百宏實業控股有限公司
BILLION INDUSTRIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2299

2011
ANNUAL REPORT

Contents

Company Profile

Billion Industrial Holdings Limited (the "Company" or "Billion", together with its subsidiaries, the "Group"), is the holding company of one of the largest developers and manufacturers of polyester filament yarns in China. The main products of the Group are Drawn Textured Yarn (DTY), Fully Drawn Yarn (FDY), and Partially Oriented Yarn (POY), a majority of which have special physical features and functionalities such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. The products are widely used in the production of high-end fabrics and textiles for various consumer products, including apparel, footwear and home furnishings.

As at 31 December 2011, the designed capacity of FDY and POY was 475,000 tons per year (TPY), while that of DTY was 350,000 TPY. The combined designed capacity of DTY, FDY and POY was 825,000 TPY.

In August 2011, Billion started to expand into the production of polyester thin films, and will gradually commence operation in May 2012. It is expected that the designed capacity of polyester thin films production lines will reach 255,000 TPY in 2014.

Billion was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2011, and became a constituent stock of the Hang Seng Composite Index on 5 September 2011.

Mission

We aspire to be the world's prime supplier of consumer products, providing eco-friendly products for people.

Billion's Journey

2003

Fujian Billion Polymerisation Fiber Technology Industrial Co. Ltd. ("Billion Fujian") was established in the People's Republic of China ("the PRC") by Billion Wise Industrial Limited ("Billion H.K.") as a wholly foreign-owned enterprise

2005 Jun

Commencement of commercial production of polyester filament yarns - in the Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC

First production line with designed capacity of approximately 200,000 TPY commenced production

2008 Sep

Second production line with designed capacity of approximately 260,000 TPY commenced production

2011 May

Successfully listed on the Stock Exchange (Stock code: 2299) on 18 May 2011

2011 Sep

Establishment of Fujian Billion High-tech Material Industrial Co., Ltd. ("Billion High-tech") to develop polyester thin film business. Production is expected to commence in May 2012 with investment consideration of RMB350 million and designed capacity of 36,500 TPY

Became a constituent stock of the Hang Seng Composite Index on 5 September 2011

2011 Nov

Continued the expansion of new production site in Jinnan Industrial Zone, approximately two kilometers away from the existing production site. The new production site commenced production operation gradually in November 2011, and will be fully commenced production operation by the end of 2013

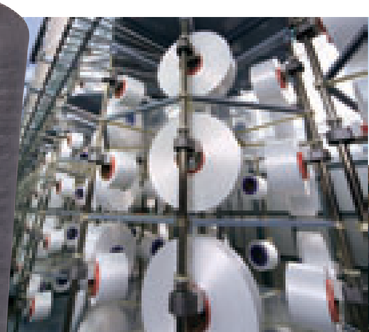
Designed capacity of DTY increased successfully from 305,000 TPY to 350,000 TPY at the new production site

Granted the title of "State-Accredited Enterprise Technology Centre"

Announcement of further investment of RMB1.587 billion in polyester thin films business. Adding up the initial investment plan of RMB350 million, the total investment of polyester thin film business reaches RMB1.937 billion; upon completion in 2014, designed capacity will be expected to reach 255,000 TPY

2011 Dec

Designed capacity of FDY and POY is approximately 475,000 TPY, while DTY is approximately 350,000 TPY. Combined designed production capacity is approximately 825,000 TPY



Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau (Chairman)
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Wu Jianshe
Mr. He Wenyao

Independent Non-executive Directors

Mr. Yeung Chi Tat
Ms. Zhu Meifang
Mr. Ma Yuliang

Board Committees

Audit committee

Mr. Yeung Chi Tat (Chairman)
Ms. Zhu Meifang
Mr. Ma Yuliang

Remuneration Committee

Mr. Yeung Chi Tat (Chairman)
Mr. Sze Tin Yau
Mr. Ma Yuliang

Nomination Committee

Mr. Sze Tin Yau (Chairman)
Mr. Yeung Chi Tat
Ms. Zhu Meifang

Corporate Governance Committee

Mr. Sze Tin Yau (Chairman)
Mr. Wu Jinbiao
Mr. Wu Jianshe
Mr. He Wenyao

Company Secretary

Ms. Ng Weng Sin

Authorised Representatives

Mr. Sze Tin Yau
Ms. Ng Weng Sin

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Hong Kong:

Unit 1501, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

PRC:

Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian
PRC

Legal Advisers

As to Hong Kong Law:
Orrick, Herrington & Sutcliffe

As to PRC Law:
Tian Yuan Law Firm

Auditors

KPMG

Compliance Adviser

Haitong International Capital
Limited

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1–1107
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Hong Kong: Bank of China (Hong Kong) Limited

PRC: China Construction Bank Corporation (Jinjiang Branch)
Agricultural Bank of China Holdings Limited (Jinjiang Branch)

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

	For the year ended 31 December		
	2011	2010	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**6,053,645**	4,309,731	+40.5%
Gross profit	**1,324,088**	630,948	+109.9%
Profit from operations	**1,116,584**	569,679	+96.0%
Profit for the year	**903,507**	445,959	+102.6%

	As at 31 December		
	2011	2010	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**3,742,477**	2,498,477	+49.8%
Non-current liabilities	**316,132**	296,790	+6.5%
Current assets	**3,508,326**	2,037,526	+72.2%
Current liabilities	**1,819,056**	1,883,674	-3.4%
Net current assets	**1,689,270**	153,852	+998.0%
Total equity	**5,115,615**	2,355,539	+117.2%
Earnings per Share (RMB)	**0.43**	0.26	
Interim dividend (HK cent) (Note 1)	**11.99**	–	
Final dividend (HK cent) (Note 2)	**12.20**	–	
Key Ratio Analysis			
Gross profit margin	**21.9%**	14.6%	
Operating profit margin	**18.4%**	13.2%	
Net profit margin	**14.9%**	10.3%	
Returns on equity (Note 3)	**17.7%**	18.9%	
Current ratio (Note 4)	**1.93**	1.08	
Gearing ratio (Note 5)	**41.7%**	92.6%	

Notes:

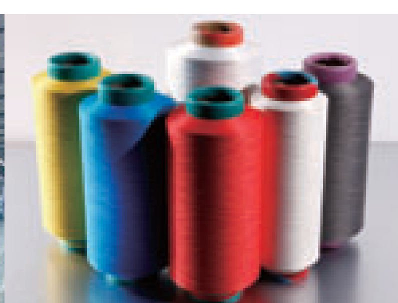
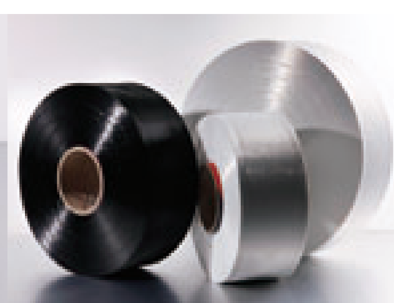
1: The interim dividend of HK cents 11.99 per share in cash was paid on 9 September 2011

2: The final dividend of HK cents 12.2 per share in cash will be paid on 20 April 2012

3: Returns on equity: profit for the year divided by total equity

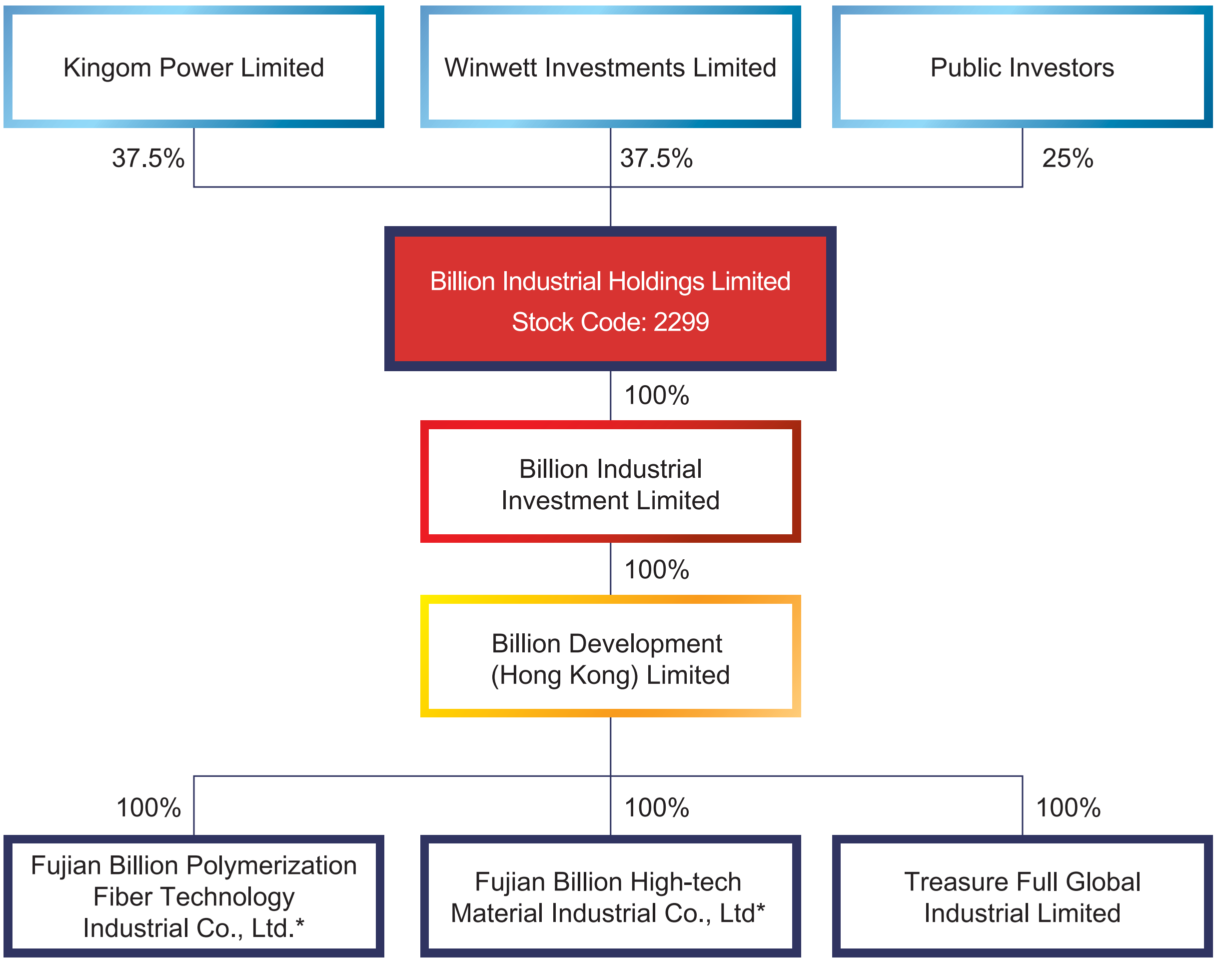
4: Current ratio: current assets divided by current liabilities

5: Gearing ratio: total liabilities divided by total equity


Company Structure

As at 28 February 2012

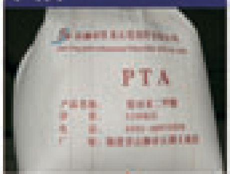


Note:		Place of incorporation	Place of operation
	Billion Industrial Holdings Limited	: Cayman Islands	Hong Kong
	Billion Industrial Investment Limited	: British Virgin Islands	N/A
	Billion Development (Hong Kong) Limited	: Hong Kong	Hong Kong
	Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd*	: PRC	Fujian, PRC
	Fujian Billion High-tech Material Industrial Co., Ltd*	: PRC	Fujian, PRC
	Treasure Full Global Industrial Limited	: British Virgin Islands	Hong Kong

* The name marked with "*" are for identification purpose only

Production Processes of Polyester Filament Yarn & BOPET

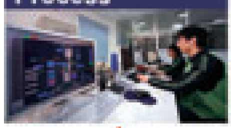
PTA



MEG

Mixes PTA and MEG together under high temperature and high pressure to produce polyester melt

Polymerizing Process



By applying various methods during the production process of our polyester filament yarns, we can achieve special features and functionalities of differentiated polyester filament yarns

- Add special chemical additives during the polymerizing process to achieve special features such as ultraviolet resistant and ultra-white
- Change the number, size and shape of spinning holes on the spinneret to create various shapes of cross-sections of filaments in order to achieve special features such as water-absorbing, sweat-discharging and ultra-soft
- Adjust the various parameters and processing measures in the spinning and texturing processes to achieve different textures and feels

Polyester Melt

BOPET Chips

After polymerizing process, polyester melt is cooled, dried, cut into small pieces

BOPET

Polyester melt is first biaxially stretched

Polyester melt is first pushed through the spinning holes on the spinneret into polyester filaments which are then drawn and combined into polyester filament yarns

POY/FDY Spinning

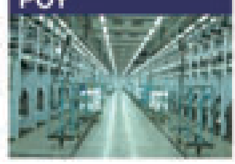
PET Chips

After polymerizing process, polyester melt is cooled, dried, cut into small pieces

FDY

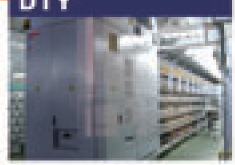
FDY is fully drawn through a heated drawing process

POY



POY is partially drawn processed through a pre-orientation process

DTY



POY is processed through a texturing process to become DTY

Quality Control

Packaging

Warehouse

We use a technologically advanced polyester melt direct spinning method to produce polyester filament yarns.
The method enables us to improve production efficiency and reduce cost.

Chairman's Statement

"We see new trends and opportunities emerging in 2012 as we continue to grow our filament yarn business and expand into BOPET business."

Sze Tin Yau
Chairman of the Board

Billion Fujian was founded when Mr. Wu Jinbiao and I witnessed the emergence of the textile and apparel industries in Southern China 9 years ago. We anticipated that the demand of domestic textile consumption would grow rapidly as China was sustaining rapid economic growth and rising per-capita disposable income. Since then, Billion Fujian has grown from a polyester filament yarns manufacturer with designed capacity of 200 thousand TPY to the largest polyester filament yarn manufacturer in Southern China in terms of designed capacity. In continuation of that success and with the support of all our shareholders ("Shareholders"), Billion was successfully listed on the Main Board the Stock Exchange on 18 May 2011 and became a constituent stock of the Hang Seng Composite Index on 5 September 2011.

2011 was a turbulent year for the chemical fiber, textile, and apparel industries with unstable commodity prices and continued uncertainty in the global economy. Despite all the challenges, we were able to deliver a solid performance with record sales and profits, as well as stable gross margins thanks to our long-term investment in research and development and our prudent portfolio management.

Result Highlights

– Revenue increased 40.5% year over year to RMB6.1 billion.

– Gross profit increased 109.9% year over year to RMB1.3 billion.

– Net profit increased 102.6% year over year to RMB0.9 billion.

More remarkably, these results were accomplished in the midst of the world's worst financial crisis since the Great Depression. We believe that this is the result of our strategic focus on research and development to produce differentiated polyester filament yarns, and our relentless focus on maintaining close relationships with our clients. In 2011, our differentiated products contributed 67.1% of our sales, helping us continue to maintain a leading position in the industry. Even though uncertainties existed in the growth of some sportswear apparels companies, we see signs of continued growth in the market for brand apparels, outdoor products, and home textiles with substantial backlog orders from their Spring/Summer sales fairs. Hence, we believe that our diversified product portfolios in the filament yarn segment will continue to generate strong cash flows for Billion, helping us keep our expansion plans on track and support our strategic investments.

We see new trends and opportunities emerging in 2012 as we continue to grow our filament yarn business and expand into BOPET business. In 2011, we announced we would invest RMB1,937 million to move into eco-friendly polyester thin films (BOPET, Biaxially-oriented polyethylene terephthalate) business. Designed capacity of our BOPET production lines will reach 255 thousand TPY after completion of these investments, which will make us the largest BOPET producer in

Southern China. The new BOPET can be applied to food packaging, consumer electronics, solar industry, etc. With years of experience in working very closely with our clients, Billion is uniquely positioned to collaborate with clients and business partners to address the challenges brought by rapid economic growth and the resulting opportunities for growth and value creation for our clients and shareholders. We believe that people will be more concerned with food safety and environment issues as their living standards increased, and will tend to purchase more packaged, safe, and eco-friendly products in supermarkets, rather than in traditional wet markets. Eventually, safe and eco-friendly products may sell at premium.

Management will continue to prudently make strategic investments to maintain rapid growth in our business and ensure we always give priority to our shareholder's interests. The board of directors of the Company (the "Board") and management engaged professional parties to conduct two market and product researches before we decided to invest to make sure this investment plan, with its advanced technologies and facilities, is profitable, feasible, and encouraged by government policies. We believe this investment is directly aligned with the trend of growing concerns about food safety and environmental issues, and hope this new venture will become a second growth driver for the company in the next few years. Our BOPET business will first focus on industries with large market potential, like food packaging and consumer electronics. We believe we will continue to benefit from our strategic location close to many food producers in Southern China. We expect this new segment will further enrich our product portfolio, optimize product mix, increase overall profit margin, and diversify product concentration risks. As BOPET mostly uses the same purified terephthalic acid (PTA) and mono ethylene glycol (MEG) as raw material, higher procurement volumes will also ensure supply stability of raw materials and higher utilization rates.

As always, we will focus on honouring our promises to our investors and the capital markets. In the polyester filament yarn segment, we will further optimize our product mix, continue our investment in research, develop more differentiated products in collaboration with our clients and, certainly, stabilize or increase the overall profit margin for this segment. As for BOPET, our new production line will commence operations in May 2012. A management team and professionals with relevant background and years of experience in the business have been engaged. The sales force has also started to reach out potential customers in the region. We believe our investment and expansion will pay off financially in the future.

Thank you for believing in us and for investing in the future of Billion. The management of Billion and I will work hard to further create value for our shareholders, customers, and employees.

Sze Tin Yau
Chairman of the Board

28 February 2012

Existing Production Site

New Production Site

Situated in the Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC
Construction Area: Approximately 410,000 square meters
Site Area: Approximately 275,400 square meters

Located at Jinnan Industrial Zone, approximately two kilometers away from the existing production site
Construction Area: Approximately 532,500 square meters
Site Area: Approximately 500,000 square meters

Designed Capacity:	**Designed Capacity will be increased to:**		
As at 31 December 2011	By the end of 2012	By the end of 2013	By the end of 2014
FDY+POY : 475,000 TPY	FDY+POY : 580,000 TPY	FDY+POY : 785,000 TPY	BOPET : 182,500 TPY
DTY : 350,000 TPY	DTY : 493,000 TPY	DTY : 493,000 TPY	BOPET Chips : 72,500 TPY
	BOPET : 36,500 TPY	BOPET : 36,500 TPY	

As at 31 December 2011

Management Discussion and Analysis

Changes in Global and China's Economy

In 2011, as the debt crisis in the euro zone threatened to spin out of control, clouds darkened across the recovery of the global economy. China was unable to remain unaffected as economic links around the world have become stronger. The increase rate of the total import and export value was continuously slowing down the second half of the year on top of a 22.5% increase in the whole year. And both import and export value decreased in January of 2012.

Despite all these challenges, economic growth in China is still looking strong. In the fourth quarter of 2011 China's economy grew by 8.9%, enviable by almost anyone else's standards, though still the slowest since the second quarter of 2009. The slowdown has so far been mild, and in line with government efforts to prevent overheating. Giving the uncertainties ahead, we believe that our performance will increasingly be tied to domestic consumption, as our clients have been shifting toward the domestic market.

Industry Review

Raw material prices were affected by many factors, and the price of PTA rebounded in July and August, but resumed its decline in September and reached its lowest point for the year in December. Declining global demand affected the traditional peak season of September and October in the textile industry and inventory levels at textile companies increased. Accordingly, demand fluctuation impacted PTA's prices. However, we believe that the price for our major raw materials will remain stable in 2012 as capacity expansion in the PTA market may be offset by rising oil prices. We expect that our bargaining power with suppliers will be further strengthened as a result of volume increases.

The chemical fiber market rebounded rapidly at the end of 2011 as downstream manufacturers reacted favorably to the reduction in the bank reserve ratio announced by the central bank on 30 November 2011, and of the demand driving by refilling inventory in textile and apparel industries after the price adjustment in raw materials in September and October. In downstream, even though some sportswear apparels companies experienced somewhat uncertain in growth, we see signs of continued growth in the market for brand apparels, outdoor products, and home textiles with substantial backlog orders from their Spring/Summer sales fairs. And we believe the market for polyester filament yarn will remain stable in 2012.

We are optimistic about market demand for our new eco-friendly BOPET products, as people will be more concerned with food safety and environmental issues while living standards increase. Our feasibility studies in 2011 predicted good profitability and growth for BOPET products. At the same time, because of lack of competition in the BOPET market, market demand is relatively large, especially in Southern China. Management believes that, once launched, this new segment will further optimize our product mix, increase overall profit margins, and diversify product concentration risks.

Management Discussion and Analysis

Business Review

Average Selling Price Stabilized on Higher Differentiated Rate

In 2011, our long term investments in research and development and differentiate products, and our close relationships with clients paid off with stable selling prices and profitability despite end-market turbulence. Differentiated products contributed 67.1% of our total revenues. This high proportion is a major reason driving our gross and net margin increases and improving our bargaining power in the market.

Capacity Expansion on Schedule

As of 31 December 2011, our designed capacity of FDY and POY had been increased to approximately 475,000 TPY and our designed capacity of DTY had been increased to approximately 350,000 TPY.

In addition, the construction of a new production site completed on time and production commenced in November 2011. By the end of 2013, the designed capacity of FDY and POY will be increased to 785,000 TPY while the designed capacity of DTY will be increased to 493,000 TPY.

In addition, the Board approved investments of RMB1,936.7 million to expand into polyester thin film business. The BOPET business is expected to commence production in May 2012 with a production capacity for BOPET of approximately 36,500 TPY. A management team and professionals with relevant background and years of experience in the business have been hired. Production facilities have arrived at the production site on time. The sales force has also started to reach out to potential customers in Southern China. We expect that the annual production capacity of polyester melt will be approximately 255,000 tonnes, of which approximately 182,500 tonnes will be used directly in the production of BOPET, and approximately 72,500 tonnes will be used in the production of BOPET chips by the completion of such expansion in 2014, which may make us the largest BOPET producer in Southern China and nationwide.

Research and Development

In November 2011, Billion Fujian was granted the status of "State-Accredited Enterprise Technology Centre (國家認定企業技術中心)".

As of 31 December 2011, we had patents on 30 new specialty polyester filaments and 10 patents pending. Among all patents granted, 18 of our patented products are already in production, of which, 2 are in pilot testing and 2 have completed trial production. We plan to offer all in the future. 500 highly qualified engineers and researchers support our research and development (R&D) operations.

Revenue from our patented differentiated polyester filament yarns represented 67.1% of total revenue in 2011, for a total of RMB 4,060.2 million. In 2012, we expect the contribution of our differentiated products to reach 69%. We believe that our proprietary products give us a competitive edge and have helped to build our brand both domestically and globally.

During the year under review, we were granted 17 new patents. In our newly granted patents, "Anti-deforming and anti-balling FDY fiber filament with low-shrinkage rate", "Anti-deforming low stretch interlaced yarn", and "Strengthened high stretch double interlaced yarn" representing the highest industry standard. We also launched 13 research projects in order to meet our clients' new requirements, including continue our research on cotton-like fibers. We believe research projects are market-oriented and encouraged by the government policy.

Management Discussion and Analysis

Financial Review

Operational Performance

1. Revenue

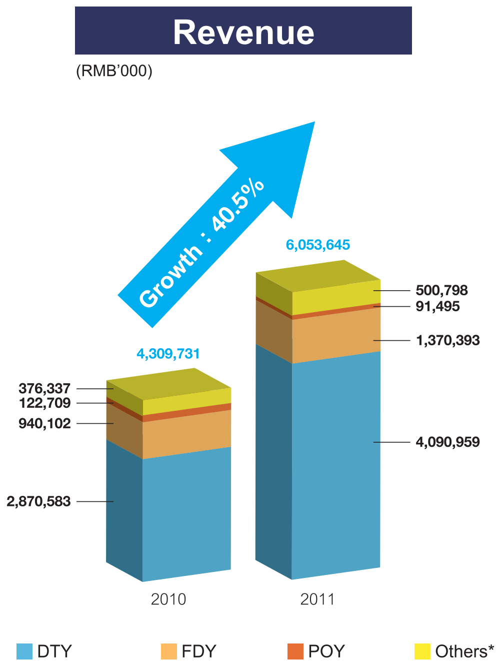
The revenue of the Group in 2011 was approximately RMB6,053,645,000 (2010: RMB4,309,731,000), representing an increase of 40.5% compared to 2010. The increase in revenue was mainly attributable to the increase in average selling price. The average selling price of our products in 2011 was RMB15,324 (2010: RMB11,362) per ton, increased by 34.9% compared to 2010. The increase in selling price was mainly due to the strong demand in China's consumer market, especially for apparel, footwear and home furnishings, pulling up the selling prices of our products. Besides, the increase in the prices of raw materials (PTA and MEG) also pushed up the selling prices of our products.

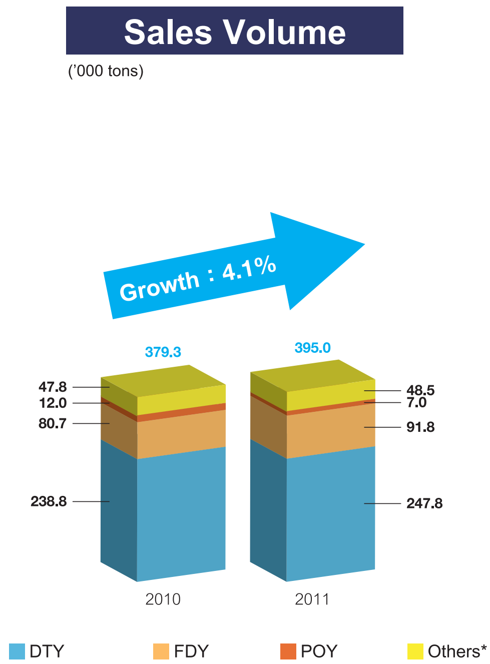
Management Discussion and Analysis

The increase in revenue was also driven by an increase in sales volume. In 2011, the sales volume was 395,049 tons (2010: 379,313 tons), representing an increase of 4.1% compared to 2010. The increase in sales volume was mainly due to the increase in the production capacity as to the increase in capital expenditure on plant and machinery during the year of 2011.

Revenue and Sales Volume by Products

	Revenue				Sales volume			
	2011		2010		2011		2010	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
DTY	**4,090,959**	**67.6%**	2,870,583	66.6%	**247,754**	**62.7%**	238,821	63.0%
FDY	**1,370,393**	**22.6%**	940,102	21.8%	**91,844**	**23.2%**	80,705	21.2%
POY	**91,495**	**1.5%**	122,709	2.9%	**6,997**	**1.8%**	11,950	3.2%
Others*	**500,798**	**8.3%**	376,337	8.7%	**48,454**	**12.3%**	47,837	12.6%
Total	**6,053,645**	**100%**	4,309,731	100%	**395,049**	**100%**	379,313	100%





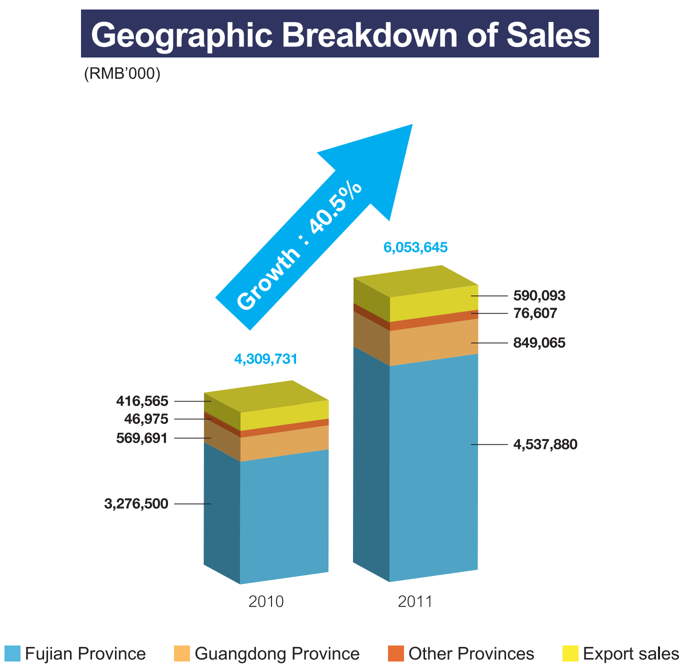
* Others represent PET chips and wasted filament produced in the process of production.

Management Discussion and Analysis

Geographic Breakdown of Sales

	2011		2010	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**4,537,880**	**75.0%**	3,276,500	76.0%
Guangdong Province	**849,065**	**14.0%**	569,691	13.2%
Other Provinces	**76,607**	**1.3%**	46,975	1.1%
Export sales	**590,093**	**9.7%**	416,565	9.7%
Total	**6,053,645**	**100%**	4,309,731	100%

Note: countries of export sales mainly include Turkey, Belgium, Vietnam and Germany.



2. *Cost of Sales*

The cost of sales of the Group in 2011 was approximately RMB4,729,557,000 (2010: RMB3,678,783,000), representing an increase of 28.6% compared to 2010. The average cost of sales per ton was RMB11,972 (2010: RMB9,699), increased by 23.4% compared to 2010.

The cost of sales mainly comprised of raw materials cost, PTA and MEG. In 2011, the raw materials cost per ton of sales was RMB10,176 (2010: RMB7,857), accounting for 85.0% (2010: 81.0%) of the total cost of sales, representing an increase of RMB2,319 or 29.5% per ton compared to 2010. The increase in price of raw materials was mainly attributable to the increase in price petrolatum, which is the raw material for PTA and MEG.

Management Discussion and Analysis

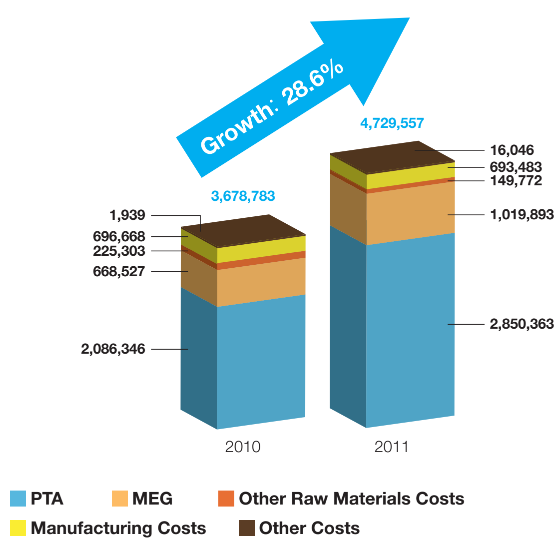
The manufacturing cost per ton was RMB1,755 (2010: RMB1,837), accounting for 14.7% of total cost of sales and representing a decrease of RMB82 or 4.5% per ton compared to 2010. The decrease was mainly due to the direct labor cost per ton and water and electricity cost per ton decreased resulting from the increase in production efficiency and additional cost-saving advantages from economies of scale.

Analysis of Cost of Sales

	2011 RMB'000	2010 RMB'000
Cost of raw materials		
PTA	**2,850,363**	2086,346
MEG	**1,019,893**	668,527
Other raw materials	**149,772**	225,303
	4,020,028	2,980,176
Manufacturing costs	**693,483**	696,668
Other costs	**16,046**	1,939
	4,729,557	3,678,783

Cost of Sales

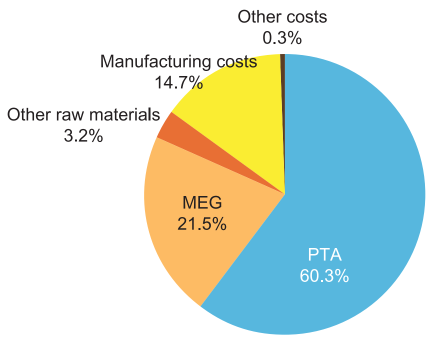
(RMB'000)



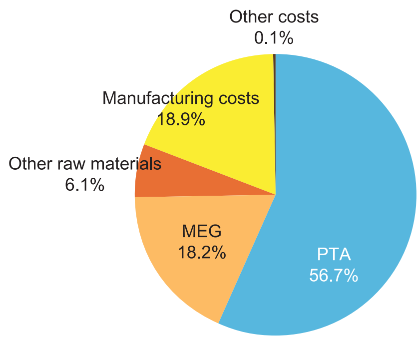
Management Discussion and Analysis

Analysis of Cost of Sales per Ton

	2011		2010	
	RMB	**Percentage**	RMB	Percentage
Raw materials				
PTA	**7,215**	**60.3%**	5,500	56.7%
MEG	**2,582**	**21.5%**	1,763	18.2%
Other raw materials	**379**	**3.2%**	594	6.1%
	10,176	**85.0%**	7,857	81.0%
Manufacturing costs	**1,755**	**14.7%**	1,837	18.9%
	11,931	**99.7%**	9,694	99.9%
Other costs	**41**	**0.3%**	5	0.1%
Average cost per ton	**11,972**	**100%**	9,699	100%



2011

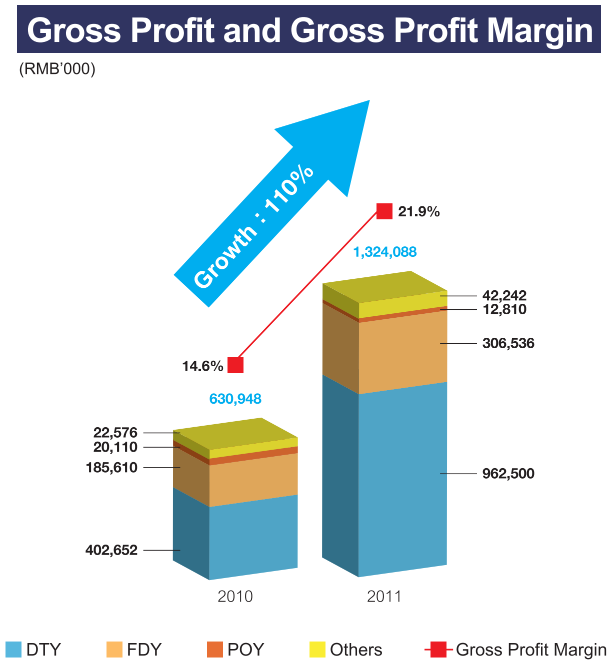


2010

3. *Gross Profit*

The gross profit of the Group for the year 2011 was approximately RMB1,324,088,000 (2010: RMB630,948,000), increased by approximately RMB693,140,000 or 109.9% compared to 2010. The gross profit margin was 21.9% (2010: 14.6%), increased by 7.3% of gross profit margin compared to 2010. The increase in gross profit margin was due to the pricing effect was greater than the cost effect hence pulling the gross profit up. The selling price was influenced by the market demand on our products; the quality of our products and the cost of raw materials. Besides, the effect on the increase in production and sales volume increased the gross profit further.

Management Discussion and Analysis



Analysis of Gross Profit by Products

	2011		2010	
	RMB'000	**Percentage**	RMB'000	Percentage
DTY	**962,500**	**72.7%**	402,652	63.8%
FDY	**306,536**	**23.2%**	185,610	29.4%
POY	**12,810**	**1.0%**	20,110	3.2%
Others	**42,242**	**3.1%**	22,576	3.6%
Total	**1,324,088**	**100%**	630,948	100%

Average Gross Profit to Product Per Ton

	2011	2010
	RMB	RMB
Average selling price per ton	**15,324**	11,362
Average cost of sales per ton	**11,972**	9,699
Average gross profit per ton	**3,352**	1,663
Average gross profit margin	**21.9%**	14.6%

Management Discussion and Analysis

4. Other Revenue

Other revenue of the Group in 2011 was amounted to RMB58,149,000 (2010: RMB35,073,000), representing an increase of 65.8% compared to 2010. Such increase was primarily attributable to the increase in interest income from bank deposits arising from the non-deliverable forward foreign exchange contracts (NDF) and increase in cash arising from initial public offering ("the IPO"). In addition, government subsidy increased compared to 2010, the subsidies included key research and development (重點研發補助資金), funds for encouraging core integrated (產業集群核心企業獎勵資金), taxation rewards for key enterprises (重點企業納稅獎勵資金), rewards for enterprises' propriety export (企業自營出口獎勵金) and rewards for technology innovation (科技創新獎項資金), etc.

5. Other Net Gain

Other net gain of the Group in 2011 amounted to RMB33,577,000 (2010: RMB21,287,000), representing an increase of 57.7% compared to 2010. The increase was primarily attributable to the foreign exchange gain resulted from foreign currency borrowings under NDF arrangements.

6. Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2011 amounted to RMB31,412,000 (2010: RMB26,580,000), representing an increase of 18.2% compared to 2010. The amount increased was mainly due to increased in sales volume in 2011.

7. Administrative Expenses

Administrative expenses of the Group in 2011 amounted to RMB267,818,000 (2010: RMB91,049,000), representing an increase of 194.1% compared to 2010. Administrative expenses include staff costs, office expenses, IPO expenses, travelling and entertainment expenses, depreciation on office equipment, rent and R&D expenses. In 2011, the R&D expenses amounted to RMB195,902,000 (2010: RMB51,755,000), representing an increase of 278.5% compared to 2010. The R&D expenses include staff costs, depreciation, raw materials consumed and R&D expenses paid to Donghua University for R&D on new products and enhancing the production technology and product optimization.

In addition, the Company was successfully listed on the Main Board of the Stock Exchange on 18 May 2011 (the "Listing Date"), and part of the one-off administrative expenses concerning the IPO amounted to RMB12,335,000, which included attorney fees and other professional charges, etc, whereas the remaining initial listing expenses were capitalized in accordance with the accounting standards of Hong Kong.

8. Finance Costs

Finance costs of the Group in 2011 amounted to RMB34,854,000 (2010: RMB32,227,000), increased by 8.2% compared to 2010. It was mainly because the increase in interest expenses on bank loan under the NDF arrangements.

Management Discussion and Analysis

9. *Income Tax*

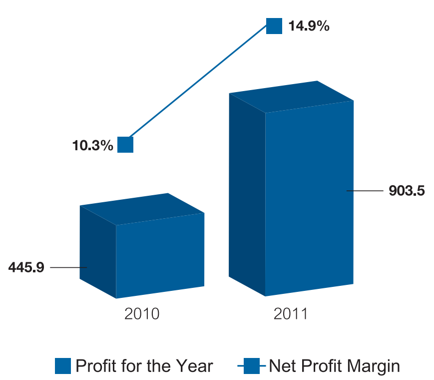
Income tax of the Group in 2011 amounted to RMB178,223,000 (2010: RMB91,493,000), representing an increase of 94.8% compared to 2010. The increase was primarily due to the better pre-tax performance of the Group in 2011. As one of the Advanced and New Technology Enterprises, Billion Fujian enjoyed preferential corporate income tax rate of 15% in 2011 whereas national income tax rate amounted to 25%.

10. *Profit for the year*

Profit for the year 2011 amounted to RMB903,507,000 (2010: RMB445,959,000), representing an increase of RMB457,548,000 or 102.6% compared to 2010. The net profit margin of 2011 was 14.9% (2010: 10.3%), increased by 4.6% net profit margin compared to 2010. The increase was attributable to the increase of selling prices of our products and the pricing effect outweighed the effect on the increase of cost of raw materials, thus pushing the gross profit margin up. The average selling price of our products was driving up by higher market demand. In addition, we could sell our product at a premium for its good quality. Even the cost and expenses increased generally in 2011 compared to 2010, the increase of gross profit outweighed all the increase of expenses and income tax.

Profit for the Year and Net Profit Margin

(RMB million)



Financial Position

1. *Liquidity and Capital Resources*

As at 31 December 2011, the cash and cash equivalent of the Group amounted to RMB1,093,282,000, as compared to RMB151,392,000 as at 31 December 2010, up by 622.2%. Such increase was mainly due to the proceeds raised by the listing of the Company and the cash inflow from operating activities.

For the year ended 31 December 2011, the Group's net cash outflow of investing activities, net cash inflow of financing activities and net cash inflow from operating activities amounted to RMB1,728,730,000, RMB2,009,607,000 and RMB707,241,000, respectively. The Group primarily uses cash inflow of operating activities to satisfy the requirements of working capital.

As at 31 December 2011, The Group had capital commitments of RMB2,094,561,000, which was mainly used in the expansion of its production capacity and construction, including the construction of plants in the PRC and purchase of machines and equipment.

Management Discussion and Analysis

2. *Capital Structure*

As at 31 December 2011, the total liabilities of the Group amounted to RMB2,135,188,000 (2010: RMB2,180,464,000) and the capital and reserve amounted to RMB5,115,615,000 (2010: RMB2,355,539,000). The gearing ratio (total liabilities divided by total equity) was 41.7% (31 December 2010: 92.6%). As at 31 December 2011, the Group's bank borrowing amounted to RMB719,539,000 (2010: RMB504,220,000), of which RMB484,043,000 (2010: RMB383,161,000) were repayable within one year and RMB235,496,000 (2010: RMB121,059,000) were repayable over one year. Among the bank borrowings, 95.8% (2010: 100%) were secured by fixed assets, pledged account receivables and restricted bank deposits.

Contingent Liabilities

As at 31 December 2011, the Group did not have any contingent liabilities.

Foreign Currency Risk

Substantially all of the Group's revenue and operating costs are denominated in Renminbi. Apart from bank loans (RMB665,758,000) and notional principal amounts of forward contracts (RMB116,015,000) denominated in United States of America Dollars, the Group's cash flow from operation or liquidity is not directly exposed to any other material fluctuations in foreign exchange rate. The Group has no hedging arrangement in place with respect to the foreign exchange exposure during the year.

Employees and Remuneration

As at 31 December 2011, the Group has a total of 3,300 employees. Remuneration for employees is determined in accordance with performance, professional experiences and the prevailing market practices. Management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance.

Material Investment

In light of the PRC government's recent policies to encourage the development of high technology and environmentally friendly industries, the Board considers that there is a good potential to develop a polyester thin film business and believes that the new investment in polyester thin film business will benefit the Group and generate good financial returns.

1. *Initial Plan*

In September 2011, Billion High-tech was established to develop polyester thin film business which involves mainly the manufacture and sale of BOPET. The investment was approximately RMB350,000,000 in aggregate. It included the construction of two factories, one warehouse and one staff dormitory with a total construction area of approximately 25,700 square meters for an amount of approximately RMB52,500,000; purchase film production line and laboratory equipment at a cash consideration of EUR13,363,000 from an independent third party in Germany and working capital amounted to approximately RMB70,000,000. We expect that the new manufacturing facilities for the polyester thin film business will commence production by May 2012.

Management Discussion and Analysis

2. *Expansion Plan*

We decided to invest further approximately RMB1,586,700,000 in Billion High-tech to supplement and increase the production capacities under the Initial Plan by utilizing the polyester melt direct production method to achieve integrated production of BOPET. The additional investment of approximately RMB1,252,600,000 in capital expenditure and approximately RMB334,100,000 in working capital. We expect that the Expansion Plan will commence production gradually by 2014.

The total investment of the Initial and Expansion Plan for the production facilities for BOPET and BOPET chips is expected to be approximately RMB1,936,700,000. As at 31 December 2011, construction-in-progress of Billion High-tech amounted to approximately RMB182,061,000 and prepayment for machinery purchased amounted to approximately RMB57,808,000. Upon the completion of the initial plan and the expansion plan, we expect the production capacity for polyester melt of approximately 255,000 TPY, which will be used directly in (i) the production of BOPET, which has a total production capacity of approximately 182,500 TPY, and (ii) the production of BOPET chips, which has a production capacity of approximately 72,500 TPY.

Use of proceeds from Initial Public Offering

The Company was listed on the Main Board of the Stock Exchange on the Listing Date and proceeds raised by the placing and public offering, net of listing expenses was approximately RMB2,451,639,000. During the period from the Listing Date to 31 December 2011, the net proceeds were utilised as follows:

	RMB'000
Construction and installation of new production site in Jinjiang City and additional production facilities at current production base	1,288,954
Repayment of short-term bank borrowings	146,600
Further enhancement of research and development capabilities	75,519

The remaining balance of the net proceeds was deposited in banks in the PRC and Hong Kong and will be used for the intended uses as set out in the prospectus of the Company dated 5 May 2011 (the "Prospectus").

Business Outlook

We believe opportunities abound in the domestic market and industries driven by rising domestic consumption. Overall market demand will continue to expand on increasing income and higher living standards. We will continue to expand production capacity to increase market share, increase product quality and optimize product portfolio by continuing to invest in research and development, and enhance customer loyalty by better fulfilling customers' needs.

Management Discussion and Analysis

We are also optimistic about the BOPET market, as this business is aligned with increasing concerns on food safety and environmental issues in China. We appointed professional parties to conduct two feasibility studies on our BOPET business plans in June and October in 2011. We hope we can move into this market rapidly while remaining prudent in our investments. We believe this new segment, leveraging various growing consumer goods industries, will not only increase our top and bottom lines, but also reduce concentration risk.

Research and Development Plan

As our brand becomes better recognized, more and more consumer goods manufacturers ask us to develop new differentiated filament polyester yarns. We plan to apply for patents covering 5 new products in 2012. In 2012 and 2013, we plan to commercialize production of 10 new specialty polyester filament yarn products, with new products released annually from 2014 onwards. This rapid pace will be made possible by our new production facility, which has been designed to focus on production of ultra-thin and highly functional specialty polyester filament yarns.

Increase Brand Awareness through Greater Marketing and Expansion in New Markets

Our major growth drivers include capacity expansion for differentiated products, continuous development and commercialization of new products, increase in brand awareness. We will also increase marketing and expand market presence with the following initiatives:

1. Increase brand awareness and expand sales channels by participating in exhibitions for the textile industry

2. Promote our new products through advertisements in industry publications

3. Increase exports through expansion into emerging markets, like Southeast Asia

4. Increase brand awareness by our strategical location in South China to introduce more differentiated filament yarn products to the market

5. Further strengthen our cooperation with brand apparels companies by helping them develop more new products

6. Strengthen our sale force through better incentive programs and training

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

Throughout the period from the Listing Date to 31 December 2011, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by directors of the Company (the "Directors"). All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code from the Listing Date to 31 December 2011.

Board of directors

Composition and role

The Board comprises four executive Directors and three independent non-executive Directors. The Board is responsible for corporate strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, directors' appointments, risk management, major acquisitions, disposals and capital transactions. The Board is also responsible for the establishment of the internal control system of the Company; the Board discusses with the management regularly to ensure that internal control system are operating effectively. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing at least one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Board considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules. Details of backgrounds and qualifications of the chairman of the Board and the other Directors are set out in the section headed “Directors and Senior Management” in this annual report.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The individual attendance record of each Director at the meetings of the Board during the year ended 31 December 2011 is set out below:

Name of Director	**Attendance/Number of Board Meeting(s)**
Executive Directors	
Mr. Sze Tin Yau *(Chairman)*	10/10
Mr. Wu Jinbiao *(Chief executive officer)*	10/10
Mr. Wu Jianshe	10/10
Mr. He Wenyao	10/10
Independent Non-executive Directors	
Mr. Yeung Chi Tat	10/10
Ms. Zhu Meifang	10/10
Mr. Ma Yuliang	9/10

The individual attendance record of each Director at general meeting(s) of the Company for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

Chairman and chief executive officer

The chairman of the Board is Mr. Sze Tin Yau while the chief executive officer of the Company is Mr. Wu Jinbiao. The Company has complied with code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Relationships between members of the Board

Details of the relationships between members of the Board are set out in the section headed “Directors and Senior Management” in this annual report.

Appointments, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, whereas each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date. Such term is subject to his/her re-appointment by the Company at an annual general meeting upon retirement. The articles of association of the Company provide that any Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

Continuous professional development

The Directors have been informed of the requirement under code provision A.6.1 of the CG Code regarding continuous professional development. Details of how each Director complies with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

Remuneration committee

During the year ended 31 December 2011, members of the remuneration committee of the Board comprised one executive Director who is also the chairman of the Board namely Mr. Sze Tin Yau (chairman), and two independent non-executive Directors, namely Mr. Yeung Chi Tat and Mr. Ma Yuliang. Pursuant to a resolution of the Board passed on 28 February 2012, members of the remuneration committee currently comprise Mr. Yeung Chi Tat (chairman), Mr. Sze Tin Yau and Mr. Ma Yuliang. The majority of the remuneration committee members are independent non-executive Directors. The duties of the remuneration committee to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors.

In determining the emolument payable to Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group. The remuneration committee meets to determine the policy for the remuneration of Directors and assess performance of executive Directors and certain senior management of the Company.

During the year ended 31 December 2011, one meeting was held by the remuneration committee to review and approve the remuneration package for Directors and senior management. The individual attendance record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

Name of member	**Attendance/ Number of Meeting(s)**
Mr. Sze Tin Yau *(chairman)*	1/1
Mr. Yeung Chi Tat	1/1
Mr. Ma Yuliang	1/1

Nomination committee

Members of the nomination committee of the Board comprise one executive Director who is also the chairman of the Board, namely Mr. Sze Tin Yau (chairman), and two independent non-executive Directors, namely Mr. Yeung Chi Tat and Ms. Zhu Meifang. The nomination committee is primarily responsible for considering and recommending to the Board suitably quailied persons to become members of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

Apart from the appointment of the three independent non-executive Directors on 31 March 2011, being the date of establishment of the nomination committee, there had been no change to the composition of the Board during the year ended 31 December 2011. No meeting was held by the nomination committee during the year ended 31 December 2011.

Audit committee

Members of the audit committee of the Board comprise Mr. Yeung Chi Tat (chairman), Ms. Zhu Meifang and Mr. Ma Yuliang, all are independent non-executive Directors. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group.

The Group's unaudited interim results for the six months ended 30 June 2011 and audited annual results for the year ended 31 December 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

During the year ended 31 December 2011, three meetings were held by the audit committee. The individual attendance record of each member of the audit committee at the meetings of the audit committee is set out below:

Name of member	Attendance/ Number of Meeting(s)
Mr. Yeung Chi Tat *(chairman)*	3/3
Ms. Zhu Meifang	3/3
Mr. Ma Yuliang	3/3

Corporate governance committee

The Company's corporate governance function is carried out by the corporate governance committee established pursuant to a resolution of the Board passed on 28 February 2012. Members of the corporate governance committee of the Board comprise four executive Directors, namely Mr. Sze Tin Yau (chairman), Mr. Wu Jinbiao, Mr. Wu Jianshe and Mr. He Wenyao. The duties of the corporate governance committee include: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. Details of the work of the corporate governance committee for the year ending 31 December 2012 will be disclosed in the corporate governance report in the 2012 annual report of the Company.

Accountability and audit

The Directors acknowledge their responsibility for preparation of the financial statements for the year ended 31 December 2011 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended. In preparing the accounts for the year ended 31 December 2011, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" in this annual report.

Auditor's remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. During the year ended 31 December 2011, the Group was required to pay an aggregate of approximately RMB1,916,920 to the external auditors for their audit services relating to financial information and approximately RMB457,380 for review of financial information.

Internal control

The Board is responsible for overseeing the internal control system of the Group to ensure that such system is operating effectively. During the year ended 31 December 2011, the Board conducted an annual review and engaged in a discussion with the management on the effectiveness of the internal control system to satisfy itself that the internal control system of the Group was designed and operated effectively during the year. The review has covered all material controls, including financial, operational and compliance controls and risk management functions.

During the year ended 31 December 2011, Billion Fujian, an indirect wholly-owned subsidiary of the Company, entered into serveral continuing connected transactions with connected persons of the Company. On 31 March 2011, Billion Fujian entered into a sales agreement with a connected person, Baikai Elastic Weaving Co., Ltd* (福建省百凱彈性織造有限公司) ("Baikai Elastic Weaving"), pursuant to which Billion Fujian agreed to sell DTY, FDY and POY to Baikai Elastic Weaving, and the annual caps for such transactions for the year ended 31 December 2011 was RMB77,000,000 and for each of the two years ending 31 December 2012 and 2013 are RMB85,000,000 and RMB95,000,000 respectively.

As disclosed in the Company's announcement dated 13 February 2012, according to the audited financial statements, the actual transaction amount under the above sales agreement for the year ended 31 December 2011 exceeded the annual cap of RMB77,000,000 as set out in the agreement by approximately RMB2,991,000, due to the substantial increase in the average selling price of the relevant products and the increase in the sales volume of high-end products, such as colored filament yarn, to Baikai Elastic Weaving as compared to 2010.

As further disclosed in the Company's announcement dated 13 February 2012, immediately after discovery of the excess of the annual cap for the transactions under the Sales Agreement I for the year ended 31 December 2011, the Board has taken steps to review all the other continuing connected transactions of the Group. The Board confirms that all of the continuing connected transactions, other than those under the Sales Agreement I, have been in full compliance with the conditions of the waiver granted by the Stock Exchange as disclosed in the Prospectus. To ensure that none of the continuing connected transactions will exceed their respective annual caps in the future, the Board has also requested the relevant purchase and sales departments of the Group to monitor the amount of all the connected transactions of the Group on a monthly basis and to report the same to the chief executive officer of the Company.

Details of all of the continuing connected transactions entered into between Billion Fujian and connected persons of the Company during the year ended 31 December 2011 are set out on pages 43 to 50 of this annual report.

Company secretary

The secretary of the Company is Ms. Ng Weng Sin, whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Ms. Ng has been informed of the requirement under Rule 3.29 of the Listing Rules and her compliance with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

Shareholders' rights

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the articles of association of the Company, any one or more member(s) of the Company ("Shareholder(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong or by email at stellang@baihong.com. The secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Apart from the adoption of the existing articles of association on 31 March 2011, there has been no significant change in the Company's constitutional documents during the year ended 31 December 2011.

Communication with shareholders

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors of the Company and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.baihong.com. Members of the Board and chairmen of various board committees will attend the forthcoming annual general meeting of the Company to be held on 10 April 2012 (the "AGM") to answer questions raised by the Shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

Directors and Senior Management

Executive directors

Mr. Sze Tin Yau, aged 42, is an executive Director, the chairman of the Board, a co-founder of the Group, an authorized representative of the Company and a director of Billion Fujian and Billion High-tech. Mr. Sze is also chairmen of the nomination committee and the corporate governance committee of the Board, and a member of the remuneration committee of the Board. Mr. Sze has approximately 21 years of experience in the polyester filament yarn industry and is primarily responsible for the overall corporate strategies, planning and business development of the Group. Prior to establishing the Group in 2003, he was the general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.* (福建江裕華服裝實業有限公司) from March 1990 to April 2000 and was the chairman of the board of directors of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd* (福建百凱紡織實業有限公司) from May 2000 to October 2003. He is a founder and shareholder of Billion Wise Industrial Limited (百宏實業有限公司) and has been the chairman of the board of directors of Billion Wise Industrial Limited (百宏實業有限公司) since its incorporation in 1996. Mr. Sze was elected and appointed as a member of Chinese People's Political Consultative Conference of Fujian Province (福建省政協委員) for the 9th and 10th sessions in 2007 and 2012. He has also been appointed as a Standing Committee of Business Association of Fujian Province (福建省工商業聯合會總商會第八屆執行委員會執行委員) in July 2002. His other social undertakings include vice-chairman of the Chamber of International Commerce of Fujian Province (中國國際商會福建商會副會長) and lifelong honorary president of Jinjiang City Charity Federation (晉江市慈善總會永遠榮譽會長). He is currently studying EMBA program in Peking University* (北京大學). Mr. Sze joined the Company in November 2010.

Mr. Sze is the sole director of Kingom Power Limited which is interested in 37.5% of the issued share capital of the Company and is a company which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Sze is also a brother-in-law of Mr. Wu Jinbiao, an executive Director, the chief executive officer of the Company and the sole shareholder of Winwett Investments Limited which holds 37.5% of the issued share capital of the Company; and a brother-in-law of Mr. He Wenyao, an executive Director. Save as disclosed above, Mr. Sze does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wu Jinbiao, aged 49, is an executive Director, the chief executive officer of the Company, a co-founder of the Group and a director of Billion Fujian and Billion High-tech. Mr. Wu is also a member of the corporate governance committee of the Board. Mr. Wu Jinbiao has more than 26 years of experience in the differentiated polyester filament yarn industry and is primarily responsible for the daily operation of the Group. Prior to establishing the Group in 2003, Mr. Wu Jinbiao is also a founder and shareholder of Billion Wise Industrial Limited (百宏實業有限公司) and has been a director of Billion Wise Industrial Limited (百宏實業有限公司) since its incorporation in 1996. Also, he was the deputy general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.* (福建江裕華服裝實業有限公司) from May 1985 to April 2000 and was the executive director and general manager of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd* (福建百凱紡織實業有限公司) from May 2000 to October 2003. Mr. Wu Jinbiao was elected and appointed as a Standing Committee of the Chinese People's Political Consultative Conference of Jinjiang City (晉江市政協委員會常委) for the 11th session and a committee member of the Political Consultative Conference of Quanzhou City, Fujian Province (福建省泉州市政協委員會委員). He was recognized as an Advanced Individual of Textile Industry of Fujian Province (福建省紡織工業先進個人) on 26 February 2007. Mr. Wu Jinbiao is also the honorary president of Jinjiang City Charity Federation (晉江市慈善總會榮譽會長). He is currently undertaking a Tsinghua University business administration program organised by Yangtze Delta Region Institute of Tsinghua University* (清華長三角研究院). Mr. Wu joined the Company in November 2010.

Mr. Wu is the sole director of Winwett Investments Limited which is interested in 37.5% of the issued share capital of the Company and is a company which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Wu is also a brother-in-law of Mr. Sze Tin Yau, an executive Director, the chairman of the Board and the sole shareholder of Kingom Power Limited which holds 37.5% of the issued share capital of the Company. Save as disclosed above, Mr. Wu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wu Jianshe, aged 57, is an executive Director, a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu is also a member of the corporate governance committee of the Board. Mr. Wu has more than 26 years of experience in the textile industry. He joined the Group upon its establishment in 2003 as a director of Billion Fujian Polymerization Fiber Technology Industrial Co., Ltd* (福建百宏聚纖科技實業有限公司) and has been primarily responsible for sales and marketing of the Group. Prior to joining the Group, from May 1985 to April 1998, he was the general business manager of Jinjiang Longhu Henglong Zip Textile Co., Ltd* (晉江龍湖恒隆拉鍊織造有限公司). He was also the sales manager of Hengxinglong Polyester from May 1998 to August 2003. Mr. Wu Jianshe is currently studying MBA program in Huaqiao University* (華僑大學). Mr. Wu joined the Company in November 2010.

Mr. He Wenyao, aged 45, is an executive Director, a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He is also a member of the corporate governance committee of the Board. Mr. He has approximately 23 years of experience in the textile industry. He joined our Group upon its establishment in 2003 and has been primarily responsible for procurement of raw materials, formulating the budget, market research, cost-control management and logistics arrangement for our Group. Prior to joining our Group, he was the deputy general manager of Shishi City Yaofu Garment and Knitting Co., Ltd.* (石獅市耀富製衣織造有限公司) from June 1988 to September 2003. He is currently studying MBA program in Huaqiao University* (華僑大學). Mr. He is a brother-in-law of Mr. Sze Tin Yau.

Mr. He is a brother-in-law of Mr. Sze Tin Yau, an executive Director, the chairman of the Board and the sole shareholder of Kingom Power Limited which holds 37.5% of the issued share capital of the Company.

Independent non-executive directors

Mr. Yeung Chi Tat, aged 42, was appointed as an independent non-executive Director on 31 March 2011. Mr. Yeung is also chairmen of the audit committee and the remuneration committee of the Board, and a member of the nomination committee of the Board. Mr. Yeung is currently the president of the Hong Kong headquarters of the International Financial Management Association and the vice-president of Hong Kong Wine Merchants' Chamber of Commerce.

Mr. Yeung currently holds positions in the following companies listed on the Main Board:

Name of company	Title
Dynasty Fine Wines Group Limited	Financial controller and company secretary
Ta Yang Group Holdings Limited	Independent non-executive director
ANTA Sports Products Limited	Independent non-executive director
Boer Power Holdings Limited	Independent non-executive director
Sitoy Group Holdings Limited	Independent non-executive director

Directors and Senior Management

Mr. Yeung was an independent non-executive director of China Eco-Farming Limited which is listed on the Growth Enterprise Market of the Stock Exchange, from 30 September 2008 to 12 May 2010. Mr. Yeung received a bachelor's degree in Business Administration from the University of Hong Kong in 1993 and a master's degree in Professional Accounting with distinction from Hong Kong Polytechnic University in 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a senior international finance manager of the International Financial Management Association and a Certified Public Accountant practicing in Hong Kong. Mr. Yeung worked at KPMG for over 10 years from 1993 to 2004. He possesses extensive experience in auditing, corporate restructuring and corporate finance.

Ms. Zhu Meifang, aged 46, was appointed as an independent non-executive Director on 31 March 2011. Ms. Zhu is also members of the audit committee and the nomination committee of the Board. Ms. Zhu is currently a professor in Donghua University (東華大學). Ms. Zhu worked for approximately 23 years at Donghua University since January 1989 where she has worked as a teacher, dean in materials science department, doctorial tutor and vice president of Donghua University at different phases. She has accumulated rich fiber related experience, which we believe can provide constructive instruction to our business. Ms. Zhu obtained a bachelor's degree in chemical fiber in July 1986 from China Textile University* (中國紡織大學) (currently known as Donghua University), a master's degree in chemical fiber and a doctorate degree in materialogy from the same university in April 1989 and April 2000, respectively. Her study in fiber industry has won her several national-level awards over the years.

Mr. Ma Yuliang, aged 73, was appointed as an independent non-executive Director on 31 March 2011. Mr. Ma is also members of the audit committee and the remuneration of the Board. Mr. Ma is currently retired and was appointed the deputy head (副司長) of Textile Industry Department Reforming Section* (紡織工業部體制改革司) in 1988 and was appointed as an officer (主任) of Economic and Trade Department* (經濟貿易部) of the Textile Association of China* (中國紡織總會) in 1996, respectively. Mr. Ma was appointed the division chief (處長) of No. 4 Division of the Reforming Bureau* (改革局四處) of State Economic Commission* (國家經濟委員會) in 1987. Mr. Ma was an independent director of Jilin Chemical Fiber Co., Ltd.* (吉林化纖股份有限公司), a company listed on the Shenzhen Stock Exchange, from 2001 to 2008, and Zhejiang Furun Co., Ltd.* (浙江富潤股份有限公司), a company listed on the Shanghai Stock Exchange, from 2002 to 2008. He obtained a bachelor's degree in management engineering from Jilin University of Technology* (吉林工業大學) currently known as Jilin University (吉林大學), in 1963. Mr. Ma was accredited as a senior engineer by Bureau of Personnel, State Economic and Trade Commission* (國家經委人事局) in 1988.

Senior management

Mr. Ye Jingping, aged 53, is a vice president of the Company and a senior engineer. He has approximately 28 years of experience in polyester filament yarn industry and is primarily responsible for our overall product manufacture and research and development. He joined the Group in 2003. Prior to joining the Group, he was a technician, engineer, workshop manager and deputy general manager of Xiamen Chemical Polyester Factory* (廈門化纖廠) from August 1983 to May 2000. Mr. Ye graduated from the Faculty of Textile Chemical Engineering of East China Institute of Textile Engineering (華東紡織工學院) currently known as Donghua University (東華大學) in Chemical Fiber, in July 1983. Mr. Ye was accredited as the Model Worker in Quanzhou (泉州市勞動模範) in April 2006 and as the advanced worker for technology development in light industry* (輕紡技術開發先進工作者) by Fujian Province Light Industry Bureau* (福建省輕工業廳) in 1993. He achieved the second award for science and technology progress* (科學進步成果二等獎) by his program named trial-manufacture of polyester lan cable*(滌綸網絡絲新產品試製) in 1988.

Mr. Wang Jinyu, aged 34, is a vice president of the Company. He has approximately 14 years of experience in polyester filament yarn industry. He participated in the operation of Billion Fujian since its establishment in 2003 and has been an assistant to the chairman since joining. Prior to joining the Group, he worked as the assistant to the chairman of the board of directors in Baikai Textile from March 2003 to October 2003. Mr. Wang worked as the head of public relations department in Jinxing (Fujian) Fiber Textile Industry Co., Ltd.* (錦興(福建)化纖紡織實業有限公司) from February 1998 to February 2003. Mr. Wang is currently studying MBA program in Peking University HSBC Business School* (北京大學滙豐商學院).

Ms. Ng Weng Sin, aged 40, is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Ms. Ng has over 15 years of experience in finance, auditing and accounting. Ms. Ng joined the Group in August 2010 and is primarily responsible for the overall financial and accounting affairs of the Group. Prior to joining the Group, Ms. Ng worked at Deloitte & Touche from August 1997 to September 2001. From 2001 to 2006, she worked at finance departments in Rosedale Hotel Holdings Limited (a company listed on the Main Board, formerly known as Hong Kong Wing On Travel Service Limited), Hua Yang Printing Holdings Co. Ltd. (a subsidiary of Grand Toys International Limited which is a company listed on NASDAQ) and Norstar Automobile Industrial Holding Limited (a subsidiary of Norstar Founders Group Limited which is listed on the Main Board). From May 2006 to February 2010, she was the financial controller, the company secretary and authorized representative of China Information Technology Development Limited (中國信息科技發展有限公司). Ms. Ng obtained her bachelor's degree of arts in accountancy in 1996 and a master's degree of professional accounting in 2010 from the Hong Kong Polytechnic University. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Qiu Dahong, aged 47, joined the Group in October 2007 and is the vice general manager of the Company since 1 January 2012. Mr. Qiu is primarily responsible for personnel management and training program. Prior to joining the Group, he was a specialist, department head and senior specialist in the primary processing department, false twist department and design and development department of Xiamen Xianglu Chemical Fiber Stock Corp., Ltd.* (廈門翔鷺化纖股份有限公司) from August 1994 to December 2003. He worked as the deputy general manager from January 2004 to February 2006 in Zhejiang Shaoxing Huamao Fiber Co., Ltd.* (浙江紹興華茂化纖有限公司). He has also been a qualified engineer accredited by the Personnel Department of Fujian Province* (福建省人事廳) since 16 July 1999. Mr. Qiu graduated from China Textile University (中國紡織大學) (currently known as Donghua University (東華大學)) in mechanical manufacture technology and equipment in July 1986.

Directors and Senior Management

Mr. Zhang Bochen, aged 53, joined the Group in May 2009 and is the vice general manager of the Company since 1 January 2012. Mr. Zhang is primarily responsible for assisting the president for the overall management of the Group. Prior to joining the Group, he was an assistant to general manager of Jiangsu Shenghong Chemical Fiber Co., Ltd.* (江蘇盛虹化纖有限公司) from February 2004 to February 2005. From March 2007 to May 2009, he was a general manager of Taiya Chemical Fiber (Zhongshan) Co., Ltd* (太亞化學纖維(中山)有限公司), responsible for the factory construction, production management and the sales of the products. Mr. Zhang obtained his bachelor's degree of science in engineering in June 1981 from the Department of Polymer Engineering of National Taiwan University of Science and Technology (國立台灣科技大學).

Mr. Lv Zhiwei, aged 31, joined the Group in August 2007 and is the sales director (銷售總監). Mr. Lv is primarily responsible for the sales and marketing. Prior to joining the Group, he was a business specialist of Xiamen Xianglu Chemical Fiber Stock Corp., Ltd.* (廈門翔鷺化纖股份有限公司) from September 2003 to July 2006. From July 2006 to June 2007, he was an assistant to general manager of Dragon Aromatics (Zhangzhou) Co., Ltd.* (騰龍芳烴(漳州)有限公司). Mr. Lv obtained his bachelor's degree in international economics and trade in July 2003 from Xi'an Communication University* (西安交通大學).

Ms. Wong Jacqueline Tik Yan, aged 33, is the head of investor relations. Ms. Wong joined the Group in September 2011 and is primarily responsible for the investor relationship of the Group. Ms. Wong has over 5 years of experience in marketing and investor relations. Prior to joining to the Group, Ms. Wong worked as an account executive at Quam Data Services Limited and as a manager of investor relations at Quam (HK) Limited from December 2002 to March 2005. From October 2007 to October 2008, she was a manager of corporate financial advisory of ASC Capital Limited. From January 2010 to April 2011, she was a manager of investor relations of Peak Sport Products Company Limited. Ms. Wong obtained her bachelor's degree of science in business administration from San Francisco State University in 2000.

Mr. Xu Xiaofeng, aged 36, joined our Group in August 2004 and is the financial manager. Mr. Xu is primarily responsible for daily finance related work of our Group. Prior to joining the Group, he was working at the financial department of Fujian Jinjiang Hongyu Coating Knitting Co., Ltd.* (福建晉江鴻裕塗層織物有限公司) from October 1997 to June 2004. Mr. Xu obtained his diploma in banking accounting in June 1997 from Fuzhou University (福州大學). He was also qualified as a Medium Level Accountant of the PRC in December 2003.

* For identification purpose only

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group for the year ended 31 December 2011.

Principal place of business

The Company is a company incorporated in the Cayman Islands and is domiciled in Hong Kong, and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. Pursuant to the reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of reorganisation are set out in the Prospectus.

Principal activity

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2011.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2011, and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 55 to 115.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB903,507,000 (2010: profit of RMB445,959,000) has been transferred to reserves.

An interim dividend of HK cents11.99 per share (2010: HK$Nil) was paid on 9 September 2011.

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2011 are set out in the consolidated statement of changes in equity and note 22 to the financial statements, respectively.

Distributable reserves

As at 31 December 2011, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately HK$2,596,168,000, of which approximately HK$280,478,000 has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, plant and equipment

During the year ended 31 December 2011, the Group held property, plant, equipment and other fixed assets of approximately RMB3,290,088,000. Details of the movements in fixed assets are set out in note 12 to the financial statements.

Major suppliers and customers

During the year ended 31 December 2011, the aggregate sales attributable to the Group's five largest customers accounted for approximately 13.5% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 4.2% of the Group's total sales. During the year ended 31 December 2011, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 74.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 29.3% of the Group's total purchases.

So far as is known to the Directors, other than those disclosed in "Connected transactions and related party transactions" section in this report, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Charitable donations

Charitable and other donations made by the Group during the year ended 31 December 2011 amounted to approximately RMB488,000 (2010: approximately RMB175,000).

Share capital

Details of the movement in share capital of the Company during the year are set out in note 22 to the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Purchase, sale or redemption of the Company's shares

The Company had not redeemed any of its listed shares during the year ended 31 December 2011. Except for the global offering of the Company, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the year ended 31 December 2011.

Results and distribution

The results of the Group for the year ended 31 December 2011 are set out in the financial statements.

The Directors propose to recommend the payment of a final dividend of HK cents 12.2 per share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members of the Company on 18 April 2012, and the payment of final dividends will be in cash.

The final dividend of HK cents 12.2 per share is subject to approval by the shareholders at the AGM. Such dividend will be distributed from the share premium of the Company. In the opinion of the Directors, such distribution is in compliance with the articles of association adopted by the Company, which states that dividend may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law; subject to the provisions of its memorandum of association or articles of association and provided that immediately following the distribution or paying of dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited financial statements, is set out on page 116 of this annual report. Such summary does not form part of the audited financial statements.

Directors

The Directors during the year ended 31 December 2011 and up to the date of this annual report were as follows:

Executive directors

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao *(Chief executive officer)*
Mr. Wu Jianshe
Mr. He Wenyao

Independent non-executive directors

Mr. Yeung Chi Tat (appointed on 31 March 2011)
Ms. Zhu Meifang (appointed on 31 March 2011)
Mr. Ma Yuliang (appointed on 31 March 2011)

In accordance with the Company's articles of association, three Directors, namely Mr. Sze Tin Yau, Mr. Wu Jinbiao and Mr. Wu Jianshe will retire and, being eligible, offer themselves for re-election at the AGM.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective service contracts. Each of the executive Directors is entitled to a director's fee, and is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all of the executive Directors in respect of any financial year of the Company may not exceed 5% of audited consolidated or combined net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of the Directors regarding the increment of annual salary and the amount of the performance-based bonus payable to him.

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years commencing from the Listing Date until terminated by not less than one month's notice in writing served by the independent non-executive Director on the Company or in accordance with the terms set out in the respective letters of appointment. Each of the independent non-executive Directors is entitled to a director's fee.

No Director who is proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 8 to the financial statements.

Directors' and senior management's biographical details

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report.

Directors' interests in competing business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2011 and up to and including the date of this annual report.

Directors' rights to purchase shares or debentures

At no time during the year ended 31 December 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations

As at 31 December 2011, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Note	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Sze Tin Yau	Interest in controlled corporation	1	862,125,000	37.5%
Mr. Wu Jinbiao	Interest in controlled corporation	2	862,125,000	37.5%

Notes:

1. These 862,125,000 Shares were held by Kingom Power Limited, the entire issued share capital of which was wholly-owned by Mr. Sze Tin Yau. Accordingly, Mr. Sze Tin Yau is deemed to be interested in the Shares held by Kingom Power Limited by virtue of the SFO.

2. These 862,125,000 Shares were held by Winwett Investments Limited, the entire issued share capital of which was wholly-owned by Mr. Wu Jinbiao. Accordingly, Mr. Wu Jinbiao is deemed to be interested in the Shares held by Winwett Investments Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2011, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Kingom Power Limited	Beneficial owner	862,125,000	37.5%
Winwett Investments Limited	Beneficial owner	862,125,000	37.5%

Save as disclosed above, as at 31 December 2011, so far as is known to the Directors, there was no other person (other than the a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Emoluments policy

The Group's emoluments policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees as described in the paragraph below.

Share option scheme

The Company has a share option scheme which was adopted on 31 March 2011 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

No options have been granted under the Share Option Scheme since its adoption up to 31 December 2011.

Retirement scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$20,000. Contributions made to the scheme are vested immediately.

The employees of the subsidiaries of the Group in the PRC participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 December 2011, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB1,413,000 (2010: RMB555,000). Details of the Group's pension scheme are set out in note 6(b) to the financial statements.

Connected transactions and related party transactions

(A) Connected Transactions – Continuing Connected Transactions

During the year ended 31 December 2011, the Group entered into the following continuing connected transactions which are subject to the reporting and annual review requirements set out in Chapter 14A of the Listing Rules.

Details of the continuing connected transactions

(1) The Sales Agreements and the Revised Sales Agreements

(a) The Sales Agreement I and the Revised Sales Agreement I regarding sales of DTY, FDY and POY to Fujian Baikai Elastic Weaving Co., Ltd. (福建省百凱彈性織造有限公司) ("Baikai Elastic Weaving") by Billion Fujian*

On 31 March 2011, Billion Fujian entered into a sales agreement (the "Sales Agreement I") with Baikai Elastic Weaving, pursuant to which Billion Fujian agreed to sell DTY, FDY and POY to Baikai Elastic Weaving for a term of three years from 1 January 2011 to 31 December 2013. The prices for the sales of DTY, FDY and POY to Baikai Elastic Weaving were agreed between Billion Fujian and Baikai Elastic Weaving from time to time after arm's length negotiations and were comparable to market prices of similar products that Billion Fujian sold to other independent customers. Details of the Sales Agreement I have been disclosed in the Prospectus.

Baikai Elastic Weaving is a wholly foreign-owned subsidiary of Baikai (HK) Industrial Limited (百凱(香港)實業有限公司) ("Baikai H.K.") which in turn is wholly-owned by Mr. Lin Jinjing ("Mr. Lin") who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Elastic Weaving and is the sole director of Baikai Elastic Weaving. Accordingly, Baikai Elastic Weaving is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

The annual cap for the transactions under the Sales Agreement I for the year ended 31 December 2011 was RMB77,000,000. During the year ended 31 December 2011, the aggregate amount of the transactions under the Sales Agreement I was approximately RMB79,991,000, which exceeded the annual cap of RMB77,000,000. As disclosed in the Company's announcement dated 13 February 2012, according to the unaudited management accounts of the Group, the actual transaction amount under the Sales Agreement I for the year ended 31 December 2011 exceeded the annual cap of RMB77,000,000 as set out in such agreement by approximately RMB2,991,000, due to the substantial increase in the average selling price of the relevant products and the increase in the sales volume of high-end products, such as colored filament yarn, to Baikai Elastic Weaving as compared to 2010. In anticipation of the continuing increase in selling price and sales volume of the relevant products to Baikai Elastic Weaving in the coming two years, the Board expects that the transaction amounts under the Sales Agreement I for each of the two years ending 31 December 2012 and 2013 will also exceed their respective annual caps as set out in such agreement. Therefore, on 10 February 2012, Billion Fujian and Baikai Elastic Weaving entered into a revised sales agreement (the "Revised Sales Agreement I"), which increased the annual caps for the transactions thereunder for each of the two years ending 31 December 2012 and 2013 to RMB140,500,000 and RMB172,900,000, respectively, representing an increase of approximately 65.3% and 82.0% as compared to the corresponding annual caps as set out in the Sales Agreement I. To avoid unnecessary administrative costs and inconvenience in the future, the parties also set out the annual cap for the transactions thereunder for the year ending 31 December 2014 in the Revised Sales Agreement I, which will be RMB199,800,000. The Revised Sales Agreement I will become effective upon approval by the independent shareholders of the Company at the extraordinary general meeting to be held on 10 April 2012 (the "EGM"), to terminate the Sales Agreement I with retrospective effect from 1 January 2012 and is for a term of three years from 1 January 2012 to 31 December 2014 and is renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules. Details of the Revised Sales Agreement I have been disclosed in the Company's announcement dated 13 February 2012.

As further disclosed in the Company's announcement dated 13 February 2012, immediately after discovery of the excess of the annual cap for the transactions under the Sales Agreement I for the year ended 31 December 2011, the Board has taken steps to review all the other continuing connected transactions of the Group. The Board confirms that all of the continuing connected transactions, other than those under the Sales Agreement I, have been in full compliance with the conditions of the waiver granted by the Stock Exchange as disclosed in the Prospectus. To ensure that none of the continuing connected transactions will exceed their respective annual caps in the future, the Board has also requested the relevant purchase and sales departments of the Group to monitor the amount of all the connected transactions of the Group on a monthly basis and to report the same to the chief executive officer of the Company.

(b) *The Sales Agreement II and the Revised Sales Agreement II regarding sales of DTY and FDY to Fujian Baikai Wrap Knitting Industry Co., Ltd.* (福建省百凱經編實業有限公司) ("Baikai Wrap Knitting") by Billion Fujian*

On 31 March 2011, Billion Fujian entered into a sales agreement (the "Sales Agreement II") with Baikai Wrap Knitting, pursuant to which Billion Fujian agreed to sell DTY and FDY to Baikai Wrap Knitting for a term of three years from 1 January 2011 to 31 December 2013. The prices for the sales of DTY and FDY to Baikai Wrap Knitting were agreed between Billion Fujian and Baikai Wrap Knitting from time to time after arm's length negotiations and were comparable to market prices of similar products that Billion Fujian sold to other independent customers. Details of the Sales Agreement II have been disclosed in the Prospectus.

Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Wrap Knitting and is the sole director of Baikai Wrap Knitting. Accordingly, Baikai Wrap Knitting is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

The annual cap for the transaction under the Sales Agreement II for the year ended 31 December 2011 was RMB118,000,000. During the year ended 31 December 2011, the aggregate amount of the transactions under the Sales Agreement II was approximately RMB117,731,000, which was within the annual cap of RMB118,000,000. However, as disclosed in the Company's announcement dated 13 February 2012, in anticipation of the continuing increase in selling price and sales volume of the relevant products to Baikai Wrap Knitting in the coming two years, the Board expects that the transaction amounts under the Sales Agreement II for each of the two years ending 31 December 2012 and 2013 will exceed the respective annual caps as set out in such agreement. Therefore, on 10 February 2012, Billion Fujian and Baikai Wrap Knitting entered into a revised sales agreement (the "Revised Sales Agreement II"), which increased the annual caps for the transactions thereunder for each of the two years ending 31 December 2012 and 2013 to RMB183,400,000 and RMB218,700,000, respectively, representing an increase of approximately 52.8% and 77.8% as compared to the corresponding annual caps as set out in the Sales Agreement II. To avoid unnecessary administrative costs and inconvenience in the future, the parties also set out the annual cap for the transactions thereunder for the year ending 31 December 2014 in the Revised Sales Agreement II, which will be RMB255,600,000. The Revised Sales Agreement II will become effective upon approval by the independent shareholders of the Company at the EGM, to terminate the Sales Agreement II with retrospective effect from 1 January 2012 and is for a term of three years from 1 January 2012 to 31 December 2014 and is renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules. Details of the Revised Sales Agreement II have been disclosed in the Company's announcement dated 13 February 2012.

(c) *The Sales Agreement III and the Revised Sales Agreement III regarding sales of semi-dull PET chips, POY and spin finish oil to Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.* (福建百凱紡織化纖實業有限公司) ("Baikai Textile") by Billion Fujian*

On 31 March 2011, Billion Fujian entered into a sales agreement (the "Sales Agreement III") with Baikai Textile, pursuant to which Billion Fujian agreed to sell semi-dull PET chips, POY and spin finish oil to Baikai Textile for a term of three years from 1 January 2011 to 31 December 2013. The prices for the sales of semi-dull PET chips, POY and spin finish oil to Baikai Textile were agreed between Billion Fujian and Baikai Textile from time to time after arm's length negotiations and were comparable to market prices of similar products that Billion Fujian sold to other independent customers. Details of the Sales Agreement III have been disclosed in the Prospectus.

Baikai Textile is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Textile and is the sole director of Baikai Textile. Accordingly, Baikai Textile is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

The annual cap for the transaction under the Sales Agreement III for the year ended 31 December 2011 was RMB175,000,000. During the year ended 31 December 2011, the aggregate amount of the transactions under the Sales Agreement III was approximately RMB150,774,000, which was within the annual cap of RMB175,000,000. However, as disclosed in the Company's announcement dated 13 February 2012, in anticipation of the increase in selling price of the relevant products to Baikai Textile in the coming two years, the Board expects that the transaction amounts under the Sales Agreement III for each of the two years ending 31 December 2012 and 2013 will exceed the respective annual caps as set out in such agreement. Therefore, on 10 February 2012, Billion Fujian and Baikai Textile entered into a revised sales agreement (the "Revised Sales Agreement III"), which increased the annual caps for the transactions thereunder for each of the two years ending 31 December 2012 and 2013 to RMB194,200,000 and RMB216,400,000, respectively, representing an increase of approximately 6.1% and 12.7% as compared to the corresponding annual caps as set out in the Sales Agreement III. To avoid unnecessary administrative costs and inconvenience in the future, the parties also set out the annual cap for the transactions thereunder for the year ending 31 December 2014 in the Revised Sales Agreement III, which will be RMB245,000,000. The Revised Sales Agreement III will become effective upon approval by the independent shareholders of the Company at the EGM, to terminate the Sales Agreement III with retrospective effect from 1 January 2012 and is for a term of three years from 1 January 2012 to 31 December 2014 and is renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules. Details of the Revised Sales Agreement III have been disclosed in the Company's announcement dated 13 February 2012.

(d) *The Sales Agreement IV and the Revised Sales Agreement IV regarding sales of DTY to Fujian Baikai Zipper Dress Co., Ltd.* (福建省百凱拉鏈服飾有限公司) ("Baikai Zipper") by Billion Fujian*

On 31 March 2011, Billion Fujian entered into a sales agreement (the "Sales Agreement IV") with Baikai Zipper, pursuant to which Billion Fujian agreed to sell DTY to Baikai Zipper for a term of three years from 1 January 2011 to 31 December 2013. The prices for the sales of DTY to Baikai Zipper were agreed between Billion Fujian and Baikai Zipper from time to time after arm's length negotiations and were comparable to market prices of similar products that Billion Fujian sold to other independent customers. Details of the Sales Agreement IV have been disclosed in the Prospectus.

Baikai Zipper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Zipper and is the sole director of Baikai Zipper. Accordingly, Baikai Zipper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

The annual cap for the transaction under the Sales Agreement IV for the year ended 31 December 2011 was RMB8,000,000. During the year ended 31 December 2011, the aggregate amount of the transactions under the Sales Agreement IV was approximately RMB7,999,000, which was within the annual cap of RMB8,000,000. However, as disclosed in the Company's announcement dated 13 February 2012, in anticipation of the increase in selling price of the relevant products to Baikai Zipper in the coming two years, the Board expects that the transaction amounts under the Sales Agreement IV for each of the two years ending 31 December 2012 and 2013 will exceed the respective annual caps as set out in such agreement. Therefore, on 10 February 2012, Billion Fujian and Baikai Zipper entered into a revised sales agreement (the "Revised Sales Agreement IV"), which increased the annual caps for the transactions thereunder for each of the two years ending 31 December 2012 and 2013 to RMB9,000,000 and RMB9,600,000, respectively, representing an increase of approximately 12.5% and 20.0% as compared to the corresponding annual caps as set out in the Sales Agreement IV. To avoid unnecessary administrative costs and inconvenience in the future, the parties also set out the annual cap for the transactions thereunder for the year ending 31 December 2014 in the Revised Sales Agreement IV, which will be RMB10,300,000. The Revised

Sales Agreement IV will become effective upon approval by the independent shareholders of the Company at the EGM, to terminate the Sales Agreement IV with retrospective effect from 1 January 2012 and is for a term of three years from 1 January 2012 to 31 December 2014 and is renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules. Details of the Revised Sales Agreement IV have been disclosed in the Company's announcement dated 13 February 2012.

Aggregation of the transactions under the Sales Agreement I, the Sales Agreement II, the Sales Agreement III and the Sales Agreement IV

As disclosed in the Prospectus, having considered that the products to be provided by Billion Fujian under the transactions with Baikai Elastic Weaving, Baikai Wrap Knitting, Baikai Textile and Baikai Zipper are of the same nature and the relevant counter parties are controlled by the same ultimate shareholder, namely Mr. Lin, the sales arrangements under the Sales Agreement I, the Sales Agreement II, the Sales Agreement III and the Sales Agreement IV are aggregated under Rule 14A.25 of the Listing Rules.

(2) The Purchase and Processing Agreements I and the Revised Purchase and Processing Agreements I

The Purchase Agreement I, the Revised Purchase Agreement I, the Processing Agreement I and the Revised Processing Agreement I regarding provision of paper boxes and rolls and related processing services by Fujian Baikai Paper Co., Ltd. (福建百凱紙品有限公司) ("Baikai Paper") to Billion Fujian*

On 31 March 2011, Billion Fujian entered into a purchase agreement (the "Purchase Agreement I") with Baikai Paper, pursuant to which Baikai Paper agreed to provide paper boxes and rolls to Billion Fujian for a term of three years from 1 January 2011 to 31 December 2013. On the same day, Billion Fujian entered into a processing agreement (the "Processing Agreement I") with Baikai Paper, pursuant to which Baikai Paper agreed to provide processing services related to paper boxes and rolls to Billion Fujian for a term of three years from 1 January 2011 to 31 December 2013. The prices for the provision of paper boxes and rolls and related processing services were agreed between Billion Fujian and Baikai Paper from time to time after arm's length negotiations and were comparable to market prices of similar products and services that Billion Fujian paid to other independent suppliers. Details of the Purchase Agreement I and the Processing Agreement I have been disclosed in the Prospectus.

Baikai Paper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Paper and is a director of Baikai Paper. Accordingly, Baikai Paper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

The aggregated annual cap for the transaction under the Purchase Agreement I and the Processing Agreement I for the year ended 31 December 2011 was RMB96,000,000. During the year ended 31 December 2011, the aggregate amount of the transactions under the Purchase Agreement I and the Processing Agreement I was approximately RMB93,170,000, which was within the aggregated annual cap of RMB96,000,000. However, as disclosed in the Company's announcement dated 13 February 2012, the Board expects that the transaction amounts under the Purchase Agreement I and the Processing Agreement I for each of the two years ending 31 December 2012 and 2013 will exceed the respective annual caps as set out in such agreements due to the anticipated increase in the price of, and the demand for the products and services by Billion Fujian under such agreements as well as the expansion of product type and related services to be provided by Baikai Paper to Billion Fujian. Therefore, on 10 February 2012, Billion Fujian and Baikai Paper entered into a revised purchase agreement (the "Revised Purchase Agreement I") and a revised processing agreement (the "Revised Processing Agreement I") , which increased the aggregated annual caps for the transactions thereunder for each of the two years ending 31 December 2012 and 2013 to RMB287,700,000 and RMB395,000,000, respectively, representing an increase of approximately 139.8% and 132.4% as compared to the corresponding aggregated annual caps as set out in the Purchase Agreement I and the Processing Agreement I. To avoid unnecessary administrative costs and inconvenience in the future, the parties also set out the aggregated annual cap for the transactions thereunder for the year ending 31 December 2014 in the Revised Purchase Agreement I and the Revised Processing Agreement I, which will be RMB465,900,000. Each of the Revised Purchase Agreement I and the Revised Processing Agreement I will become effective upon approval by the independent shareholders of the Company at the EGM, to terminate each of the Purchase Agreement I and the Processing Agreement I with retrospective effect from 1 January 2012 and is for a term of three years from 1 January 2012 to 31 December 2014 and is renewable for a further term of three years at the option of Billion Fujian subject to compliance with applicable requirements of the Listing Rules. Details of the Revised Purchase Agreement I and the Revised Processing Agreement I have been disclosed in the Company's announcement dated 13 February 2012.

Confirmations from the independent non-executive Directors and auditors of the Company

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions under the Sales Agreement I, the Sales Agreement II, the Sales Agreement III, the Sales Agreement IV, the Purchase Agreement I and the Processing Agreement I and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) either (a) on normal commercial terms; or (b) where there is no available comparable terms, on terms no less favorable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them (except that, as disclosed in the Company's announcement dated 13 February 2012, the actual transaction amount for the year ended 31 December 2011 under the Sales Agreement I exceeded the annual cap for the year ended 31 December 2011 as set out in the Sales Agreement I) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures on the continuing connected transactions under the Sales Agreement I, the Sales Agreement II, the Sales Agreement III, the Sales Agreement IV, the Purchase Agreement I and the Processing Agreement I. Based on the work performed, the auditors of the Company provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions (except that, as disclosed in the Company's announcement dated 13 February 2012, the actual transaction amount for the year ended 31 December 2011 under the Sales Agreement I exceeded the annual cap for the year ended 31 December 2011 as set out in the Sales Agreement I); and

(iv) did not exceed the annual cap amounts for the year ended 31 December 2011 (except that, as disclosed in the Company's announcement dated 13 February 2012, the actual transaction amount under the Sales Agreement I exceeded the annual cap for the year ended 31 December 2011 as set out in the Sales Agreement I).

(B) Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 25 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described above in the paragraphs headed "(A) Connected Transactions - Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Directors' interests in contracts of significance

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

Deed of non-competition

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

Use of net proceeds from the initial public offering

The shares of the Company were listed on 18 May 2011 on the Main Board of the Stock Exchange. The total net proceeds from the listing which involved the issue of 574,750,000 ordinary shares of HK$0.01 each of the Company amounted to approximately RMB2,451,639,000. During the period between the Listing Date and 31 December 2011, the net proceeds from the listing were utilized in the manners as set out in the section headed "Management Discussion and Analysis" in this annual report and were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float required under the Listing Rules throughout the period between the Listing Date and 31 December 2011.

Code on Corporate Governance Practices

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure a high standard of corporate governance is maintained. The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. The Company had complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 31 December 2011. The Group's principal corporate governance practices are set out on pages 25 to 31 of this annual report.

Audit committee

The audit committee of the Board had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2011. The financial statements had been agreed with external auditors of the Company.

Auditors

The consolidated financial statements for the year ended 31 December 2011 have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of KPMG as the auditors of the Company is to be proposed at the AGM.

Dividend

The Board has recommended the payment of a final dividend of HK cents 12.2 per share of the Company for the year ended 31 December 2011. The proposed final dividend, if approved by the shareholders at the Annual General Meeting, will be paid to the shareholders whose names appear on the register of members of the Company on 18 April 2012.

Closure of register of members

The register of members of the Company will be closed from Monday, 16 April 2012 to Wednesday, 18 April 2012, both days inclusive, during which period no transfer of shares will be registered. In order to quality for to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 April 2012.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Friday, 20 April 2012, to shareholders whose names appear on the register of members of the Company on Wednesday, 18 April 2012.

On behalf of the Board

Sze Tin Yau
Chairman

Hong Kong, 28 February 2012

Independent Auditor's Report

Independent auditor's report to the shareholders of Billion Industrial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Billion Industrial Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 115, which comprise the consolidated and Company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 February 2012

Consolidated Income Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Revenue	3	**6,053,645**	4,309,731
Cost of sales		**(4,729,557)**	(3,678,783)
Gross profit		**1,324,088**	630,948
Other revenue	4	**58,149**	35,073
Other net gain	5	**33,577**	21,287
Selling and distribution expenses		**(31,412)**	(26,580)
Administrative expenses		**(267,818)**	(91,049)
Profit from operations		**1,116,584**	569,679
Finance costs	6(a)	**(34,854)**	(32,227)
Profit before taxation	6	**1,081,730**	537,452
Income tax	7	**(178,223)**	(91,493)
Profit for the year		**903,507**	445,959
Earnings per share			
Basic and diluted (RMB)	11	**0.43**	0.26

The notes on pages 63 to 115 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 22(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011 RMB'000	2010 RMB'000
Profit for the year	**903,507**	445,959
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside the Mainland China	**(44,440)**	–
Total comprehensive income for the year	**859,067**	445,959

The notes on pages 63 to 115 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		**2,548,810**	2,286,023
– Construction in progress		**547,703**	28,235
– Interests in leasehold land held for own use under operating leases		**193,575**	171,632
		3,290,088	2,485,890
Deposits and prepayments	15	**452,340**	12,587
Deferred tax assets	20(b)	**49**	–
		3,742,477	2,498,477
Current assets			
Inventories	14	**595,501**	404,834
Trade and other receivables	15	**1,120,575**	953,897
Restricted bank deposits	16	**698,968**	527,403
Cash and cash equivalents	17	**1,093,282**	151,392
		3,508,326	2,037,526
Current liabilities			
Trade and other payables	18	**1,274,472**	1,472,982
Bank loans	19	**484,043**	383,161
Current taxation	20(a)	**60,541**	27,531
		1,819,056	1,883,674
Net current assets		**1,689,270**	153,852
Total assets less current liabilities		**5,431,747**	2,652,329

Consolidated Statement of Financial Position (Continued)

At 31 December 2011

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Non-current liabilities			
Bank loans	19	**235,496**	121,059
Long term loans	21	**–**	116,011
Deferred tax liabilities	20(b)	**80,636**	59,720
		316,132	296,790
NET ASSETS		**5,115,615**	2,355,539
CAPITAL AND RESERVES			
Capital	22	**19,333**	1,787,457
Reserves		**5,096,282**	568,082
TOTAL EQUITY		**5,115,615**	2,355,539

Approved and authorised for issue by the Board of Directors on 28 February 2012.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 63 to 115 form part of these financial statements.

Statement of Financial Position

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Investments in subsidiaries	13	**–**	–
Current assets			
Trade and other receivables	15	**2,085,280**	2,222
Cash and cash equivalents	17	**40,586**	–
		2,125,866	2,222
Current liabilities			
Trade and other payables	18	**2,514**	11,065
		2,514	11,065
Total assets less current liabilities		**2,123,352**	(8,843)
NET ASSETS/(LIABILITIES)		**2,123,352**	(8,843)
CAPITAL AND RESERVES	22		
Capital		**19,333**	–
Reserves		**2,104,019**	(8,843)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		**2,123,352**	(8,843)

Approved and authorised for issue by the Board of Directors on 28 February 2012.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 63 to 115 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Paid-in capital/ Share capital note 22(c)(i) RMB'000	Share premium note 22(d)(i) RMB'000	Capital reserve note 22(d)(iii) RMB'000	Exchange reserve note 22(d)(iv) RMB'000	Statutory reserve note 22(d)(ii) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2010		1,681,672	–	15,950	–	28,396	255,567	1,981,585
Changes in equity for 2010:								
Profit for the year		–	–	–	–	–	445,959	445,959
Total comprehensive income		–	–	–	–	–	445,959	445,959
Profit distribution prior to the listing	22(b)(ii)	–	–	–	–	–	(180,014)	(180,014)
Capital injection prior to the listing		105,785	–	2,224	–	–	–	108,009
Appropriation to statutory reserve		–	–	–	–	44,596	(44,596)	–
Balance at 31 December 2010 and 1 January 2011		**1,787,457**	**–**	**18,174**	**–**	**72,992**	**476,916**	**2,355,539**
Changes in equity for 2011:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**903,507**	**903,507**
Other comprehensive income		**–**	**–**	**–**	**(44,440)**	**–**	**–**	**(44,440)**
Total comprehensive income		**–**	**–**	**–**	**(44,440)**	**–**	**903,507**	**859,067**
Profit distribution prior to the listing	22(b)(ii)	**–**	**–**	**–**	**–**	**–**	**(324,569)**	**(324,569)**
Elimination of paid-in capital on reorganisation	22(c)(ii)	**(1,787,457)**	**–**	**1,787,457**	**–**	**–**	**–**	**–**
Issue of shares upon reorganisation	22(c)(iii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capitalisation issue	22(c)(iii)	**14,522**	**(14,522)**	**–**	**–**	**–**	**–**	**–**
Share issue under placing and public offering, net of issuing expenses	22(c)(iv)	**4,811**	**2,446,828**	**–**	**–**	**–**	**–**	**2,451,639**
Dividends declared in respect of the current year	22(b)(i)	**–**	**(226,061)**	**–**	**–**	**–**	**–**	**(226,061)**
Appropriation to statutory reserve		**–**	**–**	**–**	**–**	**90,245**	**(90,245)**	**–**
Balance at 31 December 2011		**19,333**	**2,206,245**	**1,805,631**	**(44,440)**	**163,237**	**965,609**	**5,115,615**

The notes on pages 63 to 115 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash generated from/(used in) operations	17(b)	**831,587**	(7,666)
PRC income tax paid		**(124,346)**	(28,890)
Net cash generated from/ (used in) operating activities		**707,241**	(36,556)
Investing activities			
Payment for purchase of property, plant and equipment		**(789,663)**	(38,655)
Expenditure on construction in progress		**(754,536)**	(48,681)
Payment for interests in leasehold land held for own use under operating lease		**(25,081)**	(32,697)
Proceeds from disposal of property, plant and equipment		**137**	2,816
Interest received		**14,893**	14,110
Decrease in advances to third parties		**–**	33,531
(Increase)/decrease in pledged bank deposits		**(171,565)**	97,284
Net (advances to)/repayment from related parties		**(2,915)**	60,834
Net cash (used in)/generated from investing activities		**(1,728,730)**	88,542

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2011

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Financing activities			
Proceeds from issue of shares, net of issuing expenses		**2,451,639**	–
Proceeds from capital injection		**–**	105,785
Proceeds from new bank loans		**1,111,205**	1,347,601
Repayment of bank loans		**(859,887)**	(1,282,148)
Interest paid		**(26,709)**	(29,253)
Repayment of loan to third parties		**(116,011)**	–
Profit distributions prior to the listing		**(324,569)**	(180,014)
Dividend paid to equity shareholder of the Company		**(226,061)**	–
Net cash generated from/ (used in) financing activities		**2,009,607**	(38,029)
Net increase in cash and cash equivalents		**988,118**	13,957
Cash and cash equivalents at 1 January		**151,392**	137,542
Effect of foreign exchange rate changes		**(46,228)**	(107)
Cash and cash equivalents at 31 December		**1,093,282**	151,392

1 Significant accounting policies

(a) Statement of compliance

Billion Industrial Holdings Limited ("the Company") was incorporated in Cayman Islands on 25 November 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together related to as "the Group") are principally engaged in manufacture and sales of polyester filament fiber products. Pursuant to the completion of reorganisation, the Company became the holding company of its subsidiaries now comprising Group, in preparing for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the reorganisation. The shares of the Company have been listed on the Main Board of Stock Exchange since 18 May 2011.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the derivative financial instruments (see note 1(e)) that are stated at their fair value as explained in the accounting policies set out below.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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 recognised in the period in which the estimate is 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 statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK (IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK (IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to HK (IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 23 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries

Subsidiaries are entities 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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

1 Significant accounting policies (continued)

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

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(t)).

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 recognised 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 except the commercial building situated in Hong Kong with useful life of 40 years.

– 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.

1 Significant accounting policies (continued)

(g) 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 statement of financial position at cost less impairment losses (see note 1(i)). 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(t)).

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

(h) 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 recognised 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 amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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 reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised 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 these 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 recognised, 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 recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised 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 recognised in profit or loss.

(ii) Impairment of other assets

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under operating leases;

– construction in progress; and

– investments in subsidiaries.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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 recognised 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 recognised 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 favourable 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 recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

(j) Inventories

Inventories are carried at the lower of cost and net realisable 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 realisable 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 recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), 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.

(l) Interest-bearing borrowings

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

1 Significant accounting policies (continued)

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) 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.

(o) 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.

(p) 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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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 end of reporting period, 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.

1 Significant accounting policies (continued)

(p) Income tax (continued)

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 utilised, are recognised. 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 utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 Significant accounting policies (continued)

(p) Income tax (continued)

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 Company or 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 realise 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised 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.

1 Significant accounting policies (continued)

(r) 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 recognised in profit or loss as follows:

(i) Sale of Goods

Revenue is recognised 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 recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position 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 recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(s) 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 end of the reporting period. Exchange gains and losses are recognised 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

1 Significant accounting policies (continued)

(t) 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation 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. Capitalisation 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.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has significant influence over the Group; or
- (ii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) Both entities are joint ventures of the same third party.
- (iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (iv) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (v) The entity is controlled or jointly controlled by a person identified in (a).
- (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

1 Significant accounting policies (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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 Significant accounting estimates and judgements

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of 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 recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. 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, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period.

2 Significant accounting estimates and judgements (continued)

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(d) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

3 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 recognised in revenue during the year is as follows:

	2011 **RMB'000**	2010 RMB'000
Domestic sales	**5,463,552**	3,893,166
Export sales	**590,093**	416,565
	6,053,645	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 31 December 2011 and 2010.

4 Other revenue

	2011 **RMB'000**	2010 RMB'000
Bank interest income	**36,832**	16,802
Government grants	**15,129**	3,355
Sales of raw materials	**6,188**	14,916
	58,149	35,073

During the year, government grants of RMB15,129,000 (2010: RMB3,355,000) 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.

5 Other net gain

	2011 **RMB'000**	2010 RMB'000
Net gain on disposal of property, plant and equipment	**54**	386
Donation	**(488)**	(175)
Net exchange gain	**32,138**	22,560
Net gain/(loss) on financial liabilities at a fair value through profit or loss	**1,095**	(2,870)
Others	**778**	1,386
	33,577	21,287

6 Profit before taxation

Profit before taxation is arrived at after charging:

		2011 RMB'000	2010 RMB'000
(a)	**Finance costs:**		
	Interest on bank advances and other borrowings	**29,683**	17,940
	Other interest expense	**5,171**	14,287
		34,854	32,227
(b)	**Staff costs (including directors' remuneration in note 8):**		
	Contributions to defined contribution retirement plans	**1,413**	555
	Salaries, wages and other benefits	**103,780**	83,335
		105,193	83,890
(c)	**Other items:**		
	Amortisation of interests in leasehold land held for own use under operating lease	**3,138**	3,134
	Depreciation**	**148,217**	132,882
	Auditors' remuneration	**2,374**	2,859
	Operating lease charges in respect of properties	**995**	360
	Research and development costs*	**195,902**	51,755
	Cost of inventories**	**4,729,557**	3,678,783

* Research and development costs include RMB37,109,000 (2010: RMB33,388,000) 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 6(b) for each of these types of expenses.

** Cost of inventories include RMB182,303,000 (2010:RMB169,822,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2011 **RMB'000**	2010 RMB'000
Current tax-PRC Income Tax		
Provision for the year	**157,356**	48,036
Deferred tax		
Origination and reversal of temporary differences	**20,867**	43,457
	178,223	91,493

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

	2011 **RMB'000**	2010 RMB'000
Profit before taxation	**1,081,730**	537,452
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**272,659**	134,363
Tax effect of non-deductible expenses	**11,020**	24,923
Tax concessions (note (iii))	**(105,456)**	(67,793)
Actual tax expenses	**178,223**	91,493

7 Income tax in the consolidated income statement (continued)

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

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years ended 31 December 2011 and 2010.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance note, the subsidiary in the Mainland China-Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd. * (福建百宏聚纖科技實業有限公司) ("Billion Fujian") was granted the Advanced and New Technology Enterprise Status in 2009 for a valid period of 3 years from 2009 to 2011 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the 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% for 2010 and at 15% for 2011. From October 2012 onwards, Billion Fujian is subject to PRC income tax at 15% if the Advanced and New Technology Enterprise Status can continually be maintained.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the subsidiary in the Mainland China – Fujian Billion High-tech Material Industrial Co., Ltd* (福建百宏高新材料實業有限公司) ("Billion High-tech") is subject to PRC income tax rate at 25% from 1 January 2011 onwards.

* The English translation of the name is for reference only. The official name of the entity is in Chinese.

(Expressed in Renminbi unless otherwise indicated)

8 Directors' remuneration

Directors' remuneration is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2011 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	**–**	**1,497**	**–**	**10**	**1,507**
Mr. Wu Jinbiao	**–**	**1,298**	**–**	**10**	**1,308**
Mr. Wu Jianshe	**–**	**898**	**–**	**10**	**908**
Mr. He Wenyao	**–**	**799**	**–**	**10**	**809**
Independent non-executive directors					
Mr. Yeung Chi Tat	**120**	**–**	**–**	**–**	**120**
Ms. Zhu Meifang	**57**	**–**	**–**	**–**	**57**
Mr. Ma Yuliang	**57**	**–**	**–**	**–**	**57**
Total	**234**	**4,492**	**–**	**40**	**4,766**

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2010 Total 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

9 Individual with highest emoluments

On the five individuals with the highest emoluments, four (2010: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2010: one) individual are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**865**	317
Retirement scheme contributions	**10**	–
	875	317

The emoluments of the one (2010: one) individual with the highest emoluments are with the following bands:

	2011 Number of individuals	2010 Number of individuals
HK$ Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB20,033,000 (2010: RMB8,843,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 22(b).

(Expressed in Renminbi unless otherwise indicated)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB903,507,000 (2010: RMB445,959,000) and the weighted average of 2,083,272,000 ordinary shares (2010: 1,724,250,000 shares after adjusting for issues upon reorganisation and capitalisation issue in 2011) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011	2010
Effect of issue upon legal establishment (note 22(c)(i))	**2**	2
Effect of issue of shares upon reorganisation (note 22(c)(iii))	**198**	198
Effect of capitalisation issue (note 22(c)(iii))	**1,724,249,800**	1,724,249,800
Effect of shares issued upon placing and public offering (note 22(c)(iv))	**359,022,000**	–
Weighted average number of ordinary shares	**2,083,272,000**	1,724,250,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2010 has been adjusted for the 1,724,250,000 shares issued pursuant to the capitalisation issue (see note (22(c)(iii))), which was assumed to occur at 1 January 2010.

There were no dilutive potential ordinary shares during the years ended 31 December 2011 and 2010, and therefore, diluted earnings per share is the same as the basic earnings per share.

12 Fixed Assets

The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor Vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2010	705,600	1,654,897	257,662	22,151	2,640,310	36,094	150,021	2,826,425
Addition	–	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 31 December 2010	767,361	1,688,825	265,582	28,928	2,750,696	28,235	188,018	2,966,949
Accumulated depreciation and amortisation:								
At 1 January 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 31 December 2010	(94,592)	(302,115)	(54,217)	(13,749)	(464,673)	–	(16,386)	(481,059)
Net book value:								
At 31 December 2010	672,769	1,386,710	211,365	15,179	2,286,023	28,235	171,632	2,485,890

(Expressed in Renminbi unless otherwise indicated)

12 Fixed Assets (continued)

The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor Vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2011	767,361	1,688,825	265,582	28,928	2,750,696	28,235	188,018	2,966,949
Addition	51,330	269,495	8,221	22,612	351,658	578,897	25,081	955,636
Transfers	59,429	-	-	-	59,429	(59,429)	-	-
Disposals	-	-	-	(313)	(313)	-	-	(313)
At 31 December 2011	878,120	1,958,320	273,803	51,227	3,161,470	547,703	213,099	3,922,272
Accumulated depreciation and amortisation:								
At 1 January 2011	(94,592)	(302,115)	(54,217)	(13,749)	(464,673)	-	(16,386)	(481,059)
Charge for the year	(20,191)	(102,229)	(22,233)	(3,564)	(148,217)	-	(3,138)	(151,355)
Written back on disposals	-	-	-	230	230	-	-	230
At 31 December 2011	(114,783)	(404,344)	(76,450)	(17,083)	(612,660)	-	(19,524)	(632,184)
Net book value:								
At 31 December 2011	763,337	1,553,976	197,353	34,144	2,548,810	547,703	193,575	3,290,088

(a) Interests in leasehold land held for own use under operating leases represent land use right in the PRC. As at 31 December 2011, the remaining period of the land use rights ranged from 45 to 49 years.

(b) As at 31 December 2011, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB25,081,000 (2010: RMB37,564,000) from the relevant PRC government authorities.

12 Fixed Assets (continued)

The analysis of net book value of properties is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
In Hong Kong		
– medium-term leases	**50,514**	–
Outside Hong Kong		
– medium-term leases	**906,398**	844,401
	956,912	844,401
Representing:		
Land and buildings held for own use	**763,337**	672,769
Interests in leasehold land held for own use under operating leases	**193,575**	171,632
	956,912	844,401

(Expressed in Renminbi unless otherwise indicated)

13 Investments in subsidiaries

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**–**	–

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

			Proportion of equity interest attributable to the Company			
Name of company	**Place of incorporation/ establishment and operation**	**Particular of issued and fully paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Billion Industrial Investment Limited	BVI	US$1	100%	100%	–	Investment holding
Billion Development (Hong Kong) Limited ("Billion Development")	Hong Kong Special Administrative Region of the PRC ("Hong Kong")	HK$1	100%	–	100%	Investment holding
Billion Fujian (note (i))	PRC	US$389,156,000	100%	–	100%	Manufacturing and sales of polyester filament fibre products
Treasure Full Global Industrial Limited ("Treasure Full")	BVI	US$1	100%	–	100%	Investment holding
Billion High-tech (note (i))	PRC	US$28,407,000	100%	–	100%	Manufacturing and sales of polyester thin film products

Note:

(i) These entities are wholly foreign owned enterprises established in the PRC with limited liability.

14 Inventories

	The Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**257,168**	202,052
Work in progress	**43,955**	31,279
Finished goods	**294,378**	171,503
	595,501	404,834

15 Trade and other receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors and bills receivable	**443,838**	507,793	**–**	–
Deposits, prepayments and other receivables				
– Subsidiary	**–**	–	**2,085,268**	–
– Others	**1,129,077**	458,691	**12**	2,222
	1,572,915	966,484	**2,085,280**	2,222
Less: non-current portion of deposits and prepayments	**(452,340)**	(12,587)	**–**	–
	1,120,575	953,897	**2,085,280**	2,222

All of the current trade and other receivables are expected to be recovered or recognised as expenses within one year.

Amount due from a subsidiary was unsecured, interest free and had no fixed repayment terms.

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

15 Trade and other receivables (continued)

(a) Aging analysis

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 end of reporting period:

	The Group	
	2011	2010
	RMB'000	RMB'000
Current	**430,985**	494,668
Less than 1 month past due	**3,925**	12,445
More than 1 month but less than 3 months past due	**8,299**	4
More than 3 months but less than 1 year past due	**7**	659
More than 1 year	**622**	17
	12,853	13,125
	443,838	507,793

Trade debtors are due within 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).

(b) Trade debtors and bills receivable that are not impaired

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 at 31 December 2011 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.

16 Restricted bank deposits

The restricted bank deposits of RMB698,968,000 (2010: RMB527,403,000) were pledged to the banks to secure certain bank bills payable and bank loans (see notes 18 and 19).

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Deposit with banks and other financial institutions	**584,726**	–	**40,535**	–
Cash at bank and in hand	**508,556**	151,392	**51**	–
Cash and cash equivalents in the statement of financial position	**1,093,282**	151,392	**40,586**	–

At 31 December 2011, cash at bank balances were placed with banks in the PRC amounted to RMB370,364,000 (2010: RMB130,468,000) respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

17 Cash and cash equivalents (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2011 RMB'000	2010 RMB'000
Profit before taxation		**1,081,730**	537,452
Adjustments for:			
– Interest income	4	**(36,832)**	(16,802)
– Net gain on disposal of property, plant and equipment	5	**(54)**	(386)
– Net (gain)/loss on financial liabilities at fair value through profit or loss	5	**(1,095)**	2,870
– Finance costs	6(a)	**34,854**	32,227
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	**3,138**	3,134
– Depreciation	6(c)	**148,217**	132,882
– Foreign exchange gain		**(32,138)**	(18,693)
		1,197,820	672,684
(Increase)/decrease in inventories		**(190,667)**	123,076
Increase in trade and other receivables		**(147,649)**	(472,428)
Decrease in amounts due to related parties-trade		**–**	(152)
Decrease in trade and other payables		**(27,917)**	(330,846)
Cash generated from/(used in) operations		**831,587**	(7,666)

18 Trade and other payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors and bills payable	**924,279**	872,738	**–**	–
Other payables and accrued charges				
– related companies	–	2,915	**–**	–
– others	**119,201**	96,331	**2,514**	11,065
Equipment payables	**11,560**	9,812	**–**	–
Construction payables	**60,634**	236,273	**–**	–
Receipts in advance				
– others	**155,499**	250,519	**–**	–
	1,271,173	1,468,588	**2,514**	11,065
Derivative financial liabilities				
– forward exchange contracts	**2,228**	1,538	**–**	–
– interest rate swaps	**1,071**	2,856	**–**	–
	3,299	4,394	**–**	–
	1,274,472	1,472,982	**2,514**	11,065

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

Bills payable as at the end of the reporting period was secured by restricted bank deposits as disclosed in note 16.

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 end of reporting period:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**788,083**	733,200
More than 3 months but within 6 months	**127,331**	132,078
More than 6 months but within 1 year	**1,921**	604
More than 1 year	**6,944**	6,856
	924,279	872,738

19 Bank loans

At 31 December 2011, the bank loans were repayable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 1 year or on demand	**484,043**	383,161
After 1 year but within 2 years	**214,823**	121,059
After 2 years but within 5 years	**5,810**	–
After 5 years	**14,863**	–
	235,496	121,059
	719,539	504,220

At 31 December 2011, the bank loans were secured as follows:

	2011	2010
	RMB'000	RMB'000
Bank loans		
– secured	**689,539**	504,220
– unsecured	**30,000**	–
	719,539	504,220

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

	2011	2010
	RMB'000	RMB'000
Fixed assets	**50,514**	–
Pledged account receivables	**7,429**	6,769
Restricted bank deposits	**658,330**	523,900
	716,273	530,669

Further details of the Group's interest rate risk are set out in note 23(c) and management of liquidity risk are set out in note 23(b).

20 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2011 **RMB'000**	2010 RMB'000
Provision for the year	**157,356**	48,036
Tax paid	**(124,346)**	(28,890)
	33,010	19,146
Balance of tax provision relating to prior years	**27,531**	8,385
	60,541	27,531

(b) Deferred tax (assets)/liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Pre-operating expense RMB'000	**Depreciation and amortisation of fixed assets** RMB'000	**Tax credit of purchase of domestic equipment** RMB'000	**Others** RMB'000	**Total** RMB'000
Deferred tax arising from:					
At 1 January 2010	–	42,235	(19,757)	(6,215)	16,263
Charged/(credited) to profit or loss	–	24,274	19,757	(574)	43,457
At 31 December 2010	–	66,509	–	(6,789)	59,720
At 1 January 2011	–	66,509	–	(6,789)	59,720
Charged/(credited) to profit or loss	(49)	21,714	–	(798)	20,867
At 31 December 2011	(49)	88,223	–	(7,587)	80,587

20 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax (assets)/liabilities recognised: (continued)

Reconciliation to the statements of financial position

	2011 RMB'000	2010 RMB'000
Net deferred tax asset recognised in the statement of financial position	**(49)**	–
Net deferred tax liability recognised in the statement of financial position	**80,636**	59,720
	80,587	59,720

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB28,876,000 (2010: RMB8,843,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

As at 31 December 2011, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in the Mainland China amounted to RMB983,163,000 (2010: RMB484,876,000). Deferred tax liabilities of RMB49,158,000 (2010: RMB24,244,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the Mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

21 Long term loans

In December 2010, the Company borrowed loans from two third party individuals. The loans were unsecured, bear interest at 5.56% per annum and repaid in June 2011.

22 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the date of incoporation and the end of the year are set out below:

The Company

	Note	Share capital note 22(c)(i) RMB'000	Share premium note 22(d)(i) RMB'000	Exchange reserve note 22(d)(iv) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 25 November 2010 (date of incorporation)		–	–	–	–	–
Changes in equity for 2010:						
Total comprehensive income for the period		–	–	–	(8,843)	(8,843)
Balance at 31 December 2010 and 1 January 2011		**-**	**-**	**-**	**(8,843)**	**(8,843)**
Changes in equity for 2011:						
Total comprehensive income for the year		**-**	**-**	**(73,350)**	**(20,033)**	**(93,383)**
Issue of shares upon reorganisation	22(c)(iii)	**-**	**-**	**-**	**-**	**-**
Capitalisation issue	22(c)(iii)	**14,522**	**(14,522)**	**-**	**-**	**-**
Share issue under placing and public offering, net of issuing expenses	22(c)(iv)	**4,811**	**2,446,828**	**-**	**-**	**2,451,639**
Dividends declared in respect of the current year	22(b)	**-**	**(226,061)**	**-**	**-**	**(226,061)**
Balance at 31 December 2011		**19,333**	**2,206,245**	**(73,350)**	**(28,876)**	**2,123,352**

(Expressed in Renminbi unless otherwise indicated)

22 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011 **RMB'000**	2010 RMB'000
Interim dividend declared and paid of HK11.99 cents per ordinary share	**226,061**	–
Final dividend proposed after the end of the reporting period of HK12.2 cents per ordinary share	**226,448**	–
	452,509	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends declared and paid to Billion Wise Industrial Limited ("Billion H.K.") prior to the completion of reorganisation on 17 February 2011:

During the year ended 31 December 2010, Billion Fujian declare and paid dividends of RMB 180,014,000 to Billion H.K., original immediate holding company of Billion Fujian, prior to the completion of the reorganisation.

On 10 January 2011, Billion Fujian also declared a dividend of RMB324,569,000 for the distributable profits generated for the year ended 31 December 2010. This dividend was paid to Billion H.K. on 17 January 2011.

(Expressed in Renminbi unless otherwise indicated)

22 Capital, reserves and dividends (continued)

(c) Share capital:

(i) Authorised and issue share capital

	Par value HK$	Number of shares	Nominal value of ordinary shares HK$
Authorised			
At 25 November 2010 and 1 January 2011	0.01	38,000,000	380,000
Increase in share capital on 31 March 2011	0.01	9,962,000,000	99,620,000
At 31 December 2011	0.01	10,000,000,000	100,000,000

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$	HK$	HK$	RMB
Issued and fully paid:					
At 25 November 2010 and 1 January 2011		0.01	2	0.02	0.02
Issue of shares upon reorganisation	22(c)(iii)	0.01	198	1.98	1.67
Capitalisation issue	22(c)(iii)	0.01	1,724,249,800	17,242,498	14,522,494
Issue of shares under placing and public offering	22(c)(iv)	0.01	574,750,000	5,747,500	4,810,772
At 31 December 2011		0.01	2,299,000,000	22,990,000	19,333,268

The Company was incorporated on 25 November 2010 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Pursuant to the resolutions in writing of the shareholders of the Company passed on 31 March 2011, the authorised share capital of the Company was increased to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

22 Capital, reserves and dividends (continued)

(c) Share capital: (continued)

(ii) Elimination of paid-in capital on reorganisation

Share capital presented in the consolidated statement of changes in equity at 1 January 2011 and 31 December 2010 represented the combined amount of paid-in capital of the entities comprising the Group.

On 24 January 2011, Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K. entered into an equity transfer agreement pursuant to which Billion H.K. agreed to transfer its entire equity interests in Billion Fujian to Billion Development and as a consideration for such transfer, Mr. Sze Tin Yau and Mr. Wu Jinbiao agreed to procure the Company to allot and issue 99 shares, credited as fully paid, to each of the two immediately holding companies of the Company. Upon completion of the equity transfer on 17 February 2011, the Company became the ultimate parent company of Billion Fujian and the issued share capital of RMB1,787,457,000 of Billion Fujian (that comprised the share capital of the Group before such transaction) was deducted from share capital presented in the consolidated statement of changes in equity with a corresponding credit to capital reserve for the transfer of share capital.

(iii) Issue of shares upon reorganisation and capitalisation issue

On 17 March 2011, the Company issued 198 ordinary shares at par for cash to broaden the capital base of the Company.

Pursuant to the written resolution on 31 March 2011, the Company allotted and issued 1,724,249,800 shares of HK$0.01 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's public offering and pursuant to this resolution, a sum of HK$17,242,498 (equivalent to RMB14,522,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

(iv) Issue of shares under placing and public offering

On 18 May 2011, the Company issued 574,750,000 shares with a par value of HK$0.01 each, at a price of HK$5.18 per share by way of a placing and public offering to Hong Kong and overseas investors. Net proceeds from such issues amounted to HK$2,929,243,000, equivalent to RMB2,451,639,000, (after offsetting expenses directly attributable to the issue of shares of RMB40,341,000), out of which RMB4,811,000 and RMB2,446,828,000 were recorded in share capital and share premium respectively.

22 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves:

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company as at 31 December 2011 was HK$2,596,168,000 (2010: Nil).

(ii) 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 utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary.

(iii) Capital reserve

The capital reserve in the consolidated statement of financial position at 1 January 2011 mainly represents premium received from capital injection which are required to be included in their reserves by the PRC regulations.

Addition for the year ended 31 December 2011 represented the transfer of entire equity interests in Billion Fujian from Billion H.K. to Billion Development at nil consideration (see note 22(c)(iii)).

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the Mainland China.

22 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves: (continued)

(v) 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 its 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. As at 31 December 2011 and 2010, the Group's debt ratio, being the Group's total liabilities over its total assets, was 29.4% and 48.1% respectively.

23 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency, risks arise 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 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.

23 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Trade and other receivables (continued)

At the end of the reporting period, the Group has a certain concentration of credit risk as 50% and 66% (2010: 38% and 51%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers, offered with credit terms, respectively as at 31 December 2011. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

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 consolidated statement of financial position after deducting any impairment allowance. 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 management and directors when the borrowings exceed 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.

23 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the respective end of the reporting period 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 end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position RMB'000
Bank loans	484,043	228,741	8,454	17,679	738,917	719,539
Trade creditors and bills payable	924,279	–	–	–	924,279	924,279
Other payables and accrued charges	274,700	–	–	–	274,700	274,700
Equipment payables	11,560	–	–	–	11,560	11,560
Construction payables	60,634	–	–	–	60,634	60,634
Interest rate swaps (net settled)	1,071	–	–	–	1,071	1,071
	1,756,287	228,741	8,454	17,679	2,011,161	1,991,783
Derivatives settled gross						
– outflow	(116,015)	–	–	–	(116,015)	
– inflow	115,083	–	–	–	115,083	

23 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	As at 31 December 2010 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount in the consolidated statement of financial position 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
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 recognised in the Group's profit and loss accounts. The Group did not apply hedge accounting in respect of the interest rate swaps. At 31 December 2011 and 2010, the Group had interest rate swaps with a notional contract amount of US$26,155,000 (equivalent to RMB164,777,000) and US$41,877,000 (equivalent to RMB277,339,000) respectively.

23 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at 31 December			
	2011		2010	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	**3.58% to 6.70%**	**422,781**	2.86% to 3.79%	226,880
Pledge bank deposits	**2.50% to 4.40%**	**(698,968)**	1.98% to 2.79%	(527,403)
		(276,187)		(300,523)
Variable rate borrowings/ (deposits):				
Bank loans	**2.27% to 5.70%**	**296,758**	1.69% to 2.99%	277,339
Cash and cash equivalent	**0.50%**	**(1,093,282)**	0.36%	(130,468)
		(796,524)		146,871
Total net deposits		**(1,072,711)**		(153,652)

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately RMB7,827,000 (2010: decreased/increased the Group's profit after taxation and retained profits by approximately RMB1,285,000).

23 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the respective end of the reporting period 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 end of the reporting period. In respect of the exposure to cash flow, interest rate risk arising from floating rate non-derivative held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. This analysis has been performed in the same basis for 2010.

(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.

23 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than Renminbi which is the functional currency of Billion Fujian and Billion High-tech. 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 (expressed in Renminbi)
As at 31 December

	2011				2010			
	USD RMB'000	**HKD RMB'000**	**EUR RMB'000**	**CHF RMB'000**	USD RMB'000	HKD RMB'000	EUR RMB'000	CHF RMB'000
Trade and other receivables	**110,794**	**–**	**7,165**	**–**	117,524	–	1,000	–
Cash at bank and in hand	**19,903**	**48,824**	**4**	**–**	4,382	3	–	–
Trade and other payables	**(149,833)**	**–**	**(840)**	**(545)**	(211,961)	–	(1,880)	(580)
Bank loans	**(665,758)**	**–**	**–**	**–**	(504,220)	–	–	–
Gross exposure arising from recognised assets and liabilities	**(684,894)**	**48,824**	**6,329**	**(545)**	(594,275)	3	(880)	(580)
Notional principal amounts of forward contracts	**(116,015)**	**–**	**–**	**–**	(64,840)	–	–	–
Net exposure arising from recognised assets and liabilities	**(800,909)**	**48,824**	**6,329**	**(545)**	(659,115)	3	(880)	(580)

23 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

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 recognised in the Group's profit and loss accounts. The settlement dates of the forward exchange contracts held by the Group as at 31 December 2011 are from 9 February 2012 to 1 August 2012 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 at 31 December			
	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**5%**	**(34,039)**	5%	(28,836)
	(5%)	**34,039**	(5%)	28,836
HKD	**5%**	**2,075**	5%	–
	(5%)	**(2,075)**	(5%)	–
EUR	**5%**	**269**	5%	(39)
	(5%)	**(269)**	(5%)	39
CHF	**5%**	**(23)**	5%	(25)
	(5%)	**23**	(5%)	25

Results of the analysis as presented in the above table represent the instantaneous effects on the Group's profit after taxation measured in Renminbi at the exchange rates ruling at the end of the reporting period for presentation purposes.

23 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

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 end of the reporting period. 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 for 2010.

(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 end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised 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

31 December 2011	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Liabilities			
Derivative financial instruments			
– Forward exchange contracts	**–**	**2,228**	**–**
– Interest rate swaps	**–**	**1,071**	**–**
	–	**3,299**	**–**

23 Financial risk management and fair values (continued)

(e) Fair values (continued)

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

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

(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 end of the reporting period, 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 end of the reporting period.

(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 31 December 2011 and 31 December 2010 to discount the derivatives and loans and borrowings. The interest rates used are 0.57%-2.21% and 0.30%-2.20% as at 31 December 2011 and 31 December 2010 respectively.

(Expressed in Renminbi unless otherwise indicated)

24 Commitments

(a) Capital commitments of the Group in respect of fixed assets outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Authorised but not contracted for	**550,921**	–
Authorised and contracted for	**1,543,640**	29,155
	2,094,561	29,155

(b) At 31 December 2011, the Group's total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2011	2010
	RMB'000	RMB'000
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**2,610**	2,970
	4,410	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 Material related party transactions

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

Name of related party	Relationship
Billion H.K.	Billion H.K. was wholly-owned by Mr Sze Tin Yau and Mr. Wu Jinbiao
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd. ("Hengxinglong Polyester") (note (i))福建省晉江市恒興隆化纖絛綸有限公司	Mr. Wu Qingshun, the son of Mr. Wu Jianshe, is the controlling shareholder of Hengxinglong Polyester
Mr. Sze Tin Yau	Controlling Shareholder of the Company
Mr. Wu Jinbiao	Controlling Shareholder of the Company
Mr. Wu Jianshe	Director of the Company

Notes:

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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2011 **RMB'000**	2010 RMB'000
Short-term employee benefits	**6,617**	2,991
Post-employment benefits	**58**	200
	6,675	3,191

Total remuneration is disclosed in "staff costs" (see note 6(b)).

25 Material related party transactions (continued)

(b) Transactions with related parties

The Group entered into the following significant related party transactions during the year:

	2011 RMB'000	2010 RMB'000
Sales of goods		
Hengxinglong Polyester	**2,027**	2,001

Notes:

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

(c) Balances with related parties

At the end of the year, the Group had the following balances with related parties:

(i) Amounts due to related parties

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Non-trade related		
Billion H.K.(note (i))	**–**	2,915

Note:

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

26 Jointly controlling parties

At 31 December 2011, the directors consider the jointly controlling parties of the Group were Kingom Power Limited and Winwett Investments Limited, which are incorporated in the BVI. Neither of them produce financial statements available for public use.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and Interpretations and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

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.

Financial Summary

	For the year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,053,645**	4,309,731	2,963,098	2,113,614
Cost of sales	**(4,729,557)**	(3,678,783)	(2,713,454)	(1,989,150)
Gross profit	**1,324,088**	630,948	249,644	124,464
Profit before taxation	**1,081,730**	537,452	128,374	72,401
Income tax	**(178,223)**	(91,493)	(26,978)	(15,677)
Profit for the year	**903,507**	445,959	101,396	56,724

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**3,508,326**	2,037,526	1,866,806	1,869,712
Non-current assets	**3,742,477**	2,498,477	2,490,325	2,473,132
Total assets	**7,250,803**	4,536,003	4,357,131	4,342,844
Current liabilities	**1,819,056**	1,883,674	2,243,272	2,351,710
Non-current liabilities	**316,132**	296,790	132,274	116,011
Total liabilities	**2,135,188**	2,180,464	2,375,546	2,467,721
Net assets	**5,115,615**	2,355,539	1,981,585	1,875,123
Share capital/paid-in capital	**19,333**	1,787,457	1,681,672	1,678,088
Reserves	**5,096,282**	568,082	299,913	197,035
Total equity	**5,115,615**	2,355,539	1,981,585	1,875,123

The financial information for each of the three years ended 31 December 2008, 2009 and 2010 has been prepared upon the Reorganisation as if the group structure, at the time when the Shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for each of the three years ended 31 December 2008, 2009 and 2010, and the assets and liabilities as at 31 December 2008, 2009 and 2010 have been extracted from the Prospectus.