years from January 1, 2011 to December 31, 2013 and is renewable for a further term of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration subject to compliance with the Listing Rules.

For the three years ended December 31, 2008, 2009 and 2010, our sales of DTY and POY under such agreement to Hengxinglong Polyester amounted to approximately RMB2,563,000, RMB4,019,000 and RMB2,001,000, and accounted for approximately 0.12%, 0.14% and 0.05% of our total sales during the same periods, respectively.

Price determination

The prices for the sales of DTY and POY to Hengxinglong Polyester are agreed between Hengxinglong Polyester and us from time to time after arm's length negotiation and are comparable to market prices of similar products that we sell to other independent customers.