You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial statements as of and for each of the years ended December 31, 2008, 2009 and 2010, as well as the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

Selected Combined Financial Information

The selected combined statements of comprehensive income, balance sheets and cash flow information for the years ended December 31, 2008, 2009 and 2010 set forth below are extracted from our combined financial statements included in the Accountants' Report set out in Appendix I to this prospectus and are qualified in their entirety by reference to such financial statements, including the notes thereto, and should be read in conjunction with them and with "— Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

The table below sets forth our selected combined statements of comprehensive income information for the years ended December 31, 2008, 2009 and 2010:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Revenue	**2,113,614**	**2,963,098**	**4,309,731**
Cost of sales	(1,989,150)	(2,713,454)	(3,678,783)
Gross profit	**124,464**	**249,644**	**630,948**
Other revenue	42,705	28,223	35,073
Other net gain/(loss)	452	(2,574)	21,287
Distribution costs	(8,384)	(25,055)	(26,580)
Administrative expenses	(23,774)	(81,851)	(91,049)
Profit from operations	135,463	168,387	569,679
Finance costs	(63,062)	(40,013)	(32,227)
Profit before taxation	72,401	128,374	537,452
Income tax	(15,677)	(26,978)	(91,493)
Profit and total comprehensive income for the year	**56,724**	**101,396**	**445,959**

The table below sets forth our selected combined balance sheets information as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current assets	2,473,132	2,490,325	2,498,477
Current assets	1,869,712	1,866,806	2,037,526
Current liabilities	(2,351,710)	(2,243,272)	(1,883,674)
Total assets less current liabilities	1,991,134	2,113,859	2,652,329
Non-current liabilities	(116,011)	(132,274)	(296,790)
Net assets	1,875,123	1,981,585	2,355,539

The table below sets forth our selected combined cash flow information for the years ended December 31, 2008, 2009 and 2010:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(130,692)	1,016,830	(36,556)
Net cash (used in)/generated from investing activities	(169,353)	(150,821)	88,542
Net cash generated from/(used in) financing activities	373,385	(825,470)	(38,029)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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-discharging, flame resistant, anti-abrasion, ultra-soft, ultra-white, ultra-bright and anti-bacterial. These products are widely utilized in the production of premium 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 increased 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.

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.

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 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 textile 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.

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 productions 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.

Basis of Presentation

Prior to the Corporate Reorganization, Mr. Sze and Mr. Wu owned Billion Fujian. To rationalize the corporate structure in preparation of the Listing, our Company was incorporated in the Cayman Islands on November 25, 2010 and we underwent the Corporate Reorganization. Upon its completion, our Company became the ultimate parent company of Billion Fujian and the holding company of our Group. The companies that took part in the Corporate Reorganization were controlled by the same group of ultimate equity holders, Mr. Sze and Mr. Wu, before and after the Corporate Reorganization. Please see "History and Corporate Structure". Therefore, there were no changes in the economic substance of the ownership and the business of our Group and the Corporate Reorganization only involved inserting newly formed entities with no substantive operations as new holding companies of Billion Fujian, which was our Group's sole operating entity during the Track Record Period. Accordingly, the Corporate Reorganization has been accounted for using a principle similar to that for a reverse acquisition as set out

in Hong Kong Financing Reporting Standard 3, Business Combinations, with Billion Fujian treated as the acquirer for accounting purposes. Our financial information has been prepared and presented as a continuation of the financial statements of Billion Fujian with the assets and liabilities of Billion Fujian recognized and measured at their historical carrying amounts prior to the Corporate Reorganization.

The Company's functional currency is Hong Kong dollars, and the functional currency of its subsidiary established in the PRC is Renminbi. As we mainly operate in the PRC, Renminbi is used as the presentation currency of our financial statements. All financial information presented is rounded to the nearest thousand or million unless otherwise stated. The measurement basis used in the preparation of the financial information is the historical cost basis except the derivative financial instruments that are stated at their fair value as explained in the accounting policies set out in the accountants' report in Appendix I to this prospectus.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our combined financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below.

General economic conditions and the growth in disposable income of the PRC residents

We derive a substantial portion of our revenue from sales in China. 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, increasing steadily from RMB502.0 billion in 2005 to RMB1,001.0 billion in 2009, representing a CAGR of 18.8%. With this steady growth, a number of apparel, footwear and home furnishing manufacturers have emerged and grown rapidly in the past several years, along with numerous fabric and textile manufacturers. The demand for our products increased during the Track Record Period as these manufacturers expanded their operations.

Our main customers are fabric and textile manufacturers based in China who use our products to produce and sell knitted fabrics and textiles to manufacturers of apparel, footwear and home furnishings. Accordingly, consumer demand in the PRC for those consumer products is one of the key drivers of our revenue. Such demand depends in large part on the general economic conditions in the PRC, the growth in disposable income of the PRC residents and their consumption patterns. We expect the increase in the purchasing power of the PRC residents to drive sentiment towards the purchase of branded consumer products, which we believe should help to positively affect our results of operations.

Pricing of our products and product mix

Our ability to continue to price our products at profitable levels is important to our financial performance. We set the sales prices of our different polyester filament yarn products based on a variety of factors, including the type of products we sell, the market prices of similar products, the market prices of our raw materials, our expectation of market conditions, our inventory level and the specifications of the product ordered by a customer.

As DTY involves an additional texturing process which gives the product a cotton-like feel, DTY generally commands higher average sales prices than FDY. POY, which is the raw material for the production of DTY, generally has lower average sales prices than DTY and FDY. Depending on the complexity of the manufacturing process, the research and development efforts we devote to developing such product and the technology involved in producing such product, the prices of our differentiated polyester filament yarns may vary. Please refer to "— Description of Components of Results of Operations — Revenue" for further discussions about the fluctuation of our average sales prices during the Track Record Period.

The following table sets forth the revenue, sales volume and the average sales prices by product for the years ended December 31, 2008, 2009 and 2010:

	Year ended December 31,								
	2008			2009			2010		
	RMB'000	Sales volume (tons)	Average sales price (RMB /ton)	RMB'000	Sales volume (tons)	Average sales price (RMB /ton)	RMB'000	Sales volume (tons)	Average sales price (RMB /ton)
DTY	1,148,892	97,051	11,838	2,207,113	236,450	9,334	2,870,583	238,821	12,020
FDY	417,667	39,811	10,491	358,920	42,961	8,355	940,102	80,705	11,649
POY	379,479	37,706	10,064	211,240	27,388	7,713	122,709	11,950	10,269
Others[(1)]	167,576	24,644	6,800	185,825	28,190	6,592	376,337	47,837	7,867
Total	2,113,614	199,212	10,610	2,963,098	334,989	8,845	4,309,731	379,313	11,362

Note:

(1) Others represents PET chips and wasted filament.

We believe our product positioning has helped us capture growing market demand. We will continue to adjust our product mix and enhance our product positioning in an effort to increase our revenue and gross profit. As we adjust our product mix, our gross profit will be affected both by any change in revenue attributable to, and any change in the gross profit margin of, each product.

Production capacity and sales volume

Our results of operations have been and are expected to continue to be affected by our production capacity expansion. Through organic growth, our designed capacity of FDY and POY was approximately 160,000 tpa and 290,000 tpa, respectively, as of December 31, 2010. Our DTY production primarily utilizes the POY we produce, which had a designed capacity of approximately 260,000 tpa as of December 31, 2010. We plan to further increase our designed capacity of FDY and POY to approximately 475,000 tpa and DTY to approximately 305,000 tpa by June 2011 at our current production site and 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 and is expected to increase our designed capacity of FDY and POY by approximately 310,000 tpa to approximately 785,000 tpa by the end of 2013 and increase our designed capacity of DTY by approximately 188,000 tpa to approximately 493,000 tpa by the end of 2013 upon its completion. Please refer to "Business — Production — Production Facilities and Capacities – Production Facilities under Construction" in this prospectus for more details.

Our sales volume increased during the Track Record Period from 199,212 tons for the year ended December 31, 2008 to 334,989 tons for the year ended December 31, 2009, and to 379,313 tons for the year ended December 31, 2010. This growth is generally in line with the expansion of our production capacity during the Track Record Period.

We believe our large production capacity and sales volume 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.

Price of raw materials

Our primary raw materials for the production of polyester filament yarns are purified terephthalic acid, or PTA, and monoethylene 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. We also use a small amount of spin finish oil and other additives in our production processes. For the years ended December 31, 2008, 2009 and 2010, the cost of our raw materials accounted for 84.3%, 81.3% and 81.0%, respectively, of our total cost of sales. It is important for us to obtain from our suppliers sufficient quantities of high-quality raw materials in a timely manner and at competitive prices for our production.

The market price of our key raw materials, in particular, PTA and MEG, is affected by several factors. As crude oil-based commodities, PTA's and MEG's prices are indirectly affected by the fluctuations in crude oil prices. Certain other factors may also impact the market prices of PTA and MEG, including the market demand for PTA and MEG, competition and supply of PTA and MEG, global economic and financial conditions and anti-dumping measures by the PRC government. The purchase price paid by us for our raw materials may be slightly lower than the market price as we enjoy certain discounts for volume purchases. The average purchase price of PTA was RMB6,223 per ton, RMB5,913 per ton and RMB6,741 per ton for each of the years ended December 31, 2008, 2009 and 2010, respectively. The average purchase price of MEG was RMB6,330 per ton, RMB4,395 per ton and RMB6,108 per ton for each of the years ended December 31, 2008, 2009 and 2010, respectively.

Most of our suppliers have supplied us with their products for more than three years, but we do not enter into long-term agreements with our raw material suppliers. Fluctuations in the costs of our primary raw materials and our inability to pass on any increases in raw material costs to our customers may materially and adversely affect our cost of sales and our gross profit margins. See "Risk Factors — Risks Relating to Our Business — Our business and profitability may be affected by fluctuations in raw material prices as we may not always be able to pass on the increase in raw material costs to our customers" in this prospectus.

Level of income tax and preferential tax treatment

The EIT Law imposes a uniform enterprise income tax rate of 25% for both domestic enterprises and foreign invested enterprises effective from January 1, 2008. Under the EIT Law, enterprises that enjoyed a preferential tax rate prior to the EIT Law's promulgation shall gradually transit to the new tax rate over five years from the effective date of the EIT Law. Enterprises which enjoyed tax exemption of a

fixed period and reduction under the then applicable rules and regulations may continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment shall commence from the effective date of the EIT Law.

Our PRC subsidiary, Billion Fujian, is a foreign investment enterprise and, pursuant to the Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises (effective as of July 1, 1991), is entitled to tax exemption of a fixed period whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authorities. The first profit-making year of Billion Fujian was 2006. Accordingly, Billion Fujian was exempted from the PRC enterprise income tax from January 1, 2006 to December 31, 2007 and the applicable rate for the period from January 1, 2008 to December 31, 2010 is 12.5%, 50% of the then applicable tax rate of 25% under the EIT Law. Our applicable tax rate is 15% as we are qualified as High and New Technology Enterprise from 2011 onward, subject to renewal.

Pursuant to CaiShuiZi [1999] No. 290 issued by the Ministry of Finance and the State Administration of Taxation, tax credit is granted for purchases of domestic equipment. The tax credit is calculated as 40% of the purchase amount of qualified domestic equipment for production use. The amount of the tax credit that could be utilized in each year is limited to the increase in enterprise income tax payable of the year compared to the enterprise income tax payable in the preceding year. Any unused tax credit is allowed to be carried forward for seven years. We enjoyed such preferential tax treatment during the Track Record Period and have used up all such tax credits in 2010.

During the period from January 1, 2008 until the completion of the Corporate Reorganization, Billion H.K. had been the immediate holding company of Billion Fujian and therefore was liable to PRC dividend withholding tax under the PRC tax laws and regulations. As Billion H.K. is not a part of our Group after the Corporate Reorganization, its withholding tax liability is excluded from our Group's financial information. Upon the completion of the Corporate Reorganization on February 17, 2011, Billion Fujian became a wholly-owned subsidiary of Billion Development. According to the share transfer agreement, the entitlement to the undistributed earnings of Billion Fujian as of the equity interest transfer date will also be transferred to Billion Development, resulting in a change in tax status of Billion Development which will be taxed on any post-Corporate Reorganization dividend received from Billion Fujian. As of December 31, 2010, the undistributed earnings of Billion Fujian amounted to RMB484.9 million, of which RMB324.6 million was declared and paid to Billion H.K. in January 2011 subsequent to the Track Record Period. Our Directors currently do not intend for Billion Fujian to distribute any of the remaining undistributed earnings in the foreseeable future, therefore no deferred tax liability has been recorded by our Group associated with such unremitted earnings. If our Directors decide to distribute dividends from Billion Fujian to Billion Development in the future such as by forming a dividend policy that specifies the percentage of our dividend over our after-tax earnings, we will be required to record a deferred PRC withholding tax liability in our accounts up to 10% (or other applicable percentages as we may be entitled to under the EIT Laws or other applicable rules from time to time) of gross dividend amounts or the prescribed percentage of after-tax earnings. Upon such event, our financial results will be negatively impacted.

Critical Accounting Policies and Practices

The discussion and analysis of our results of operations and financial condition is based on our audited combined financial statements, which have been prepared in accordance with HKFRS. Our results of operations and financial condition are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our combined financial information. Our assumptions and estimates are based on our historical experience and various other assumptions which we currently believe to be reasonable, and form the basis for making judgments on matters that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as the facts, circumstances and conditions may experience change or as a result of different assumptions.

Our management team considers the following factors in reviewing the respective combined financial information:

- the selection of critical accounting policies; and
- the judgements and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judegments and other uncertainties affecting the application of those policies, as well as the sensitivity of reported results to changes in conditions and assumptions, are all factors to be considered when reviewing our financial information. We believe the following critical accounting policies involve the most significant judegments and estimates used in the preparation of the financial information:

Impairments for non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in profit or loss. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for our assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of sales volume and the amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes and amounts of operating costs.

Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. We review the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Impairment of trade receivables

We evaluate whether there is any objective evidence that trade receivables are impaired, and estimate allowances for doubtful debts as a result of the inability of the debtors to make required payments. We base the estimates on the aging of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at each balance sheet date.

Description of Components of Results of Operations

Revenue

Revenue represents the sales value of goods supplied to customers (net of sales tax, value-added tax and discounts). During the Track Record Period, we generated substantially all of our revenue from the manufacture and sale of polyester filament yarn products, including differentiated polyester filament yarns and regular polyester filament yarns.

Our revenue is determined by our sales volume and the sales price of products. Our sales volume increased during the Track Record Period from 199,212 tons for the year ended December 31, 2008 to 334,989 tons for the year ended December 31, 2009 to 379,313 tons for the year ended December 31, 2010. This growth is generally in line with the expansion of our production capacity during the Track Record Period. Our designed production capacity increased from 2008 to 2009 as we completed our second polymerizing production line and the polyester filament yarn production facilities connected to it in the fourth quarter of 2008. As our newly added production capacities ramped up in 2009, our production volume and sales volume increased in 2009. Our sales volume further increased in 2010 primarily due to the recovery of the domestic market from the global economic crisis, which resulted in strong demand for our products.

The average sales prices of our products, however, fluctuated during the Track Record Period, decreasing from RMB10,610 per ton for the year ended December 31, 2008 to RMB8,845 per ton for the year ended December 31, 2009 and then rebounding to RMB11,362 per ton for the year ended December 31, 2010. We believe the decreasing trend of the average sales prices for the years ended December 31, 2008 and 2009 was primarily due to the global financial crisis starting in the second half of 2008, which resulted in the decrease in the demand for our downstream products, textile and fabrics, as well as the end products of polyester filament yarns, such as apparel, footwear and home furnishings. With the recovery of the domestic and global economies and with the substantial increase in the price of cotton in the second half of 2010, the raw material for cotton yarns, which may be partially substituted by polyester filament yarns in making textile and fabrics, the average sales prices of our products increased from 2009 to 2010.

The following table sets forth our revenue breakdown by product for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%
DTY	1,148,892	54.4	2,207,113	74.5	2,870,583	66.6
FDY	417,667	19.8	358,920	12.1	940,102	21.8
POY	379,479	17.9	211,240	7.1	122,709	2.9
Others[(1)]	167,576	7.9	185,825	6.3	376,337	8.7
Total	2,113,614	100.0	2,963,098	100.0	4,309,731	100.0

Note:

(1) Others represents PET chips and wasted filament.

Our revenue derived from DTY increased steadily during the Track Record Period as our sales volume of DTY increased, which was facilitated by the expansion of our DTY production capacity. Our revenue derived from FDY decreased from 2008 to 2009 and increased in 2010, primarily due to the combined effect of the increase of our sales volume of FDY and the fluctuation of the average sales price of FDY. Our revenue derived from POY decreased steadily during the Track Record Period, primarily because we utilized more POY in our production of DTY, which generally commands higher average sales prices. Our revenue from other products increased during the Track Record Period due to an increase in sales volume of both PET chips and wasted filament.

Cost of sales

By type

Our cost of sales primarily consists of raw material costs as well as manufacturing costs incurred in our production. Our cost of sales accounted for 94.1%, 91.6%, and 85.4% of our total revenue for the

years ended December 31, 2008, 2009 and 2010, respectively. The following table sets forth a breakdown of our cost of sales for our products by type during the Track Record Period:

	Year ended December 31,					
	2008		2009		2010	
	RMB' 000	%	RMB' 000	%	RMB' 000	%
Cost of raw materials						
PTA	1,133,666	57.0	1,640,657	60.5	2,086,346	56.7
MEG	473,213	23.8	472,085	17.4	668,527	18.2
Other raw materials[1]	70,494	3.5	91,845	3.4	225,303	6.1
	1,677,373		2,204,587		2,980,176	
Manufacturing costs	311,599	15.7	508,570	18.7	696,668	18.9
Total production costs	1,988,972		2,713,157		3,676,844	
Other costs[2]	178	0.0	297	0.0	1,939	0.1
Total cost of sales	1,989,150	100.0	2,713,454	100.0	3,678,783	100.0

Notes:

(1) Other raw materials primarily include spin finish oil and other additives.

(2) Other costs represents principal business tax and surcharge.

Raw material costs refer to costs of procuring raw materials used in the production, such as PTA and MEG. Manufacturing costs include labor costs, packaging costs, energy costs, other production expenses and tax.

By product

The following table sets forth a breakdown of our cost of sales by product during the Track Record Period:

	Year ended December 31,					
	2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%
DTY	1,068,226	53.7	2,035,840	75.0	2,467,931	67.1
FDY	388,716	19.5	311,715	11.5	754,492	20.5
POY	358,090	18.0	189,321	7.0	102,599	2.8
Others[1]	174,118	8.8	176,578	6.5	353,761	9.6
Total	1,989,150	100.0	2,713,454	100.0	3,678,783	100.0

Note:

(1) Others represents PET chips and wasted filament.

Gross profit and gross profit margin

Our gross profit is our revenue from sales of our products for the relevant period less the cost of sales for our products for the same period. The following table sets forth a breakdown of our gross profit and gross profit margin by product during the Track Record Period:

	Year ended December 31,					
	2008		2009		2010	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
DTY	80,666	7.0	171,273	7.8	402,652	14.0
FDY	28,951	6.9	47,205	13.2	185,610	19.7
POY	21,389	5.6	21,919	10.4	20,110	16.4
Others[(1)]	(6,542)	(3.9)	9,247	5.0	22,576	6.0
Total	124,464	5.9	249,644	8.4	630,948	14.6

Note:

(1) Others represents PET chips and wasted filament.

Our gross profit increased during the Track Record Period, primarily due to our increased sales volume and the increased gross profit margin. Our gross profit increased by 100.5% from RMB124.5 million for the year ended December 31, 2008 to RMB249.6 million for the year ended December 31, 2009, primarily due to the increase in our sales volume, although the average sales price of our products decreased from the year ended December 31, 2008 to the year ended December 31, 2009. In addition, the market demand for our products recovered from the global financial crisis, which we believe was driven by an increased demand for apparel and consumer products in the domestic market. Our gross profit increased by 152.8% from RMB249.6 million for the year ended December 31, 2009 to RMB630.9 million for the year ended December 31, 2010 primarily because the average sales prices of our products increased along with the substantial increase in the market prices of polyester filament yarn in 2010 and, in particular, in the fourth quarter of 2010. Such increase in the market prices of polyester filament yarn was primarily driven by the strong demand in the domestic market for polyester filament yarns as the domestic economies recovered from the financial crisis and was stimulated by the substantial increase in the price of cotton, which is a raw material for cotton yarn, a type of natural yarn that may be partially substituted by polyester filament yarns in making textiles and fabrices. In particular, the monthly average price of cotton had nearly doubled from approximately RMB15,300 per ton in January 2010 to approximately RMB29,400 per ton in November 2010 according to the China National Cotton Exchange.

The gross profit margin increased from 5.9% for the year ended December 31, 2008 to 8.4% for the year ended December 31, 2009, primarily as a result of the recovering domestic demand for downstream products after the global financial crisis, particularly in Fujian and Guangdong Provinces, causing the gradual recovery in the selling prices of our products throughout 2009, which increased at a faster rate than the increase in raw material prices during the same year. Our gross profit margin increased from 8.4% for the year ended December 31, 2009 to 14.6% for the year ended December 31, 2010 due to the increase in the average sales prices of our products at a much faster rate than that of our raw material prices, the pattern of which was generally in line with the market prices of polyester filament yarns and

PTA and MEG. In particular, the prices of polyester filament yarns increased substantially in the fourth quarter of 2010, as a result of the substantially increased price of cotton, the raw material for cotton yarns, which may be partially substituted by polyester filament yarns in making textile and fabrics.

Other revenue

Our other revenue primarily consisted of bank interest income, other interest income, government grants and sales of surplus raw materials including PTA and MEG. Our other revenue accounted for 2.0%, 1.0% and 0.8% of our total revenue for the years ended December 31, 2008 and 2009 and 2010, respectively. Our other interest income primarily represents the net amount of interests charged to our related parties by us for advances made to them and interests charged to us for advances made to us by our related parties, both of which were made to support the short-term cash needs for the operations of the relevant parties. Such advances have been fully settled and the other interest income for the year ended December 31, 2010 was nil. We do not intend to extend or accept any such advances going forward.

Our PRC legal advisers, Tian Yuan Law Firm, advised us that the above-mentioned advances constituted inter-enterprise lending that violates the General Regulation of Loans (貸款通則) promulgated by PBOC. A fine amounting to one to five times of the lender's income resulted from such violation may be imposed by PBOC for such inter-enterprise lending or such lending with the same effect, which was estimated to be between RMB11.0 million and RMB54.9 million as of December 31, 2010. However, we have also been advised by Tian Yuan Law Firm that, since the advances have been fully repaid and there is no such administrative procedures known to have been initiated with respect to such violation, it is very unlikely for fines to be imposed by PBOC for such violation. In addition, Tian Yuan Law Firm advised us that an administrative fine, such as the one that may be imposed by PBOC, may not be imposed if a violation is not discovered by the relevant administrative authority within two years since the end of the violation. Our Controlling Shareholders have provided us with an indemnity for such penalty that may be imposed on us.

Other net gain/(loss)

Our other net (loss)/gain mainly consists of net loss on disposal of fixed assets, donations, net exchange gain/(loss), net loss on financial liabilities at a fair value through profit or loss, and others. We had other net loss of RMB2.6 million for the year ended December 31, 2009. We had other net gain of RMB0.5 million and RMB21.3 million for the year ended December 31, 2008 and 2010, respectively. Our other net (loss)/gain primarily represented a combined effect of the net gains or losses incurred on our foreign exchange denominated assets and liabilities and the net loss recorded on our financial liabilities at fair value.

Distribution costs

Distribution costs consist primarily of transportation expenses which were mainly for export sales and partially for domestic sales, bank transaction charges, salary and traveling expenses for our marketing and sales staff and others. As we gradually increased our export sales and expanded our market coverage to farther areas, our distribution costs increased during the Track Record Period. Our distribution costs accounted for 0.4%, 0.8% and 0.6% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively.

Administrative expenses

Administrative expenses consist primarily of staff and welfare expenses, depreciation expenses for our fixed assets, other taxation, expenses associated with land use rights, environmental protection and research and development, and others. Our administrative expenses accounted for 1.1%, 2.8% and 2.1% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively.

Finance costs

Our finance costs primarily consist of interests on bank advances and other borrowings wholly repayable within five years and other interest expenses. Our finance costs accounted for 3.0%, 1.4% and 0.7% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively.

Income tax

Income tax represents the difference between the applicable tax expenses calculated at the national tax rate and our deferred tax assets and tax benefits available to us. No provision for Hong Kong profit tax has been made as we did not generate any assessable profits arising in Hong Kong during the Track Record Period. We were also not subject to any tax in the Cayman Islands during the Track Record Period.

RESULTS OF OUR OPERATIONS

The following table sets forth information relating to certain income and expenses items from our audited combined statements of comprehensive income for the periods indicated:

	Year ended December 31,					
	2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	**2,113,614**	**100.0**	**2,963,098**	**100.0**	**4,309,731**	**100.0**
Cost of sales	(1,989,150)	(94.1)	(2,713,454)	(91.6)	(3,678,783)	(85.4)
Gross profit	**124,464**	**5.9**	**249,644**	**8.4**	**630,948**	**14.6**
Other revenue	42,705	2.0	28,223	1.0	35,073	0.8
Other net gain/(loss)	452	0.0	(2,574)	(0.1)	21,287	0.5
Distribution costs	(8,384)	(0.4)	(25,055)	(0.8)	(26,580)	(0.6)
Administrative expenses	(23,774)	(1.1)	(81,851)	(2.8)	(91,049)	(2.1)
Profit from operations	135,463	6.4	168,387	5.7	569,679	13.2
Finance costs	(63,062)	(3.0)	(40,013)	(1.4)	(32,227)	(0.7)
Profit before taxation	72,401	3.4	128,374	4.3	537,452	12.5
Income tax	(15,677)	(0.7)	(26,978)	(0.9)	(91,493)	(2.1)
Profit and total comprehensive income for the year	**56,724**	**2.7**	**101,396**	**3.4**	**445,959**	**10.3**

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue

Our revenue increased by 45.4% from RMB2,963.1 million for the year ended December 31, 2009 to RMB4,309.7 million for the year ended December 31, 2010, primarily as a result of an increase in our sales volume and in the average sales price of our products. Our sales volume increased by 13.2%, primarily due to the increased demand for apparel, footwear and home furnishing products in the domestic market as the per capita disposable income increased and as the domestic economy recovered in 2010. In particular, demand for our differentiated polyester filament yarns increased, as the domestic demand for high-end apparel, footwear and home furnishings with special features and functionalities increased. The average sales prices of our products increased by 28.5% from 2009 to 2010 in line with the increased demand for our products and the increase in raw material prices as a result of the recovery of domestic and global economies. In particular, the substantial increase in the price of cotton in the fourth quarter of 2010 contributed to the increase in our average sales price in 2010, as polyester filament yarns can serve as a substitute for cotton yarns to some extent in the making of fabrics and textiles.

Our revenue from sales of DTY and FDY increased by 30.1% and 161.9% from the year ended December 31, 2009 to the year ended December 31, 2010, respectively. Such increases were primarily a result of the increased average sales price and sales volume for DTY and FDY. Our revenue from sales of POY decreased from RMB211.2 million for the year ended December 31, 2009 to RMB122.7 million for the year ended December 31, 2010 as a result of increased internal consumption of POY for the production of our DTY.

Cost of sales

Our cost of sales increased by 35.6% from RMB2,713.5 million for the year ended December 31, 2009 to RMB3,678.8 million for the year ended December 31, 2010, primarily due to increases in raw material costs and manufacturing costs. Our raw material costs, which mainly consist of costs for PTA and MEG, increased by 35.2% from RMB2,204.6 million for the year ended December 31, 2009 to RMB2,980.2 million for the year ended December 31, 2010, primarily due to increased sales volume as well as increased raw material purchase prices. Our manufacturing costs increased by 37.0% from RMB508.6 million for the year ended December 31, 2009 to RMB696.7 million for the ended December 31, 2010, primarily as a result of increases in labor costs, packaging costs, energy costs and other production expenses.

Gross profit and gross profit margin

Our gross profit increased by 152.8% from RMB249.6 million for the year ended December 31, 2009 to RMB630.9 million for the year ended December 31, 2010 because the average sales price of our products increased at a faster rate than that of our raw material prices, particularly in the fourth quarter of 2010 as the price of cotton increased substantially. Our overall gross profit margin increased from 8.4% for the year ended December 31, 2009 to 14.6% for the year ended December 31, 2010 primarily due to the average sales prices of our products increased at a faster rate than that of our raw material prices.

Other revenue

Other revenue increased by 24.5% from RMB28.2 million for the year ended December 31, 2009 to RMB35.1 million for the year ended December 31, 2010, primarily due to an increase in sales of raw materials from RMB1.0 million for the year ended December 31, 2009 to RMB14.9 million for the year ended December 31, 2010, as we sold surplus raw materials when such sales were profitable to us. The increase in our other revenue was also due to an increase in bank interest income from RMB6.8 million for the year ended December 31, 2009 to RMB16.8 million for the year ended December 31, 2010 as we deposited more cash at the bank to finance our foreign currency denominated bank bills and letters of credit under the NDF arrangements. Please see "Business — Raw Materials and Procurement — Procurement and Suppliers — Procurement Terms" in this prospectus for more details about NDF arrangements.

Other net gain/(loss)

We had other net loss of RMB2.6 million for the year ended December 31, 2009 and other net gain of RMB21.3 million for the year ended December 31, 2010 primarily because we recorded a net exchange gain of RMB22.6 million for the year ended December 31, 2010 as the repayment liability of the foreign currency loans under our NDF arrangements decreased due to the appreciation of Renminbi against foreign currencies.

Distribution costs

Distribution costs increased by 6.0% from RMB25.1 million for the year ended December 31, 2009 to RMB26.6 million for the year ended December 31, 2010, primarily due to an increase in our marketing expenses, salary and traveling expenses for our marketing and sales staff.

Administrative expenses

Administrative expenses increased by 11.1% from RMB81.9 million for the year ended December 31, 2009 to RMB91.0 million for the year ended December 31, 2010 primarily due to the increase in our research and development costs.

Finance costs

Finance costs decreased by 19.5% from RMB40.0 million for the year ended December 31, 2009 to RMB32.2 million for the year ended December 31, 2010, primarily due to a decrease in interest expense on our short-term bank borrowings, which decreased from RMB455.8 million as of December 31, 2009 to RMB383.2 million as of December 31, 2010, and other borrowings from third parties as we reduced such borrowings in 2010.

Income tax

Income tax expenses increased by 238.9% from RMB27.0 million for the year ended December 31, 2009 to RMB91.5 million for the year ended December 31, 2010, primarily due to the increase in profit before tax. Our applicable statutory income tax rate remained the same at 12.5% for the years ended December 31, 2009 and 2010. Our effective tax rate decreased from 21.0% for the year ended December 31, 2009 to 17.0% for the year ended December 31, 2010 primarily as a result of our increased tax concessions granted by the tax authority due to the increased use of domestically sourced equipment. Our effective tax rate was higher than Billion Fujian's applicable statutory income tax rate as a result of some non-deductible expenses and temporary difference arising from capitalization of interests for construction and technical improvement projects and the temporary difference in the useful life of leasehold land and fixed assets. Please refer to Note 6(b) of the Accountants' Report in Appendix I of this prospectus for details of our effective tax.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income increased by 339.8% from RMB101.4 million for the year ended December 31, 2009 to RMB446.0 million for the year ended December 31, 2010. Our net profit margin increased from 3.4% for the year ended December 31, 2009 to 10.3% for the year ended December 31, 2010, primarily as a result of our increased gross profit margin due to the recovery of the domestic market and an increase in other net gains.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue

Our revenue increased by 40.2% from RMB2,113.6 million for the year ended December 31, 2008 to RMB2,963.1 million for the year ended December 31, 2009, primarily as a result of a significant increase in the sales volume of DTY products, driven by the recovery of the global economy and the continued growth of China's consumer spending, and facilitated by our increased production capacity in 2008.

Cost of sales

Our cost of sales increased by 36.4% from RMB1,989.2 million for the year ended December 31, 2008 to RMB2,713.5 million for the year ended December 31, 2009, primarily due to an increase in raw material and manufacturing costs. Our raw material costs increased by 31.4% from RMB1,677.4 million for the year ended December 31, 2008 to RMB2,204.6 million for the year ended December 31, 2009, primarily due to an increase in sales volume despite a decrease in raw material prices in 2009. Manufacturing costs increased by 63.2% from RMB311.6 million for the year ended December 31, 2008 to RMB508.6 million for the year ended December 31, 2009, primarily as a result of increases in other costs, such as energy costs, packaging costs and other production expenses.

Gross profit and gross profit margin

Our gross profit increased by 100.5% from RMB124.5 million for the year ended December 31, 2008 to RMB249.6 million for the year ended December 31, 2009. Overall gross profit margin increased from 5.9% for the year ended December 31, 2008 to 8.4% for the year ended December 31, 2009. The increase was primarily attributable to the recovering domestic demand for downstream products following the global financial crisis, particularly in Fujian and Guangdong Provinces, resulting in the gradual recovery in the selling prices of our products throughout 2009, which increased at a faster rate than the increase in raw material prices.

Other revenue

Other revenue decreased by 34.0% from RMB42.7 million for the year ended December 31, 2008 to RMB28.2 million for the year ended December 31, 2009, primarily due to a decrease in other interest income, resulting from a decrease in interest-bearing advances to certain related parties in 2009.

Other net gain/(loss)

We had other net gain of RMB0.5 million for the year ended December 31, 2008 and other net loss of RMB2.6 million for the year ended December 31, 2009 primarily because we incurred net loss on financial liabilities at a fair value through profit or loss. The financial liabilities primarily represented the interest rate swap related to our foreign exchange loans, and the NDF agreement under the NDF arrangement, the fair value of which may change due to the changes of interest rates and exchange rates. Please refer to "Business — Raw materials and Procurement — Procurement and Supplies — Procurement Terms."

Distribution costs

Distribution costs increased by 198.8% from RMB8.4 million for the year ended December 31, 2008 to RMB25.1 million for the year ended December 31, 2009, primarily due to a significant increase in transportation expenses from RMB4.3 million for the year ended December 31, 2008 to RMB19.8 million for the year ended December 31, 2009 and an increase in bank transaction charges, both of which resulted from our increased export sales.

Administrative expenses

Administrative expenses increased by 244.1% from RMB23.8 million for the year ended December 31, 2008 to RMB81.9 million for the year ended December 31, 2009, primarily because we incurred expenses to improve the working environment of our existing production plant and expenses on research and development activities in 2009.

Finance costs

Finance costs decreased by 36.6% from RMB63.1 million for the year ended December 31, 2008 to RMB40.0 million for the year ended December 31, 2009, primarily due to a decrease in interest expense on our short-term bank borrowings, which decreased from RMB1,151.5 million as of December 31, 2008 to RMB455.8 million as of December 31, 2009.

Income tax

Income tax expenses increased 72.0% from RMB15.7 million for the year ended December 31, 2008 to RMB27.0 million for the year ended December 31, 2009, primarily due to increases in our profit before taxation. Our applicable statutory income tax rate remained the same at 12.5% for the years ended December 31, 2008 and 2009 and our effective tax rate remained stable, which was 21.7% for the year ended December 31, 2008 and 21.0% for the year ended December 31, 2009. Our effective tax rate was higher than Billion Fujian's applicable statutory income tax rate as a result of some non-deductible expenses and temporary difference arising from capitalization of interests for construction and technical improvement projects and the temporary difference in the useful life of leasehold land and fixed assets.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income increased by 78.8% from RMB56.7 million for the year ended December 31, 2008 to RMB101.4 million for the year ended December 31, 2009. Our net profit margin increased from 2.7% for the year ended December 31, 2008 to 3.4% for the year ended December 31, 2009 primarily as a result of our increased gross profit margin due to the recovery of the domestic economy, which was partially offset by the increased administrative expenses relating to land use rights, improvement of the working environment of our production site and research and development activities.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital and capital expenditure needs. We have historically financed our working capital and capital expenditure needs primarily through debt financing in the form of bank loans from local banking institutions, capital injections and loans from our shareholders, loans from third parties and cash flow from operating activities.

Cash Flow

The following table sets forth a summary of our audited combined cash flow statements for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(130,692)	1,016,830	(36,556)
Net cash (used in)/ generated from investing activities	(169,353)	(150,821)	88,542
Net cash generated from/(used in) financing activities	373,385	(825,470)	(38,029)
Net increase in cash and cash equivalents	73,340	40,539	13,957

Cash flow from operating activities

We derive our cash generated from operating activities principally from the receipt of payments for the sale of our products. Our cash used in operating activities is principally for purchases of raw materials, salary payments, marketing expenses and distribution expenses.

For the year ended December 31, 2010, our net cash used in operating activities amounted to RMB36.6 million. Our profit before taxation was RMB537.5 million. Negative cash-flow adjustments reflected primarily: (i) an increase in trade and other receivables of RMB472.4 million, due to the increase in our prepayments as we made more prepayments in preparation for our future production to secure raw materials at lower prices, and due to an increase in bills receivables, as a result of an increased payments by our customers by bank bills; and (ii) a decrease in trade and other payables of RMB330.8 million, primarily because of the decrease in our bills payables which was primarily a result of our usage of bank bills with shorter terms, which were primarily three months, in order to obtain higher discounts for raw materials. Such negative adjustments were partly offset by a decrease in inventories of RMB123.1 million, primarily due to the decrease in finished goods as we sold them during our overhaul and an depreciation of RMB132.9 million.

For the year ended December 31, 2009, our net cash generated from operating activities amounted to RMB1,016.8 million. Our profit before taxation was RMB128.4 million. Positive cash flow adjustments reflected primarily: (i) an increase in trade and other payables of RMB760.7 million, primarily due to our increased purchase of raw materials; and (ii) a decrease in trade and other receivables of RMB247.3 million, due to expedited repayment by our customers in 2009; and (iii) depreciation of RMB126.8 million. Such positive adjustments were partly offset by: (i) an increase in inventories of RMB274.0 million, primarily because our finished goods increased significantly in 2009; and (ii) interest income of RMB22.6 million.

For the year ended December 31, 2008, our net cash used in operating activities amounted to RMB130.7 million. Our profit before taxation was RMB72.4 million. Negative cash flow adjustments reflected primarily: (i) an increase in inventories of RMB130.9 million, primarily because of the increased purchase of raw materials in late 2008; and (ii) an increase in trade and other receivables of RMB239.2 million, due to our extension of credit terms to our customers in light of the global financial crisis. Such negative adjustments were partly offset by: (i) an increase in trade and other payables of RMB97.7 million, primarily due to our increased purchase of raw materials; (ii) depreciation of RMB80.4 million; and (iii) finance costs of RMB63.1 million.

Cash flow from investing activities

Our cash used in investing activities is principally for the payment for purchase of property, plant and equipment, expenditures on construction in progress, and increases in pledged bank deposits relating to our NDF arrangement.

For the year ended December 31, 2010, we had net cash generated from investing activities of RMB88.5 million, which primarily consisted of: (i) a decrease in advances to third parties of RMB33.5 million; and (ii) a decrease in restricted bank deposits of RMB97.3 million due to decreased requirement of bank deposits for bank bills, and a decrease in amounts due from related parties of RMB60.8 million, which were partly offset by payments for purchases of property, plant and equipment of RMB38.7 million, expenditures on construction in progress of RMB48.7 million relating to our investment in the

purchase of new machines and equipment for our production expansion and our new production site and a payment for land use rights of RMB37.9 million for our operation center at Quanzhou City.

For the year ended December 31, 2009, we had net cash used in investing activities of RMB150.8 million, which primarily consisted of: (i) payment for purchases of property, plant and equipment of RMB132.6 million and expenditures on construction in progress of RMB104.1 million relating to our investment in the purchase of new machines and equipment for our production expansion and our new production site; and (ii) an increase in restricted bank deposits of RMB524.0 million, primarily representing the cash we deposited to secure our foreign currency borrowings under NDF arrangements, partly offset by a decrease in advances to third parties of RMB139.4 million.

For the year ended December 31, 2008, we had net cash used in investing activities of RMB169.4 million, which primarily consisted of payment for purchases of property, plant and equipment of RMB111.9 million and expenditure on construction in progress of RMB145.1 million relating to the expansion of our production facilities, which were completed in September 2008, partly offset by a decrease in advances to third parties of RMB90.1 million due to the repayment of advances extended to a third party.

Cash flow from financing activities

We derive our cash generated from financing activities principally from proceeds from capital injection and proceeds from new bank loans. Our cash used in financing activities is principally for repayment of bank loans, dividend payments and interest payments.

For the year ended December 31, 2010, we had net cash used in financing activities of RMB38.0 million, which mainly consisted of the repayment of bank loans of RMB1,282.1 million, together with interest paid of RMB29.3 million and dividends paid of RMB180.0 million, partially offset by proceeds from new bank loans of RMB1,347.6 million. We received proceeds from capital injections in cash from Billion H.K. of RMB105.8 million for the year ended December 31, 2010.

For the year ended December 31, 2009, we had net cash used in financing activities of RMB825.5 million, which mainly consisted of repayment of bank loans of RMB3,382.1 million, a decrease in advances from third parties of RMB90.6 million and interest paid of RMB39.3 million, partially offset by the proceeds from new bank loans of RMB2,686.6 million.

For the year ended December 31, 2008, we had net cash generated from financing activities of RMB373.4 million, which mainly consisted of proceeds from new bank loans of RMB2,082.0 million, partially offset by the repayment of bank loans of RMB1,859.7 million and interest paid of RMB76.8 million. We received proceeds from capital injections in cash from Billion H.K. of RMB137.2 million for the year ended December 31, 2008.

Working Capital

Working capital is critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations. During the Track Record Period, we used cash generated from operating activities and financing activities to finance our working capital requirements and capacity expansion.

The table below sets forth our current assets and liabilities as of December 31, 2008, 2009, 2010 and March 31, 2011:

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	259,761	527,910	404,834	630,399
Trade and other receivables	1,412,255	576,667	953,897	735,731
Restricted bank deposits	100,693	624,687	527,403	590,609
Cash and cash equivalents	97,003	137,542	151,392	175,726
	1,869,712	1,866,806	2,037,526	2,132,465
Current liabilities				
Trade and other payables	1,198,468	1,779,054	1,472,982	1,398,684
Bank loans	1,151,500	455,833	383,161	614,179
Current taxation	1,742	8,385	27,531	41,542
	2,351,710	2,243,272	1,883,674	2,054,405
Net current (liabilities)/assets	(481,998)	(376,466)	153,852	78,060

Our current assets primarily consist of cash and cash equivalents, inventories, trade and other receivables and restricted bank deposits. Our current liabilities primarily consist of trade and other payables, bank loans and current taxation. We manage our working capital by closely monitoring the level of our trade, prepayments and other receivables, trade and other payables, bank loans as well as inventory level.

We were in net current liabilities position as of December 31, 2008 and 2009. This was primarily due to the construction and equipment payables we incurred, our historical use of mainly short-term loans and cash from our operations instead of long-term loans, which has higher interest rates, to finance our production capacity expansion, which became our long-term assets.

Our working capital position improved during the year ended December 31, 2010, whereby our current assets increased and current liabilities decreased, resulting in net current assets of RMB153.9 million as of December 31, 2010. This improvement was primarily due to our improved results of operations, which contributed to a net profit of RMB446.0 million for the year ended December 31, 2010, net repayment of short-term bank loans of RMB72.7 million and our long-term loans amounting to RMB237.1 million as of December 31, 2010, which we utilized to finance our working capital requirements. Our working capital position as of March 31, 2011 was RMB78.1 million. The decrease in our working capital from December 31, 2010 to March 31, 2011 was primarily due to a dividend payment in the amount of RMB324.6 million made in January 2011 by our PRC subsidiary to its then offshore shareholder. Subsequent to the dividend payment, we drew down certain short-term bank loans, as further discussed in the paragraph below, to increase our cash, thus increasing our current bank loans by RMB231.0 million.

To ensure that we have sufficient working capital to finance our capital commitments and to meet other reasonable foreseeable cash requirements, we obtained a credit line of RMB700.0 million for a term of two years from China Construction Bank, Fujian Branch, in December 2010, which we may utilize for short-term loans, bank bills, letters of credits, import and export financing, discounting bank bills and other credit transactions, subject to the bank's lending procedures and requirements. In addition, we obtained a credit line of RMB300.0 million for a term of one year from Agriculture Bank of China, Jinjiang Branch, in December 2010, which we may utilize for short-term working capital loans, bank bills and international trade financings, subject to the bank's lending procedures and requirements. As of March 31, 2011, we had utilized RMB200.0 million of such bank credit lines, including RMB110.0 million from China Construction Bank and RMB90.0 million from Agriculture Bank of China.

As of March 31, 2011, our bank loans were primarily secured by the restricted bank deposits and partially secured by cash flow to be generated from the sales of products under factoring arrangements relating to our export sales. Most of our bank loans were incurred in connection with our purchase of imported raw materials under the NDF arrangements. Please refer to "Business — Raw Materials and Procurement — Procurement and Suppliers" for more details on the NDF arrangements.

Our Directors are of the opinion that, taking into consideration our cash resources, credit lines, cash flow generation and estimated net proceeds from the Listing with our working capital needs, capital expenditures and debt repayment requirements, our Company has sufficient working capital for its working capital requirements at least in the next 12 months commencing from the date of this prospectus.

Inventories

During the Track Record Period, inventories were one of the principal components of our current assets. Our inventories accounted for 13.9%. 28.3% and 19.9% of our total current assets as of December 31, 2008, 2009 and 2010, respectively. We conduct physical stock counts at the end of each financial year and we record a specific provision if the estimate of the net realizable value of any inventory is below the corresponding cost of such inventory, as a result of, among other things, being obsolete or damaged. As of March 31, 2011, 96.7% of our inventories in stock as of December 31, 2010 were subsequently consumed or sold.

The following table sets forth the breakdowns of our inventories as of the date indicated:

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Raw materials	215,895	270,305	202,052
Work in progress	11,404	34,790	31,279
Finished goods	32,462	222,815	171,503
Total	259,761	527,910	404,834

Our inventories increased from RMB259.8 million for the year ended December 31, 2008 to RMB527.9 million for the year ended December 31, 2009, primarily due to an increase in our finished goods as we stock up finished goods in expectation of an overhaul in February 2010, during which time we had to stop certain of our production sites for about 15 days. We also increased our purchase of raw materials during this period in expectation of an increased prices in raw materials. Our inventories decreased to RMB404.8 million as of December 31, 2010, primarily reflecting a reduction of our raw materials as our production and sales picked up under the market demand, and a reduction of our finished goods as we sold them while we conducted the overhaul.

Our inventories are recorded at the lower of cost and net realizable value. We recorded inventory provision of RMB5.8 million for our finished goods as of December 31, 2009 as a result of our expected decrease in the sales price of our products in early 2010. Such inventory provision was fully written back in 2010.

The following table sets forth our average inventory turnover days for the Track Record Period:

	As of December 31,		
	2008	**2009**	**2010**
Average inventory turnover days[1]	36	53	46

Note:

(1) Average inventory turnover days is equal to the average of the starting and ending inventory balances of the year divided by costs of sales of the year and multiplied by 365 days.

Our average inventory turnover days increased from 36 days for the year ended December 31, 2008 to 53 days for the year ended December 31, 2009, primarily due to the increased finished goods we stock up in advance of an overhaul in February 2010. Our average inventory turnover days decreased to 46 days for the year ended December 31, 2010 primarily as a result of the rapid sales of our finished goods in 2010 as a result of the market recovery.

Trade and Other Receivables

Our trade and other receivables mainly represent the credit sales of our products to our customers and the advances to our suppliers. As of March 31, 2011, 94.8% of our trade and bills receivables as of December 31, 2010 were settled or received by us and 93.9% of our deposits, prepayments and other receivables – others as of December 31, 2010 were utilized or settled by us. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade debtors and bills receivables	640,155	312,014	507,793
Deposits, prepayments and other receivables			
– related companies (non-trade)	512,155	60,834	–
– advance to third parties	174,086	33,531	–
– others	95,579	179,731	458,691
Less: non-current portion of deposits and prepayments	(9,720)	(9,443)	(12,587)
Total	1,412,255	576,667	953,897

Our trade and other receivables primarily represented our trade debtors and bills receivables and our deposits, prepayments and other receivables. Our trade debtors and bills receivables primarily represented trade receivables from a number of our customers who were under the common control of our Controlling Shareholders before December 31, 2008. We had a relatively high level of trade debtors and bills receivables as of December 31, 2008 as we extended the credit terms granted to our customers to a longer period of time in order to help our customers during the global financial crisis starting in the second half of 2008. For the years ended December 31, 2009 and the year ended December 31, 2010, we collected a substantial amount of the over-due portion of receivables from such parties. As of December 31, 2010, the current portion of our trade debtors and bills receivables were RMB494.7 million, or 97.4% of our total trade debtor and bills receivables. Our trade debtors and bills receivables increased from RMB312.0 million as of December 31, 2009 to RMB507.8 million as of December 31, 2010 as a result of an increased use of bank bills by our customers.

Our deposits, prepayments and other receivables primarily represented advances to related parties and third parties for the year ended December 31, 2008. Such amounts have been fully collected by us in the year ended December 31, 2010. The "others" under deposits, prepayments and other receivables primarily represented prepayments made to our suppliers, construction contractors and machinery suppliers and receivables for VAT refund, which increased from RMB95.6 million as of December 31, 2008 to RMB179.7 million as of December 31, 2009 primarily due to the increased prepayments made to raw material suppliers in light of the commencement of operation of the second polymerizing production line and the polyester filament yarn production facilities connected to it in the fourth quarter of 2008. It further increased to RMB458.7 million as of December 31, 2010 primarily as we made prepayments in preparation for our future production to secure lower prices of raw materials.

In respect of our sales to third parties, there are no specific payment terms stated in the purchase orders and we typically receive payment before we deliver our products. We allow some of our long-term and loyal customers to have credit terms of 30 to 90 days, depending on various factors, including the financial condition and credibility of such customer. Our senior management performs credit evaluation on all customers demanding for credit sales on a regular basis. The advances to third parties are unsecured, payable on demand.

As of December 31, 2008, 2009 and 2010, all of the current trade and other receivables are expected to be recovered or recognized as expenses within one year. The following table sets forth the aging analysis of our trade debtors and bills receivables as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current	281,215	99,871	494,668
Less than one month past due	17,364	16,824	12,445
More than one month but less than three months past due	65,543	128,654	4
More than three months but less than one year past due	157,994	65,934	659
Over one year past due	118,039	731	17
	640,155	312,014	507,793

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to the trade balance with related party and a number of independent customers that have a good track record with us. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

The following table sets forth our average trade debtors and bills receivable turnover days for the Track Record Period:

	As of December 31,		
	2008	2009	2010
Average trade debtors and bills receivable turnover days[(1)]	94	59	35

Note:

(1) Average trade debtors and bills receivable turnover days is equal to the average of the starting and ending trade debtors and bills receivable balances of the year divided by revenue and multiplied by 365 days.

The decrease in the average trade debtors and bills receivable turnover days from 94 days for the year ended December 31, 2008 to 59 days for the year ended December 31, 2009, was primarily due to expedited repayment by our customers as a result of our efforts to collect over-due portion of receivables incurred during the global financial crisis during which we extended credit terms to our customers in order to help them.

Our average trade debtors and bills receivable turnover days further decreased to 35 days for the year ended December 31, 2010 primarily due to the expedited repayment by our customers in late 2009 and 2010 as a result of the recovery of the domestic economy.

Trade and Other Payables

Our trade and other payables primarily relate to the credit sales of raw materials to us by our raw material suppliers, outstanding equipment and construction payments and receipts in advance. As of March 31, 2011, 89.8% of our trade and bills payables as of December 31, 2010 were settled. Purchases by us from our raw material suppliers are settled by wire transfer, bank bills or cash upon acceptance by us of such raw materials.

The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Trade creditors and bills payable	554,510	1,259,133	872,738
Other payables and accrued charges			
– advance from third parties	90,620	–	–
– related companies	–	–	2,915
– others	37,947	67,007	96,331
Equipment payables	18,383	17,150	9,812
Construction payables	313,902	224,571	236,273
Receipts in advance			
– related companies	–	152	–
– others	183,106	209,517	250,519
Derivative financial liabilities			
– forward exchange contracts	–	832	1,538
– Interest rate swaps	–	692	2,856
Total	1,198,468	1,779,054	1,472,982

A substantial portion of our trade and other payables represented our bills payables, which are used to pay our suppliers. We believe the use of bills payables to purchase large volumes of raw materials is in line with the general market practice. The increases of our trade creditors and bills payables as of December 31, 2009 as compared with December 31, 2008 were primarily due to our increased purchases of raw materials, a large proportion of which were paid through bank bills and letter of credits. The decrease in the trade creditors and bills payables as of December 31, 2010 was primarily because we paid our suppliers with bank bills of shorter terms, which were primarily three months, in order to obtain higher discounts for raw materials.

Other payables and accrued charges primarily represent other tax payables, land use right payables and salary payables. The "others" under other payables and accured charges increased as of each year end primarily due to the increase in other tax payables and certain non-recurring events, such as the payables incurred in the second half of 2010 for the land use right for the headquarters in the coastal headquarters area in East Sea District, Quanzhou City, Fujian Province. The advances from third parties were unsecured, repayable on demand and bear interest at 6.56% per annum as of December 31, 2008 incurred in connection with the construction of our production facilities at our current production site.

Our construction payables as of December 31, 2008 were primarily due to the investment in construction activities to expand our production capacities in 2008. The decrease in the construction payables in 2009 and the increase in 2010 was primarily as a combined result of the settlement of such payables and the incurrence of new construction payables for the expansion of our additional production capacities.

The "others" under receipts in advance primarily represent prepayments made by our customers for purchase of our products as our customers typically pay the full contract price before we deliver our products.

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

The following table sets forth the aging analysis of our trade and other payables as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within three month	464,906	567,756	733,200
More than three months but within six months	72,095	686,685	132,078
More than six months but within one year	15,640	1,310	604
More than one year	1,869	3,382	6,856
Total	554,510	1,259,133	872,738

Our suppliers generally grant us a credit period from 90 days to 180 days. The following table sets forth our average trade creditors and bills payable turnover days for the Track Record Period:

	As of December 31,		
	2008	2009	2010
Average trade creditors and bills payable turnover days[1]	95	122	106

Note:

(1) Average trade creditors and bills payable turnover days is equal to the average of the starting and ending trade creditors and bills payable balances of the year divided by cost of sales and multiplied by 365 days.

The increase in the average trade creditors and bills payable turnover days for the year ended December 31, 2009, compared with the year ended December 31, 2008, was due to the increased use of bank bills to purchase raw materials in the domestic market, which was partially because we expected the market prices of raw materials to increase in 2010 and partially because the banks lowered the requirement to provide deposits for the issuance of bank bills.

Our average trade creditors and bill payable turnover days decreased from 122 days for the year ended December 30, 2009 to 106 days for the year ended December 31, 2010. This decrease was primarily because we paid our suppliers with bank bills of shorter terms during this period, which were primarily three months, in order to obtain higher discounts for raw materials.

Capital Expenditures

We have historically funded our capital expenditures from cash generated from operations, bank loans and capital contributions by our Shareholders. Our capital expenditures have principally consisted of expenditures on property, plant and equipment and construction in progress. The following table sets forth a breakdown of our capital expenditures during the Track Record Period:

	For the year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	762,138	133,885	40,785
Construction in progress	208,322	16,773	59,022
Interests in leasehold land held for own use under operating leases	–	864	37,997
Total	970,460	151,522	137,804

Our capital expenditure for the years ended December 31, 2008, 2009 and 2010 was RMB970.5 million, RMB151.5 million and RMB137.8 million, respectively. As part of our future growth strategy, we estimate that our capital expenditures will be approximately RMB3.8 billion between 2011 and 2013, which will be applied primarily for the construction of our new production facilities, installation of new machines and acquisition of land use right for our new production facilities at our existing production site and new production site in Jinjiang City, Fujian Province, as well as to complete the construction of our operation center at Quanzhou City, Fujian Province.

INDEBTEDNESS

Bank Borrowings

The following table sets forth the amount and maturity profile of our bank loans as of the dates indicated:

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or on demand	1,151,500	455,833	383,161	614,178
After one year but within two years	–	–	121,059	119,847
Total	1,151,500	455,833	504,220	734,025

The above bank loans are denominated in Renminbi, HKD and USD. Such bank loans bear interest rates ranging from 4.37% to 7.70% per annum for the year ended December 31, 2008, ranging from 0.96% to 2.63% per annum for the year ended December 31, 2009, ranging from 1.69% to 3.79% per annum for the year ended December 31, 2010 and ranging from 1.70% to 5.04% per annum for the three months ended March 31, 2011.

As of March 31, 2011, we had a total of RMB1.0 billion of bank credit line granted by China Construction Bank and Agriculture Bank of China and we had utilized RMB200.0 million of such bank credit line as of March 31, 2011.

As of March 31, 2011, our bank borrowings were primarily secured by our restricted bank deposits pledged for such loans as a result of our NDF arrangements and partially secured by cash flows to be generated from the sales of products under factoring arrangement relating to our export sales. Please refer to "Business — Raw Materials and Procurement — Procurement and Suppliers" for more details about NDF arrangements.

As of December 31, 2008, our certain bank facilities amounting to RMB1,066.5 million were secured by a joint and several personal guarantee given by our Directors and a corporate guarantee given by the related companies. Our Directors confirm that the above guarantees have been discharged and released as of December 31, 2010.

In addition to our bank borrowings, we also have other forms of indebtedness incurred in connection with our operations. Such indebtedness primarily includes certain shareholders' loans, which were repaid in December 2010, and certain long-term loans from two third party individuals. For our historical shareholders' loans and long-term loans, see Notes 20 and 21 of the Accountants' Report in Appendix I of this prospectus.

Gearing Ratios

Our gearing ratio was 61.4%, 23.0% and 26.3% as of December 31, 2008, 2009 and 2010, respectively. Gearing ratio is derived by dividing the total interest-bearing borrowings by total equity. Our interest-bearing borrowings include our bank borrowings and the long-term loans from third parties.

Our gearing ratio decreased to 23.0% as of December 31, 2009 from 61.4% as of December 31, 2008, primarily due to a significant decrease in bank loans as we incurred a large amount of bank loans for the expansion of our operations and the construction of our production facilities in 2008. Our gearing ratios increased slightly from 23.0% as of December 31, 2009 to 26.3% as of December 31, 2010 as we incurred long-term loans in the amount of RMB237.1 million.

Contingent Liabilities

The following table sets forth our contingent liabilities as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Guarantees given to a bank in connection with banking facilities granted to third parties	–	216,000	–

As of December 31, 2009, we had guarantees given to a bank in connection with banking facilities granted to third parties of RMB216.0 million. The guarantees to the bank were subsequently released in full in October 2010. As of the Latest Practicable Date, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, it would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

Our Directors confirm that there had been no material changes in our indebtedness and contingent liabilities as of the Latest Practicable Date.

COMMITMENTS

Contractual Obligations

Our MEG tanks are leased under operating lease arrangements. Such operating lease run for 20 years, with an option to renew the lease when all terms are renegotiated. None of such terms include contingent rentals. Our future aggregate minimum operating lease payments under non-cancellable operating leases as of the date indicated are set forth below:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Less than one year	360	360	360
After one year but within five years	1,440	1,440	1,440
After five year	3,690	3,330	2,970
Total	5,490	5,130	4,770

Capital Commitments

In addition to the operating lease commitments, we had the following commitments as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Authorized and contracted for	868	87	29,155

Our contractual commitments were primarily related to the acquisition of property, plant and equipment.

We intend to pay for our capital commitments of RMB29.2 million as of December 31, 2010 by the proceeds from the Global Offering and cash generated from our operating and financing activities.

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Credit Risk

Trade and other receivables

Our credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. Further quantitative disclosures in respect of our exposure to credit risk arising from trade and other receivables are set out in note 14 to the accountants' report in Appendix I to this prospectus.

At the balance sheet date, we have a certain concentration of credit risk as 93%, 87% and 38% of the total trade debtors and bills receivable were due from our largest customer, and 93%, 88% and 51% of the total trade debtors and bills receivables were due from our five largest customers as of December 31, 2008, 2009 and 2010, respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the combined balance sheets after deducting any impairment allowance. Except for the financial guarantees given by us as set out in Note 25 to the accountants' report in Appendix I to this prospectus, we do not provide any other guarantees which would expose us to credit risk.

Deposits with banks

We mitigate our exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowing exceeds certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

As of December 31, 2008, 2009 and 2010, our total financial liabilities, which were based on contractual undiscounted cash flows, were RMB2,316.8 million, RMB2,145.7 million and RMB1,850.6

million, respectively. Other than a loan from a shareholder with a contractual amount of RMB116.0 million as of December 31, 2008, which had a maturity of more than one years and was repaid in December 2010, and certain long-term loans which amounted to RMB237.1 million as of December 31, 2010, all our financial liabilities had a maturity date of less than one year as of the respective balance sheet date. Please see Note 23(b) of the Accountants' Report in Appendix I of this prospectus for a breakdown of our financial liabilities.

Interest Rate Risk

Our interest rate risk arises primarily from bank loans. Borrowings at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. In order to achieve an appropriate mix of fixed and floating rate exposure, we entered into a number of interest rate swaps. These derivatives were not entered for speculative purposes and had not been designated as hedges for accounting purposes. Accordingly, the fair value gain/(losses) were recognized in our profit and loss accounts. We did not apply hedge accounting in respect of the interest rate swaps. As of December 31, 2009 and 2010, we had interest rate swaps with a notional contract amount of RMB121.6 million and RMB277.3 million, respectively.

Interest rate profile

The following table details the interest rate profile of our borrowings at the balance sheet date:

	As of December 31,					
	2008		2009		2010	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Net fixed rate borrowings/(deposits):						
Bank loans	4.37% to 7.47%	916,500	0.96% to 2.63%	334,278	2.86% to 3.79%	226,880
Pledge bank deposits	1.71% to 3.78%	(100,693)	1.71% to 2.25%	(624,687)	1.98% to 2.79%	(527,403)
		815,807		(290,409)		(300,523)
Variable rate borrowings/(deposits):						
Bank loans	5.04% to 7.70%	235,000	1.76% to 2.37%	121,555	1.69% to 2.99%	277,339
Cash and cash equivalent	0.36%	(96,073)	0.36%	(136,597)	0.36%	(130,468)
		138,927		(15,042)		146,871
Total net borrowings		954,734		(305,451)		(153,652)

Sensitivity analysis

As of December 31, 2008, 2009 and 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our profit after taxation and retained profits by approximately RMB1.2 million and RMB1.3 million for the years ended December 31, 2008 and 2010, respectively, and increased/decreased our profit after taxation and retained profits by approximately RMB132,000 for the year ended December 31, 2009.

The sensitivity analysis above indicates the annualized impact on our interest expense that would arise assuming that the change in interest rates had occurred at the respective balance sheet date and had been applied to re-measure those financial instruments held by us which expose us to fair value interest rate risk at the balance sheet dates. In respect of the exposure to cash flow, interest rate risk arising from floating rate non-derivative held by us at the balance sheet dates, the impact on our profit after tax (and retained profits) and other components of combined equity is estimated as an annualized impact on interest expenses or income of such changes in interest rates. This analysis has been performed in the same basis throughout the Track Record Period.

Currency Risk

We are exposed to currency risk primarily through purchases that are denominated in a foreign currency (a currency other than the functional currency of the operations to which the transactions relate). The currencies giving rise to this risk are primarily U.S. dollars ("USD"), Hong Kong dollars ("HKD"), Euro ("EUR") and Swiss Franc ("CHF"). In addition, certain bank loans are also denominated in USD and HKD. Presently, we have no hedging policy with respect to the foreign exchange exposure.

In connection with our foreign currency loans, we entered into forward exchange rate contracts under the NDF arrangement. Our Directors confirmed that these forward exchange rate contracts were utilized for the purpose of securing additional profit in connection with our secured foreign currency loans and not entered into for speculative purposes. Accordingly, such contracts had not been designated as hedges for accounting purposes. Please see "Business — Raw Materials and Procurement — Procurement and Suppliers — Procurement Terms" in this prospectus for more details about NDF arrangements.

The following table indicates the instantaneous change in our profit after taxation (and retained profits) that would arise if foreign exchange rates to which we have significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	As of December 31,					
	2008		2009		2010	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		RMB'000		RMB'000
USD	5%	(3,809)	5%	(29,178)	5%	(28,836)
	(5)%	3,809	(5)%	29,178	(5)%	28,836
HKD	5%	–	5%	(4,718)	5%	–
	(5)%	–	(5)%	4,718	(5)%	–
EUR	5%	126	5%	11	5%	(39)
	(5)%	(126)	(5)%	(11)	(5)%	39
CHF	5%	–	5%	–	5%	(25)
	(5)%	–	(5)%	–	(5)%	25

Results of the analysis as presented in the above table represent the instantaneous effects on Billion Fujian's profit after taxation measured in Renminbi at the exchange rates ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into our presentation currency. The analysis has been performed on the same basis throughout the Track Record Period.

Fair Values of Financial Instrument

The carrying value of our financial instruments measured at fair value as of December 31, 2008, 2009 and 2010 was nil, RMB1.5 million and RMB4.4 million, respectively. The carrying value as of December 31, 2009 and 2010 represented the fair values of our forward exchange contract as of December 31, 2009 measured by using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data as set forth under the level 2 of the three level of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement.

The details of the three level fair value hierarchy defined in HKFRS 7 are set out in Note 21 to the Accountants' Report in Appendix I to this prospectus.

Estimation of Fair Values

Derivatives

The fair value of interest rate swaps is the estimated amount that we would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts are determined by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Interest rate used for determining fair value

The entity uses the market libor rate as of December 31, 2009 and 2010 to discount the derivatives and loans and borrowings. The interest rates used are 1.63% and 0.30%-2.20% as of December 31, 2009 and December 31, 2010, respectively.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms are not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the shareholders of our Company as a whole. Save for the transactions between our Group and Hengxinglong Polyester, none of the related party transactions set out in the Accountants' Report in Appendix I to this prospectus will continue after the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only and it may not give a true picture of our net tangible assets following the Global Offering.

The unaudited pro forma statement of adjusted net tangible assets below has been prepared as if the Global Offering had taken place on December 31, 2010, therefore, no adjustment has been made to reflect any trading and other transactions of our Group entered into subsequent to December 31, 2010. In particular, no account has been taken in respect of the dividend of RMB324.6 million declared by Billion Fujian on January 10, 2011, which was paid to Billion H.K., its then shareholder, on January 17, 2011. Had such dividend been declared as of December 31, 2010, our unaudited pro forma adjusted net tangible assets would have been reduced by RMB324.6 million and our unaudited pro forma adjusted net tangible assets per Share would have been reduced by RMB0.14.

	Net tangible assets as of December 31, 2010[(1)(2)]	Estimated net proceeds from the Global Offering[(3)(4)]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[(4)(5)]	
	RMB million	RMB million	RMB million	RMB	HK$
Based on an Offer Price of HK$4.53 per Share	2,183.9	2,124.8	4,308.7	1.87	2.20
Based on an Offer Price of HK$6.08 per Share	2,183.9	2,863.9	5,047.8	2.20	2.58

Notes:

(1) The net tangible assets as of December 31, 2010 are extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) Our property interests as of February 28, 2011 have been valued by Jones Lang LaSalle Sallmanns, an independent property valuer, the details of which are set out in Appendix IV to this Prospectus. We will not incorporate the revaluation surplus of RMB163.8 million in our financial statements. It is our accounting policy to state our land and buildings held for own use at cost less accumulated depreciation and any impairment loss in accordance with HKFRS, rather than at revalued amounts. With reference to the valuation of our property interests as set forth in Appendix IV to this Prospectus, if such revaluation surplus was incorporated in our financial statements, an additional depreciation charge of approximately RMB5.4 million per annum would have been incurred.

(3) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$4.53 and HK$6.08 per Share, after deduction of the underwriting commissions (excluding any discretionary incentive fees) and other related expenses payable by us without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of estimated net proceeds from the Global Offering and the calculation of the unaudited pro forma adjusted net tangible assets per Share, the translation between Renminbi and HK dollars was made at the rate of HK$1 = RMB0.8509, the central parity exchange rate for the HK dollars to the Renminbi on December 31, 2010 published by PBOC. Such translations should not be construed as representations that amount in HK dollars were or may have been converted into Renminbi at such rates or any other exchange rates, or vice versa.

(5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,299,000,000 Shares are in issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

PROFIT FORECAST

We believe that, in the absence of unforeseen circumstances, our forecast profit after taxation for the year ending December 31, 2011 is unlikely to be less than RMB847.5 million. On a pro forma basis and on the assumption that we had been listed since January 1, 2011 and a total of 2,299,000,000 Shares were issued and outstanding during the entire year, our pro forma forecast earnings per Share for the year ending December 31, 2011 is unlikely to be less than RMB0.369.

The above forecasts have been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by us as summarized in "Appendix I — Accountants' Report" in this prospectus and have been prepared based on the principal assumptions set out in "Appendix III — Profit Forecast" in this prospectus. In preparing the above forecasts, our management has also considered the minimum volume of products that may be purchased by our large customers under the framework agreements.

SENSITIVITY ANALYSIS

The average sales prices of our products and the average purchase prices of our raw materials fluctuated during the Track Record Period. The average sales prices of our products were RMB10,610 per ton, RMB8,845 per ton and RMB11,362 per ton for the years ended December 31, 2008, 2009 and 2010, respectively. Our average purchase price of PTA was RMB6,223 per ton, RMB5,913 per ton and RMB6,741 per ton and our average purchase price of MEG was RMB6,330 per ton, RMB4,395 per ton and RMB6,108 per ton for the years ended December 31, 2008, 2009 and 2010, respectively. The changes in the average sales price of our products and the average purchase prices of our raw materials have affected our results of operations in the past and may have an impact on our profit in the future. For details of such historical effect, please see "— Factors Affecting Our Results of Operations and Financial Condition" and "— Results of Our Operations" in this prospectus. The following sensitivity analysis

illustrates the impact of hypothetical changes in the average sales price per ton of our products, the average purchase price per ton of PTA and the average purchase price per ton of MEG on our forecast profit after taxation and the resulting forecast profit after taxation for the year ending December 31, 2011.

% change in average sales price per ton of our products	-15%	-10%	-5%	+5%	+10%	+15%
Impact on our forecast profit after taxation (RMB million)	(676.5)	(451.0)	(225.5)	225.5	451.0	676.5
Resulting forecast profit after taxation (RMB million)	171.1	396.5	622.0	1,073.0	1,298.5	1,524.0
% change in average purchase price per ton of PTA	-15%	-10%	-5%	+5%	+10%	+15%
Impact on our forecast profit after taxation (RMB million)	312.7	208.5	104.2	(104.2)	(208.5)	(312.7)
Resulting forecast profit after taxation (RMB million)	1,160.2	1,056.0	951.8	743.3	639.0	534.8
% change in average purchase price per ton of MEG	-15%	–10%	–5%	+5%	+10%	+15%
Impact on our forecast profit after taxation (RMB million)	100.4	66.9	33.5	(33.5)	(66.9)	(100.4)
Resulting forecast profit after taxation (RMB million)	947.9	914.5	881.0	814.0	780.6	747.1

The table above includes forward-looking information and is for illustrative purposes only. Please see "Forward-looking Statements" in this prospectus. For risks related to the average sales prices of our products and the average purchase prices of our raw materials see "Risk Factors — Risks Relating to Our Business — Our business and profitability may be affected by fluctuations in raw material prices as we may not always be able to pass on the increase in raw material costs to our customers" and "Risk Factors — Risks Relating to Our Business — We may not be able to maintain the increasing trend of our gross profit margins or to maintain our profit margins at the levels we recorded during the Track Record Period."

DISTRIBUTABLE RESERVES

The company was incorporated in the Cayman Islands on November 25, 2010. The Company had no reserves distribution to Shareholders as of December 31, 2010.

DIVIDEND POLICY

Billion Fujian, our sole operating subsidiary in the PRC, declared dividends of RMB66.4 million for the distributable profits generated for the years between 2005 and 2007, which were paid to Billion H.K. on April 21, 2010. Billion Fujian also declared dividends of RMB33.7 million, RMB79.9 million and RMB324.6 million for the distributable profits generated for the years ended December 31, 2008, 2009 and 2010, respectively. These dividends were paid to Billion H.K. in May 2010, June 2010 and January 2011, respectively.

PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as our subsidiary in the PRC, to set aside part of their net profit as statutory reserves. These statutory reserves may not be distributed as cash dividends. Under the applicable PRC law, our subsidiary in the PRC may only distribute its after-tax

profits after it has made allocations or allowances for (i) recovery of accumulated losses; (ii) allocations to the statutory reserves; and (iii) allocation to a discretionary common reserve fund as may be approved by its board of directors.

Following completion of the Global Offering, all of our Shareholders will be entitled to receive dividends if we declare any dividend to our Shareholders. The payment and the amount of any dividends will be at the discretion of our Directors and will depend on, among other things, our results of operations and earnings, cash flows and general financial condition, capital requirements and surplus, the amount of distributable profit, the constitution of our Company, the applicable laws and regulations and other factors that our Directors may consider as relevant.

Our Directors currently do not intend for Billion Fujian, our sole PRC subsidiary, to distribute any of its remaining undistributed earnings to Billion Development, our Hong Kong subsidiary and the holding entity of Billion Fujian, in the foreseeable future. In the event our Directors determine to declare and pay dividends by our Company to our Shareholders, our Directors may, at their sole discretion, determine the manner, currency and sources of our dividend, as they deem appropriate, and we may use cash from operating, investing or financing activities of our Company, if any, to finance the payment of dividends to our Shareholders. There is no guarantee, representation or indication that we must or will declare and pay dividends or declare and pay any dividend in any manner or currency.

You should note that historical dividend distributions are not indicative of our future dividend policy.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interest for the land use right we own for the two parcels of land described under "Business-Real Properties" and the buildings thereon as of February 28, 2011 and is of the opinion that the value of such property interests is estimated to be RMB1,031.3 million. The full text of the letter, summary of valuer and valuation certificates with regard to such property interests are set out in Appendix IV of this prospectus.

The statement below shows the reconciliation of the book value of such real property and the valuation for such real property by the property valuer:

	RMB'000
Net book value of property interests as of December 31, 2010 (audited)	872,636
Add: Addition for the month ended February 28, 2011	–
Less: Depreciation and amortization for the month ended February 28, 2011	5,188
Net book value as of February 28, 2011 (unaudited)	867,448
Add: Valuation surplus as of February 28, 2011	163,825
Valuation as of February 28, 2011 as per Appendix IV to this prospectus	1,031,273

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2010 and there is no event since December 31, 2010 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.