The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

May 5, 2011

The Directors
Billion Industrial Holdings Limited

Merrill Lynch Far East Limited
CCB International Capital Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Billion Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended December 31, 2008, 2009 and 2010 (the "Relevant Period"), and the combined balance sheets of the Group as of December 31, 2008, 2009 and 2010, together with the notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated May 5, 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on November 25, 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization completed on February 17, 2011 (the "Reorganization") as detailed in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As of the date of this report, no audited financial statements have been prepared for the Company, as it is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31, as their financial year end date. Details of the Company's subsidiary that is subject to audit during the Relevant Period and the name of the auditor is set out in note 28 of section C. The statutory financial statements of such subsidiary were prepared in accordance with the accounting rules and regulations applicable to entities in the People's Republic of China (the "PRC") in which it was established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in section A below and the accounting policies set out in section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the disclose requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to year ended December 31, 2010.

Opinion

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period and the state of affairs of the Group as of December 31, 2008, 2009 and 2010.

A BASIS OF PREPARATION

Prior to the Reorganization, Mr. Sze Tin Yau and Mr. Wu Jinbiao owned Fujian Billion Polymerization Fiber Technology Industrial Co. Ltd. ("Billion Fujian") in the PRC which are principally engaged in the manufacturing and sales of polyester filament fiber products. To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company was incorporated in the Cayman Islands on November 25, 2010 and the Group underwent the Reorganization, as detailed in the section headed "History and Corporate Structure" in the Prospectus. Upon completion of the Reorganization, the Company became the ultimate parent company of Billion Fujian and the holding company of the Group.

The companies that took part in the Reorganization were controlled by the same group of ultimate equity holders, Mr. Sze Tin Yau and Mr. Wu Jinbiao (referred to as "the Controlling Shareholders") before and after the Reorganization and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganization only involved inserting newly formed entities with no substantive operations as new holding companies of Billion Fujian, which was the Group's sole operating entity during the Relevant Period. Accordingly, the 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. The 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 Reorganization.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As of the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Billion Industrial Investment Limited	British Virgin Island (the "BVI")/ December 7, 2010	HK$1	100%	–	Investment holding
Billion Development (Hong Kong) Limited ("Billion Development")	Hong Kong Special Administrative Region of the PRC ("Hong Kong")/ December 15, 2010	HK$1	–	100%	Investment holding
Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd. ("Billion Fujian") (福建百宏聚纖科技實業有限公司) (Note (i) and (ii))	PRC/ November 20, 2003	US$239,990,000	–	100%	Manufacturing and sales of polyester filament fiber products

Notes:

(i) The entity is a wholly foreign owned enterprise established in the PRC.

(ii) The English translation of the name is for reference only. The official name of Billion Fujian is in Chinese.

B COMBINED FINANCIAL INFORMATION

1 Combined statements of comprehensive income

(Expressed in Renminbi)

	Section C Note	Years ended December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Revenue	2	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	3	42,705	28,223	35,073
Other net gain/(loss)	4	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	5(a)	(63,062)	(40,013)	(32,227)
Profit before taxation	5	72,401	128,374	537,452
Income tax	6(a)	(15,677)	(26,978)	(91,493)
Profit and total comprehensive income for the year		56,724	101,396	445,959

The accompanying notes form part of the Financial Information.

2 *Combined balance sheets*

(Expressed in Renminbi)

	Section C Note	As of December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Fixed assets	12			
– Property, plant and equipment		2,296,068	2,308,019	2,286,023
– Construction in progress		24,307	36,094	28,235
– Interests in leasehold land held for own use under operating leases		138,965	136,769	171,632
		2,459,340	2,480,882	2,485,890
Deposits and prepayments	14	9,720	9,443	12,587
Deferred tax assets	19(b)	4,072	–	–
		2,473,132	2,490,325	2,498,477
Current assets				
Inventories	13	259,761	527,910	404,834
Trade and other receivables	14	1,412,255	576,667	953,897
Restricted bank deposits	15	100,693	624,687	527,403
Cash and cash equivalents	16	97,003	137,542	151,392
		1,869,712	1,866,806	2,037,526
Current liabilities				
Trade and other payables	17	1,198,468	1,779,054	1,472,982
Bank loans	18	1,151,500	455,833	383,161
Current taxation	19(a)	1,742	8,385	27,531
		2,351,710	2,243,272	1,883,674
Net current (liabilities)/assets		(481,998)	(376,466)	153,852
Total assets less current liabilities		1,991,134	2,113,859	2,652,329
Non-current liabilities				
Bank loans	18	–	–	121,059
Shareholders' loans	20	116,011	116,011	–
Long term loans	21	–	–	116,011
Deferred tax liabilities	19(b)	–	16,263	59,720
		116,011	132,274	296,790
NET ASSETS		1,875,123	1,981,585	2,355,539
CAPITAL AND RESERVES	22			
Capital		1,678,088	1,681,672	1,787,457
Reserves		197,035	299,913	568,082
TOTAL EQUITY		1,875,123	1,981,585	2,355,539

The accompanying notes form part of the Financial Information.

3 *Combined statements of changes in equity*

(Expressed in Renminbi)

	Paid-in capital	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 22(a))	(Note 22(b)(ii))	(Note 22(b)(i))		
Balance at January 1, 2008	954,951	6,048	12,584	113,259	1,086,842
Changes in equity for 2008:					
Capital injection	723,137	8,420	–	–	731,557
Total comprehensive income for the year	–	–	–	56,724	56,724
Appropriation to statutory reserve	–	–	5,672	(5,672)	–
Balance at December 31, 2008 and at January 1, 2009	1,678,088	14,468	18,256	164,311	1,875,123
Changes in equity for 2009:					
Capital injection	3,584	1,482	–	–	5,066
Total comprehensive income for the year	–	–	–	101,396	101,396
Appropriation to statutory reserve	–	–	10,140	(10,140)	–
Balance at December 31, 2009 and January 1, 2010	1,681,672	15,950	28,396	255,567	1,981,585
Changes in equity for 2010:					
Capital injection	105,785	2,224	–	–	108,009
Dividend declared and paid	–	–	–	(180,014)	(180,014)
Total comprehensive income for the year	–	–	–	445,959	445,959
Appropriation to statutory reserve	–	–	44,596	(44,596)	–
Balance at December 31, 2010	1,787,457	18,174	72,992	476,916	2,355,539

The accompanying notes form part of the Financial Information.

4 *Combined cash flow statements*

(Expressed in Renminbi)

	Section C Note	2008 RMB'000	2009 RMB'000	2010 RMB'000
Operating activities				
Profit before taxation		72,401	128,374	537,452
Adjustments for:				
– Interest income	3	(37,161)	(22,609)	(16,802)
– Net loss/(gain) on disposal of property, plant and equipment	4	–	94	(386)
–Net loss on financial liabilities at fair value through profit or losses	4	–	1,524	2,870
– Finance costs	5(a)	63,062	40,013	32,227
– Amortization of interests in leasehold land held for own use under operating lease	5(c)	2,983	3,060	3,134
– Depreciation	5(c)	80,443	126,826	132,882
– Write-down of inventories		–	5,825	–
– Foreign exchange gain		(1,094)	(338)	(18,693)
		180,634	282,769	672,684
(Increase)/decrease in inventories		(130,898)	(273,974)	123,076
(Increase)/decrease in trade and other receivables		(239,205)	247,313	(472,428)
Decrease in amounts due to related parties – trade		(38,903)	–	(152)
Increase/(decrease) in trade and other payables		97,680	760,722	(330,846)
Cash (used in)/generated from operating activities		(130,692)	1,016,830	(7,666)
PRC income tax paid		–	–	(28,890)
Net cash (used in)/generated from operating activities		(130,692)	1,016,830	(36,556)
Investing activities				
Payment for purchase of property, plant and equipment		(111,910)	(132,640)	(38,655)
Expenditure on construction in progress		(145,078)	(104,100)	(48,681)
Payment for interests in leasehold land held for own use under operating lease		–	(1,200)	(32,697)
Proceeds from disposal of property, plant and equipment		394	–	2,816
Interest received		3,335	3,463	14,110
Decrease in advances to third parties		90,071	139,393	33,531
(Increase)/decrease in pledged bank deposits		(6,165)	(523,994)	97,284
Decrease in amounts due from related parties – non-trade		–	468,257	60,834
Net cash (used in)/generated from investing activities		(169,353)	(150,821)	88,542

	Section C Note	Years ended December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Financing activities				
Proceeds from capital injection		137,216	–	105,785
Proceeds from new bank loans		2,082,000	2,686,557	1,347,601
Repayment of bank loans		(1,859,683)	(3,382,100)	(1,282,148)
Interest paid		(76,768)	(39,307)	(29,253)
Increase/(decrease) in advances from third parties		90,620	(90,620)	–
Dividend paid		–	–	(180,014)
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 and cash equivalents at January 1,		23,750	97,003	137,542
Effect of foreign exchange rate changes		(87)	–	(107)
Cash and cash equivalents at December 31,		97,003	137,542	151,392

Non-cash transactions:

Newly purchased property, plant and equipment amounted to RMB594,341,000, RMB5,066,000 and RMB2,224,000 were injected by shareholders based on the original purchase cost to the Group as paid-in capital and capital reserve during the three years ended December 31, 2008, 2009 and 2010 respectively.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended December 31, 2010 are set out in note 30.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the year ended December 31, 2010 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation

The Financial Information comprises the Company and its subsidiaries and has been prepared on the basis as explained in Section A.

The functional currency of the Company, Billion Industrial Investment Limited and Billion Development is Hong Kong dollars and the functional currency of its subsidiary established in the PRC is Renminbi ("RMB"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group's financial statements. All financial information presented is rounded to the nearest thousand unless otherwise stated. The directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

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 below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of uncertainty are discussed in note 27.

(c) Subsidiary

The subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of an acquired subsidiary are included in the Group's combined financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(e) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion.	
–	Plant and machinery	18 years
–	Office and other equipment	3 – 18 years
–	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the balance sheet at cost less impairment losses (see note 1(h)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (see note 1(s)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– construction in progress.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(i) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(p), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combination, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with a functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE

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

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

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Domestic sales	1,969,557	2,649,791	3,893,166
Export sales	144,057	313,307	416,565
	2,113,614	2,963,098	4,309,731

The Group's customer base is diversified, no individual customer had transactions which exceeded 10% of the Group's revenue during the years ended December 31, 2008, 2009 and 2010.

3 OTHER REVENUE

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Bank interest income	3,435	6,835	16,802
Other interest income	33,726	15,774	–
Government grants	2,213	4,577	3,355
Sales of raw materials	3,331	1,037	14,916
	42,705	28,223	35,073

Government grants of RMB2,213,000, RMB4,577,000 and RMB3,355,000 for the year ended December 31, 2008, 2009 and 2010 respectively were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.

4 OTHER NET GAIN/(LOSS)

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Net loss on disposal of property, plant and equipment	–	(94)	386
Donation	(1,000)	(200)	(175)
Net exchange gain / (loss)	1,823	(654)	22,560
Net loss on financial liabilities at a fair value through profit or losses	–	(1,524)	(2,870)
Others	(371)	(102)	1,386
	452	(2,574)	21,287

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
(a) Finance costs:			
Interest on bank advances and other borrowings wholly repayable within five years	72,416	34,185	17,940
Other interest expense	4,330	5,828	14,287
Total borrowing costs	76,746	40,013	32,227
Less: borrowing costs capitalized into construction in progress *	(13,684)	–	–
	63,062	40,013	32,227

* The borrowing costs have been capitalized at an effective rate of 7.34% per annum during the year ended December 31, 2008.

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
(b) Staff costs:			
Contributions to defined contribution retirement plans	429	507	555
Salaries, wages and other benefits	49,175	67,713	83,335
	49,604	68,220	83,890

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organized by the relevant local authorities whereby the Group had accrued RMB746,000, RMB1,253,000 and RMBNil for the schemes as of December 31, 2008, 2009 and 2010 respectively. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

Save for the above schemes, the Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
(c) Other items:			
Amortization of interests in leasehold land held for own use under operating lease	2,983	3,060	3,134
Depreciation**	80,443	126,826	132,882
Auditors' remuneration	13	46	2,859
Operating lease charges: minimum lease payments – property rentals	360	360	360
Research and development costs*	2,014	46,094	51,755
Cost of inventories**	1,989,150	2,713,454	3,678,783

* Research and development costs include RMB877,000, RMB25,635,000 and RMB33,388,000 for the year ended December 31, 2008, 2009 and 2010 respectively relating to staff costs of employees in the research and development department and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) and 5(c) for each of these types of expenses.

** Cost of inventories include RMB118,423,000, RMB160,542,000 and RMB169,822,000 for the year ended December 31, 2008, 2009 and 2010 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(a) Income tax in the combined statements of comprehensive income represents:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current tax – PRC Income Tax			
Provision for the year	1,742	6,643	48,036
Deferred tax			
Origination and reversal of temporary differences	13,935	20,335	43,457
	15,677	26,978	91,493

(b) Reconciliation between income tax and profit before taxation at applicable tax rates:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit before taxation	72,401	128,374	537,452
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (note (i))	18,100	32,093	134,363
Non-deductible expenses	3,691	7,762	24,923
Tax concessions (note (ii))	(6,114)	(12,877)	(67,793)
Actual tax expenses	15,677	26,978	91,493

Notes:

(i) The PRC's statutory income tax rate is 25% effective from January 1, 2008, respectively.

(ii) Prior to January 1, 2008, Billion Fujian, being a production-oriented foreign investment enterprise established in Fujian, was entitled to a reduced income tax rate of 27% and a tax holiday of a 2-year full exemption followed by a 3-year 50% reduction in income tax rate commencing from its first profit-making year from PRC tax perspective ("2+3 tax holiday"). Billion Fujian commenced its tax holiday in 2006.

On March 16, 2007, the 5th Plenary Session of the 10th National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law"), which takes effect on January 1, 2008. The New Tax Law and its relevant regulations grandfather the 2+3 tax holiday.

Futher, Billion Fujian was granted the Advanced and New Technology Enterprise ("ANTE") status in 2009 for a valid period of 3-year from 2009 to 2011 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations. Nevertheless, this reduced tax rate cannot be applied in conjunction with the grandfathered tax holiday.

Accordingly, Billion Fujian is subject to PRC income tax at 12.5% from 2008 to 2010, at 15% for 2011 and at 25% from 2012 onwards.

7 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out below:

	Year ended December 31, 2008				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Sze Tin Yau	–	–	–	–	–
Mr. Wu Jinbiao	–	–	–	–	–
Mr. Wu Jianshe	–	97	–	3	100
Mr. He Wenyao	–	97	–	–	97
Independent non-executive directors					
Mr. Yeung Chi Tat	–	–	–	–	–
Ms. Zhu Meifang	–	–	–	–	–
Mr. Ma Yuliang	–	–	–	–	–
Total	–	194	–	3	197

	Year ended December 31, 2009				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Sze Tin Yau	–	–	–	–	–
Mr. Wu Jinbiao	–	–	–	–	–
Mr. Wu Jianshe	–	103	–	3	106
Mr. He Wenyao	–	99	–	–	99
Independent non-executive directors					
Mr. Yeung Chi Tat	–	–	–	–	–
Mr. Zhu Meifang	–	–	–	–	–
Mr. Ma Yuliang	–	–	–	–	–
Total	–	202	–	3	205

	Year ended December 31, 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Sze Tin Yau	–	631	–	–	631
Mr. Wu Jinbiao	–	545	–	–	545
Mr. Wu Jianshe	–	313	–	2	315
Mr. He Wenyao	–	271	–	–	271
Independent non-executive directors					
Mr. Yeung Chi Tat	–	–	–	–	–
Ms. Zhu Meifang	–	–	–	–	–
Mr. Ma Yuliang	–	–	–	–	–
Total	–	1,760	–	2	1,762

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the Relevant Period include 2, 2 and 4 directors for the years ended December 31, 2008, 2009 and 2010 respectively, whose emoluments are disclosed in note 7. The emoluments in respect of the remaining individuals are as follows:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Salaries and other emoluments	251	284	317
Retirement scheme contributions	6	9	–
	257	293	317
Number of senior management	3	3	1

The above individuals' emoluments are within the following bands:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
HK$ Nil to HK$1,000,000	3	3	1

9 DIVIDENDS

During the year ended December 31, 2010, Billion Fujian declared and paid a dividend of RMB180,014,000 to Billion Wise Industrial Limited ("Billion H.K."), the holding company of Billion Fujian prior to the completion of the Reorganization.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods on a combined basis.

11 SEGMENT REPORTING

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of manufacturing and sales of polyester filament fiber products. Therefore, management considers there is only one operating segment, the manufacturing and sales of polyester filament fiber products, under the requirements of HKFRS 8, Operating Segments. In this regard, no segment information is presented.

12 FIXED ASSETS

	Buildings held for own use	Plant and machinery	Office and other equipment	Motor Vehicles	Sub-total	Construction in progress ("CIP")	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2008	323,657	804,143	167,828	9,200	1,304,828	251,034	149,157	1,705,019
Additions	–	723,935	35,371	2,832	762,138	208,322	–	970,460
Transfer	380,272	10,450	44,327	–	435,049	(435,049)	–	–
Disposals	–	–	(421)	–	(421)	–	–	(421)
At December 31, 2008	703,929	1,538,528	247,105	12,032	2,501,594	24,307	149,157	2,675,058
Accumulated depreciation and amortization:								
At January 1, 2008	(22,305)	(83,461)	(17,397)	(1,947)	(125,110)	–	(7,209)	(132,319)
Charge for the year	(16,570)	(50,815)	(11,195)	(1,863)	(80,443)	–	(2,983)	(83,426)
Written back on disposals	–	–	27	–	27	–	–	27
At December 31, 2008	(38,875)	(134,276)	(28,565)	(3,810)	(205,526)	–	(10,192)	(215,718)
Net book value:								
At December 31, 2008	665,054	1,404,252	218,540	8,222	2,296,068	24,307	138,965	2,459,340

	Buildings held for own use	Plant and machinery	Office and other equipment	Motor Vehicles	Sub-total	Construction in progress ("CIP")	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2009	703,929	1,538,528	247,105	12,032	2,501,594	24,307	149,157	2,675,058
Additions	–	113,054	10,557	10,274	133,885	16,773	864	151,522
Transfers	1,671	3,315	–	–	4,986	(4,986)	–	–
Disposals	–	–	–	(155)	(155)	–	–	(155)
At December 31, 2009	705,600	1,654,897	257,662	22,151	2,640,310	36,094	150,021	2,826,425
Accumulated depreciation and amortization:								
At January 1, 2009	(38,875)	(134,276)	(28,565)	(3,810)	(205,526)	–	(10,192)	(215,718)
Charge for the year	(23,673)	(85,386)	(15,340)	(2,427)	(126,826)	–	(3,060)	(129,886)
Written back on disposals	–	–	–	61	61	–	–	61
At December 31, 2009	(62,548)	(219,662)	(43,905)	(6,176)	(332,291)	–	(13,252)	(345,543)
Net book value:								
At December 31, 2009	643,052	1,435,235	213,757	15,975	2,308,019	36,094	136,769	2,480,882

	Buildings held for own use	Plant and machinery	Office equipment	Motor Vehicles	Sub-total	Construction in progress ("CIP")	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2010	705,600	1,654,897	257,662	22,151	2,640,310	36,094	150,021	2,826,425
Additions	–	27,711	6,811	6,263	40,785	64,673	37,997	143,455
Transfers	61,761	6,217	1,109	3,445	72,532	(72,532)	–	–
Disposals	–	–	–	(2,931)	(2,931)	–	–	(2,931)
At December 31, 2010	767,361	1,688,825	265,582	28,928	2,750,696	28,235	188,018	2,966,949
Accumulated depreciation and amortization:								
At January 1, 2010	(62,548)	(219,662)	(43,905)	(6,177)	(332,292)	–	(13,252)	(345,544)
Charge for the year	(32,044)	(82,453)	(10,312)	(8,073)	(132,882)	–	(3,134)	(136,016)
Written back on disposals	–	–	–	501	501	–	–	501
At December 31, 2010	(94,592)	(302,115)	(54,217)	(13,749)	(464,673)	–	(16,386)	(481,059)
Net book value:								
At December 31, 2010	672,769	1,386,710	211,365	15,179	2,286,023	28,235	171,632	2,485,890

(a) Interests in leasehold land held for own use under operating leases represent land use rights in the PRC. As of December 31, 2010, the remaining periods of the land use rights ranged from 46 to 50 years.

(b) As of December 31, 2008, 2009 and 2010, certain bank loans of the Group were secured by the Group's fixed assets amounting to a total of RMB625,991,000, RMBNil and RMBNil respectively.

(c) As of December 31, 2010, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB37,937,000, from the relevant PRC government authorities.

13 INVENTORIES

(a) Inventories in the combined balance sheets comprise:

	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
	259,761	527,910	404,834

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	1,989,150	2,707,629	3,678,783
Write down of inventories	–	5,825	–
	1,989,150	2,713,454	3,678,783

14 TRADE AND OTHER RECEIVABLES

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Trade debtors and bills receivable	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
	1,421,975	586,110	966,484
Less: non-current portion of deposits and prepayments	(9,720)	(9,443)	(12,587)
	1,412,255	576,667	953,897

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.

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

The amounts due from related companies (non-trade) are unsecured, payable on demand and bear interest of 6.56% and 4.37% per annum as of December 31, 2008 and 2009.

The advance to third parties are unsecured, payable on demand and bear interest of 6.56% and 4.37% per annum as of December 31, 2008 and 2009.

Trade debtors are due within 30 to 90 days from the date of billing, except for those due from related parties which were repayable on demand. Further details on the Group's credit policy are set out in note 23(a).

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

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current	281,215	99,871	494,668
Less than 1 month past due	17,364	16,824	12,445
More than 1 month but less than 3 months past due	65,543	128,654	4
More than 3 months but less than 1 year past due	157,994	65,934	659
Over 1 year past due	118,039	731	17
	358,940	212,143	13,125
	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.

The trade and bills receivables as of each period end were not impaired. Receivables that were past due but not impaired relate to the trade balance with related parties which were repayable on demand and a number of independent customers that have a good track record with the Group. 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. The Group does not hold any collateral over these balances.

15 RESTRICTED BANK DEPOSITS

The restricted bank deposits of RMB100,693,000, RMB624,687,000 and RMB527,403,000 were pledged to the banks to secure certain bank loans and bills payable as of December 31, 2008, 2009 and 2010 (see notes 17 and 18).

16 CASH AND CASH EQUIVALENTS

As of December 31, 2008, 2009 and 2010, cash and bank balance placed with banks in the PRC amounted to RMB96,073,000, RMB136,597,000 and RMB130,468,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

17 TRADE AND OTHER PAYABLES

	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			
– advances 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
	1,198,468	1,777,530	1,468,588
Derivative financial liabilities			
– forward exchange contracts	–	832	1,538
– Interest rate swaps	–	692	2,856
	–	1,524	4,394
	1,198,468	1,779,054	1,472,982

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

Bills payable as of December 31, 2008, 2009 and 2010 was secured by restricted bank deposits as disclosed in note 15.

The advances from third parties were unsecured, repayable on demand and bear interest at 6.56% per annum as of December 31, 2008.

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

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

18 BANK LOANS

As of December 31, 2008, 2009 and 2010, the bank loans were repayable as follows:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	1,151,500	455,833	383,161
After 1 year but within 2 years	–	–	121,059
	1,151,500	455,833	504,220

As of December 31, 2008, 2009 and 2010, the bank loans were secured as follows:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank loans			
– secured	304,000	455,833	504,220
– unsecured	847,500	–	–
	1,151,500	455,833	504,220

Certain bank loans were secured by assets of the Group as set out below:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Fixed assets	625,991	–	–
Pledged accounts receivable	–	–	6,769
Restricted bank deposits	–	460,224	523,900
	625,991	460,224	530,669

At December 31, 2008, certain bank facilities of the Group amounting to RMB1,066,500,000 was secured by a joint and several personal guarantee given by the directors of the Group and a corporate guarantee given by the related companies as disclosed in note 26(d).

Details of the Group's interest rate risk are set out in note 23(c).

19 INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Current taxation in the combined balance sheets represents:

	As of December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Provision for the year	1,742	6,643	48,036
Tax paid	–	–	(28,890)
	1,742	6,643	19,146
Balance of tax provision relating to prior years	–	1,742	8,385
	1,742	8,385	27,531

(b) Deferred tax (assets)/liabilities recognized

The components of deferred tax (assets)/liabilities recognized in the combined balance sheets and the movements during the Relevant Period are as follows:

	Depreciation and amortization of fixed assets	Tax credit of purchase of domestic equipment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:				
At January 1, 2008	13,679	(30,363)	(1,323)	(18,007)
Charged/(credited) to profit or loss	11,431	4,372	(1,868)	13,935
At December 31, 2008	25,110	(25,991)	(3,191)	(4,072)
At January 1, 2009	25,110	(25,991)	(3,191)	(4,072)
Charged/(credited) to profit or loss	17,125	6,234	(3,024)	20,335
At December 31, 2009	42,235	(19,757)	(6,215)	16,263
At January 1, 2010	42,235	(19,757)	(6,215)	16,263
Charged/(credited) to profit or loss	24,274	19,757	(574)	43,457
At December 31, 2010	66,509	–	(6,789)	59,720

20 SHAREHOLDERS' LOANS

The Controlling Shareholders had paid an aggregate amount of RMB116,011,000 on behalf of the Group for the premium of leasehold land and the loan were unsecured, interest free and repayable at December 31, 2011. The shareholder's loan were settled by the long-term loans in December 2010 (See note 21).

21 LONG TERM LOANS

In December 2010, the Company borrowed loans from two third party individuals. The loans are unsecured, bear interest at 5.56% per annum and repayable at February 20, 2012.

22 CAPITAL AND RESERVES

(a) Capital

The Company was incorporated on November 25, 2010 with authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon completion of the Reorganization, the Company became the holding company of the Group. The balance of paid-in capital presented in the combined statements of changes in equity represents the combined amount of paid-in capital of the entities now comprising the Group.

(b) Nature and purpose of reserves

(i) Statutory reserve

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

(ii) Capital reserve

The capital reserve mainly represents premium received from capital injection which are required to be included in their reserve by the PRC regulations.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's debt to capital ratio, being the Group's total liabilities over its total assets, at December 31, 2008, 2009 and 2010 was 56.8%, 54.5% and 48.1% respectively.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade and other receivables

The Group's 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, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

At the balance sheet date, the Group has a certain concentration of credit risk as 93%, 87% and 38% of the total trade debtors and bills receivable were due from the Group's largest customer, and 93%, 88% and 51% of the total trade debtors and bills receivable were due from the Group's 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 the Group as set out in note 25, the Group does not provide any other guarantees which would expose the Group to credit risk.

(ii) Deposits with banks

The Group mitigates its 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.

(b) Liquidity risk

Individual operating entities within the 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. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the respective balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	As of December 31, 2008 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount in the combined balance sheet
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	1,185,419	–	–	1,185,419	1,151,500
Shareholders' loan	–	–	116,011	116,011	116,011
Trade creditors and bills payable	554,510	–	–	554,510	554,510
Other payables and accrued charges	37,947	–	–	37,947	37,947
Equipment payables	18,383	–	–	18,383	18,383
Construction payables	313,902	–	–	313,902	313,902
Advances from third parties	90,620	–	–	90,620	90,620
	2,200,781	–	116,011	2,316,792	2,282,873
Financial guarantees issued:					
Maximum amount guaranteed (note 25)	–	–	–	–	–

	As of December 31, 2009 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount in the combined Balance Sheet
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	461,211	–	–	461,211	455,833
Shareholders' loan	–	116,011	–	116,011	116,011
Trade creditors and bills payable	1,259,133	–	–	1,259,133	1,259,133
Other payables and accrued charges	67,007	–	–	67,007	67,007
Equipment payable	17,150	–	–	17,150	17,150
Construction payable	224,571	–	–	224,571	224,571
Interest rate swaps (net settled)	615	–	–	615	692
	2,029,687	116,011	–	2,145,698	2,140,397
Financial guarantees issued:					
Maximum amount guaranteed (note 25)	216,000	–	–	216,000	–
Derivatives settled gross					
– outflow	(157,098)	–	–	(157,098)	
– inflow	156,513	–	–	156,513	

	As of December 31, 2010 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount in the combined balance sheet
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	391,239	123,231	–	514,470	504,220
Long term loan	–	116,069	–	116,069	116,011
Trade creditors and bills payable	872,738	–	–	872,738	872,738
Other payables and accrued charges	99,246	–	–	99,246	99,246
Equipment payables	9,812	–	–	9,812	9,812
Construction payables	236,273	–	–	236,273	236,273
Interest rate swaps (net settled)	1,468	577	–	2,045	2,856
	1,610,776	239,877	–	1,850,653	1,841,156
Financial guarantees issued:					
Maximum amount guaranteed (note 25)	–	–	–	–	–
Derivatives settled gross					
– outflow	(64,840)	–	–	(64,840)	
– inflow	63,978	–	–	63,978	

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings at variable rates and at fixed rates expose the Group 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, the Group entered into certain interest rate swaps. These derivatives had not been designated as hedges for accounting purposes. Accordingly, the fair value gain/(losses) were recognized in the Group's profit and loss accounts. The Group did not apply hedge accounting in respect of the interest rate swaps. At December 31, 2009 and 2010, the Group had interest rate swaps with a notional contract amount of US$17,802,000 (equivalent to RMB121,555,000) and US$41,877,000 (equivalent to RMB277,339,000) respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's 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/(deposits)		954,734		(305,451)		(153,652)

(ii) Sensitivity analysis

At 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 the Group's profit after taxation and retained profits by approximately RMB1,216,000 and RMB1,285,000 for the years ended December 31, 2008 and 2010 respectively and increased/decreased the Group's 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 the Group's 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 the Group which expose the Group 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 the Group at the balance sheet dates, the impact on the Group's 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 Relevant Period.

(d) Currency risk

The Group is exposed to currency risk primarily through purchases that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States 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, the Group has no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's major exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than Renminbi which is the functional currency of Billion Fujian. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	Exposure to foreign currencies									
	As of December 31,									
	2008			2009			2010			
	USD	HKD	EUR	USD	HKD	EUR	USD	HKD	EUR	CHF
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	54,817	–	2,877	56,343	–	8,506	117,524	–	1,000	–
Restricted bank deposits	–	–	–	1	–	–	–	–	–	–
Cash at bank and in hand	4,432	3	1	26,172	3	–	4,382	3	–	–
Trade and other payables	(146,322)	–	(8)	(244,360)	–	(8,253)	(211,961)	–	(1,880)	(580)
Bank loans	–	–	–	(402,390)	(53,442)	–	(504,220)	–	–	–
Gross exposure arising from recognized assets and liabilities	(87,073)	3	2,870	(564,234)	(53,439)	253	(594,275)	3	(880)	(580)
Notional principal amounts of forward contracts	–	–	–	(102,688)	(54,410)	–	(64,840)	–	–	–
Net exposure arising from recognized assets and liabilities	(87,073)	3	2,870	(666,922)	(107,849)	253	(659,115)	3	(880)	(580)

In response to the foreign currency risk of loans denominated in US dollars, the Group has entered into forward exchange rate contracts which are accounted for as financial derivative instruments. These derivatives had not been designated as hedges for accounting purposes. Accordingly, the fair value gains/(losses) were recognized in the Group's profit and loss accounts. The settlement dates of the forward exchange contracts held by the Group as of December 31, 2009 and 2010 are from April 12, 2010 to August 19, 2010 and May 9, 2011 to December 2, 2011 respectively.

(ii) **Sensitivity analysis**

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has 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 the Group which expose the Group 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 the Group's presentation currency. The analysis has been performed on the same basis throughout the Relevant Period.

(e) Fair values

(i) **Financial instruments carried at fair value**

The following table presents the carrying value of the Group's financial instruments measured at fair value at the balance sheet date across the three levels 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 levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured 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
- Level 3 (lowest level): fair values measured using valuation techniques in which significant input is not based on observable market data

December 31, 2009	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Liabilities			
Derivative financial instruments			
– Forward exchange contracts	–	832	–
– Interest rate swaps	–	692	–
	–	1,524	–

December 31, 2010	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Liabilities			
Derivative financial instruments			
– Forward exchange contracts	–	1,538	–
– Interest rate swaps	–	2,856	–
	–	4,394	–

There is no financial instrument carried at fair value as of December 31, 2008. During the Relevant Period, there were no transfers between instruments in Level 1 and Level 2.

(f) Estimation of fair values

(i) Derivatives

The fair value of interest rate swaps is the estimated amount that the Group 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 management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) 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.

(iii) Interest rate used for determining fair value

The entity uses the market LIBOR rate as of December 31, 2009 and December 31, 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.

24 COMMITMENTS

(a) Capital commitments outstanding at December 31, 2008, 2009 and 2010 not provided for in the Financial Information were as follows:

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

(b) At December 31, 2008, 2009 and 2010, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

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

The Group is the lessee in respect of oil storage area held under an operating lease. The lease runs for an initial period of twenty years. It does not include contingent rentals.

25 CONTINGENT LIABILITIES

Financial guarantees issued

	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	–

26 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Period, transactions with the following parties are considered to be related party transactions:

Name of related party	**Relationship with the Group**
Billion Wise Industrial Limited ("Billion H.K.")	Billion H.K. was the controlling shareholder of Billion Fujian during the Relevant Period Billion H.K. was wholly-owned by Mr. Sze Tin Yau and Mr. Wu Jinbiao
Fujian Baikai Wrap Knitting Industry Co., Ltd. ("Baikai Wrap Knitting") (note (i), (ii) and (iii)) 福建省百凱經編實業有限公司 (previously known as Jinjiang Baihong Knitting Industrial Co., Ltd. 晉江市百宏經編實業有限公司)	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Wrap Knitting
Fujian Baikai Zipper Dress Co., Ltd. ("Baikai Zipper") (note (i), (ii) and (iii)) 福建省百凱拉鍊服飾有限公司 (previously known as Jinjiang Baihong Zipper and Garment Co., Ltd. 晉江百宏拉鍊服飾有限公司)	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Zipper
Fujian Baikai Elastic Weaving Co., Ltd. ("Baikai Elastic Weaving") (note (i), (ii) and (iii)) 福建省百凱彈性織造有限公司 (previously known as Jinjiang Baihong Elastic Knitting Co., Ltd. 晉江市百宏彈性織造有限公司)	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Elastic Weaving
Fujian Baikai Paper Co., Ltd. ("Baikai Paper") (note (i), (ii) and (iii)) 福建百凱紙品有限公司 (previously known as Jinjiang Baihong Paper Co., Ltd. 晉江百宏紙品有限公司)	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Paper
Fujian Baikai Textile Chemical Fiber Industry Co., Ltd. ("Baikai Textile") (note (i), (ii) and (iii)) 福建百凱紡織化纖實業有限公司 (previously known as Fujian Baihong Textile Polyester Fiber Industrial Co., Ltd. 福建百宏紡織化纖實業有限公司)	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Textile
Fujian Baikai Jinlun Co., Ltd. ("Baikai Jinlun") (note (i), (ii) and (iii)) 福建省百凱錦綸有限公司 (previously known as Jinjiang Baihong Textile Development Co., Ltd. ("晉江百宏紡織發展有限公司")	Prior to July 11, 2008, Billion H.K. was the controlling shareholder of Baikai Jinlun
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd. ("Hengxinglong Polyester") (note (i)) 福建省晉江市恒興隆化纖滌綸有限公司	Mr. Wu Qingshun, the son of Mr. Wu Jianshe, is the controlling shareholder of Hengxinglong Polyester

Name of related party	Relationship with the Group
Jinjiang Chuangli Chemical Fiber Trading Ltd. ("Jinjiang Chuangli") (note (i)) 晉江創利紡織化纖貿易有限公司	Mr. Wang Jinyu was the controlling shareholder of Jinjiang Chuangli
Mr. Sze Tin Yau	Controlling Shareholder of the Company
Mr. Wu Jinbiao	Controlling Shareholder of the Company
Mr. Wu Jianshe	Director of Billion Fujian
Mr. Lin Jinjing ("Mr. Lin")	Prior to June 30, 2008, Mr. Lin was the director of the Billion Fujian.
Mr. Chen Hongxu ("Mr. Chen")	Prior to June 30, 2008, Mr. Chen was the director of the Billion Fujian.
Mr. Wang Jinyu	Senior Management of the Company

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) Billion H.K. disposed the equity interests of the entities to Baikai (HK) Industrial Limited ("Baikai H.K.") at July 11, 2008. Baikai H.K. is wholly-owned by Mr. Lin, who is the brother-in-law of Mr. Sze Tin Yau and Mr. Wu Jinbiao.

(iii) The transactions and balances disclosed in notes 26(a) to (c) covers the transactions between the Group and parties ("Baikai Group companies") from January 1, 2008 to July 11, 2008 only during which those parties are the related parties of the Group. Subsequent to July 11, 2008, the Group continue to have transactions and balances with such former related parties during the Relevant Period.

(a) Transactions with related parties

The Group entered into the following material related party transactions during the Relevant Period:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of goods			
Baikai Textile (note (i))	70,645	–	–
Baikai Wrap Knitting (note (i))	8,547	–	–
Baikai Elastic Weaving (note (i))	14,487	–	–
Baikai Zipper (note (i))	1,278	–	–
Hengxinglong Polyester	2,563	4,019	2,001
	97,520	4,019	2,001
Purchase of goods			
Baikai Paper (note (i))	14,565	–	–
Interest income/(expense)			
Baikai Textile (note (i))	1,427	–	–
Baikai Wrap Knitting (note (i))	(1,133)	–	–
Baikai Elastic Weaving (note (i))	146	–	–
Baikai Jinlun (note (i))	703	–	–
Jinjiang Chuangli	31,678	18,679	–
	32,821	18,679	–

Notes:

(i) The above transactions cover the transactions between the Group and parties from January 1, 2008 to July 11, 2008 during which those parties are the related parties of the Group only.

(ii) The directors have confirmed that the terms of the above transactions are no less favorable to the Group than terms available to or from independent third parties.

(iii) All these non-trade related party transactions will be discontinued before listing.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Short-term employee benefits	528	691	2,991
Post-employment benefits	17	17	200
	545	708	3,191

Total remuneration is disclosed in "staff costs" (see note 5(b)).

(c) Balances with related parties

At December 31, 2008, 2009 and 2010, the Group had the following balances with related parties:

(i) Amounts due from related parties

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Non-trade related			
Jinjiang Chuangli	512,155	60,834	–

(ii) Amounts due to related parties

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Trade related			
Hengxinglong Polyester	–	152	–
Non-trade related			
Billion H.K.(note (i))	–	–	2,915
	–	152	2,915

Note:

(i) The non-trade related balance with Billion H.K. was settled on May 3, 2011.

(iii) Loan from Controlling Shareholders

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Non-trade related			
Mr. Sze Tin Yau	58,006	58,006	–
Mr. Wu Jinbiao	58,005	58,005	–
	116,011	116,011	–

(d) Personal guarantee provided to the Group in respect of the banking facilities

	As of December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Mr. Sze Tin Yau, Mr. Wu Jinbiao and Mr. Wu Jianshe	1,066,500	–	–

27 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment 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 price because quoted market prices for the Group's 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 level of sales volume and amount of operating costs. The Group uses 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 volume and amount of operating costs.

(b) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews 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 the Group's 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.

(c) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases 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.

(d) 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.

28 LIST OF AUDITOR OF THE SUBSIDIARY

The auditor of the statutory financial statements of Billion Fujian during the Relevant Period was as follows:

Name of company	Financial period	Statutory auditor (Note)
Billion Fujian	For the years ended December 31, 2008, 2009	Fujian Mincai Certified Public Accountants Co., Ltd. (福建閩才會計師事務所有限公司)
	For the year ended December 31, 2010	Jinjiang Chengxin Certified Public accounts Ltd (晉江誠信有限責任會計師事務所)

Note: The English translation of entity name is for reference only. The official names of these entities are in Chinese.

29 FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on November 25, 2010 with authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 par value.

The Company has not carried on any business since its date of incorporation. As of December 31, 2010, the Company only has nominal amounts of net assets.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended December 31, 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	January 1, 2011
HKFRS 9, Financial Instruments	January 1, 2013
Improvements to HKFRSs 2010	July 1, 2010 or January 1, 2011
Amendments to HKAS 12, Income taxes	January 1, 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

The following significant transactions took place subsequent to December 31, 2010:

(a) Dividend declared after December 31, 2010

On January 10, 2011, Billion Fujian declared a dividend of RMB324,569,000 to Billion H.K. The amount declared was fully paid on January 17, 2011. No withholding tax provision has been recorded by the Group in relation to such dividend distribution since Billion H.K, which was the holding company of Billion Fujian prior to the completion of the Reorganization and was the obligor of any related PRC withholding tax liability, does not form part of the current Group structure.

(b) Group reorganization

Upon the completion of the 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 transfer to Billion Development, resulting in a change in tax status of Billion Development which will be taxed on any post-Reorganization dividend received from Billion Fujian. As of December 31, 2010, the undistributed earnings of Billion Fujian amounted to RMB484,876,000, of which RMB324,569,000 was declared and paid to Billion H.K. subsequent to the Relevant Period. In the opinion of the directors of the Company, it is not probably that Billion Fujian will distribute any of the remaining undistributed earnings in the foreseeable future, therefore no deferred tax liability has been recorded by the Group associated with such unremitted earnings.

(c) Capitalization issue

On March 17, 2011, the Company issued 198 ordinary shares at par for cash to broaden the capital base of the Company. Pursuant to the resolutions in writing of the shareholders of the Company passed on March 31, 2011, the authorized share capital of the Company was increased to HK$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares of HK$0.01 each. In addition, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company ("IPO") and subject to the IPO price, the Company will capitalize up to an amount of HK$17,242,498 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par up to 1,724,249,800 shares, each of which will be allotted and issued to the shareholders of the Company.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong