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

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
Stock Code 股份代號: 2299

INTERIM REPORT
中期報告 2012

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 30 June 2012, the designed capacity of FDY and POY of the Group was 475,000 tons per year (TPY), while that of DTY was 399,000 TPY. The combined designed capacity of DTY, FDY and POY was 874,000 TPY.

In August 2011, Billion started to expand into the production of polyester thin films, and will gradually commence operation in 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.

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 Province
PRC

LEGAL ADVISERS

As to Hong Kong Law:
Orrick, Herrington & Sutcliffe

As to PRC Law:
Tian Yuan Law Firm

AUDITOR

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 Hightlights

	For the six months ended 30 June		
	2012	2011	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Operational Results			
Revenue	**2,972,444**	2,969,223	+0.1%
Gross profit	**612,589**	636,241	-3.7%
Profit from operations	**503,565**	560,008	-10.1%
Profit for the period	**393,875**	448,878	-12.3%

	As at 30 June		
	2012	2011	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Financial Position			
Non-current assets	**4,610,840**	2,916,864	+58.1%
Current assets	**3,122,299**	4,149,909	-24.8%
Non-current liabilities	**284,973**	232,457	+22.6%
Current liabilities	**2,176,918**	1,916,525	+13.6%
Net current assets	**945,381**	2,233,384	-57.7%
Total equity	**5,271,248**	4,917,791	+7.2%
Earnings per Share (RMB)	**0.17**	0.24	
Interim dividend (HK cent) *(Note 1)*	**10.50**	11.99	
Key Ratio Analysis			
Gross profit margin	**20.6%**	21.4%	
Operating profit margin	**16.9%**	18.9%	
Net profit margin	**13.3%**	15.1%	
Returns on equity *(Note 2)*	**7.5%**	9.1%	
Current ratio *(Note 3)*	**1.43**	2.17	
Gearing ratio *(Note 4)*	**46.7%**	43.7%	

Notes:

1: The interim dividend of HK10.50 cents per share in cash will be paid on or about 27 September 2012

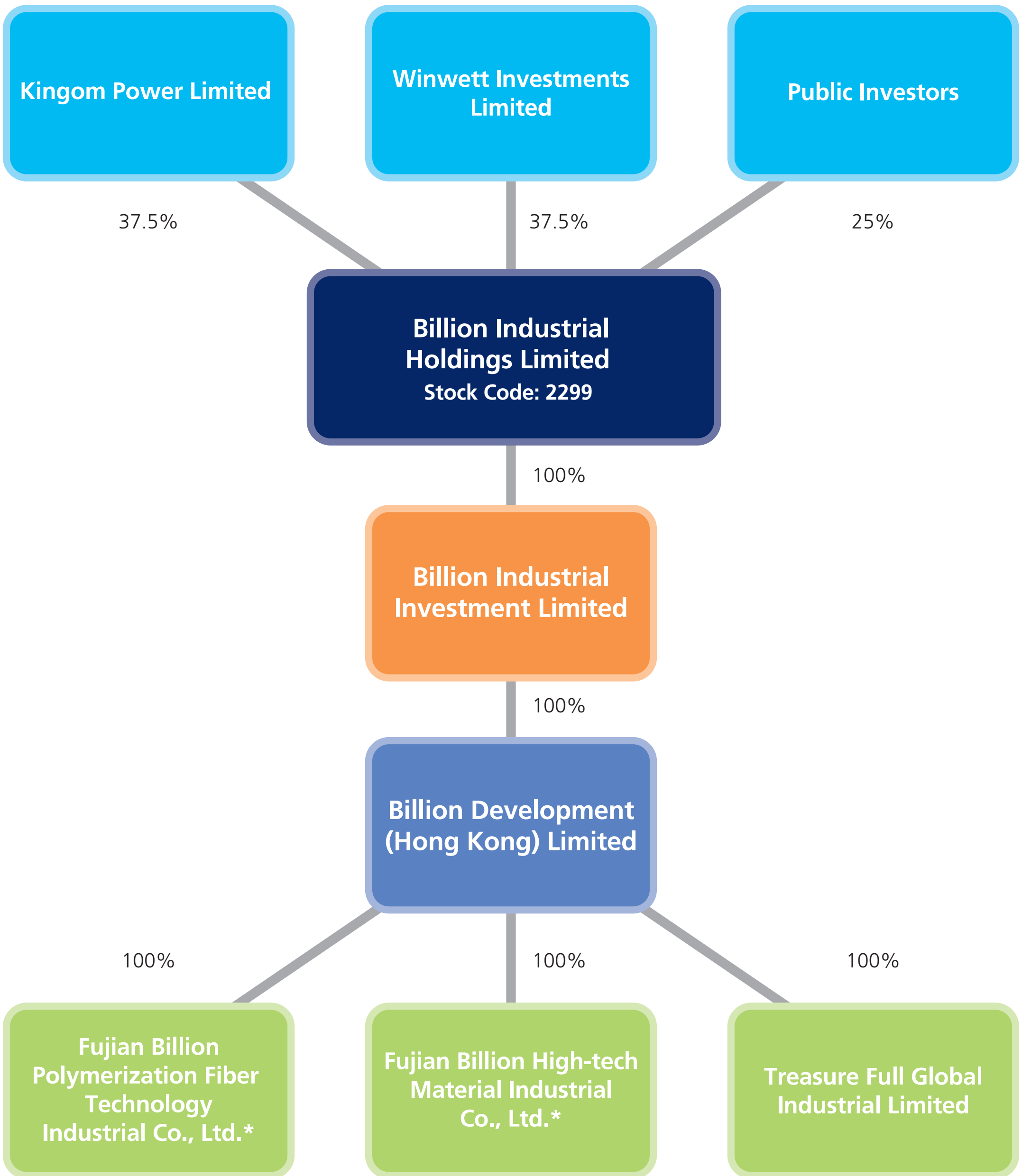
2: Returns on equity: Profit for the period divided by total equity

3: Current ratio: Current assets divided by current liabilities

4: Gearing ratio: Total liabilities divided by total equity

Corporate Structure

As at 30 June 2012



			Place of incorporation	Place of operation
Note:	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.

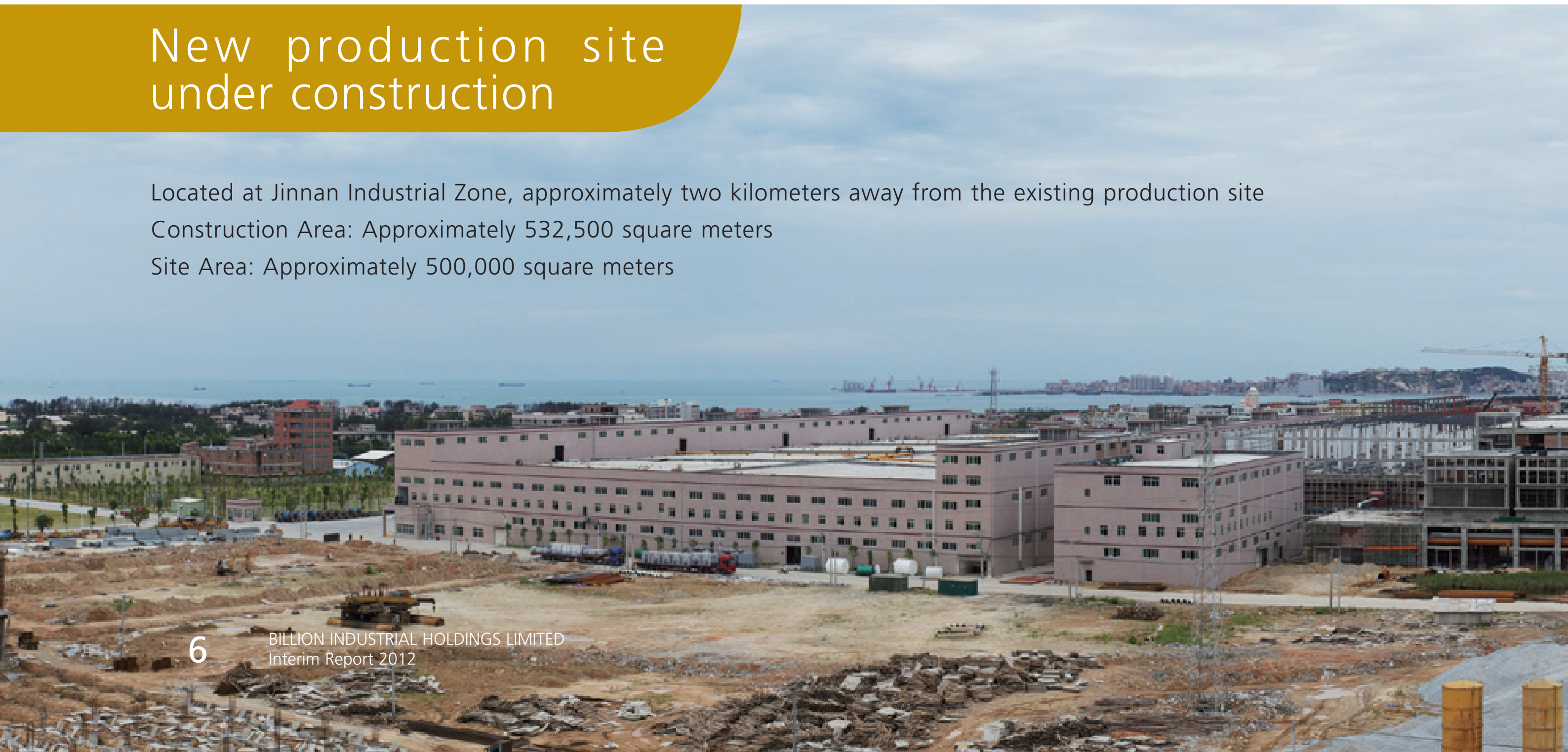
Production Sites

As at 22 July 2012

Existing production site

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

New production site under construction



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:**		
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	FDY+POY : 785,000 TPY
DTY : 350,000 TPY	DTY : 493,000 TPY	DTY : 493,000 TPY	DTY : 493,000 TPY
	BOPET : 36,500 TPY	BOPET : 36,500 TPY	BOPET : 182,500 TPY
			BOPET Chips : 72,500 TPY

Management Discussion and Analysis



I. CHANGES IN GLOBAL AND CHINA'S ECONOMIC ENVIRONMENT

In the first half of 2012, the recovery of the global economy remained uncertain as it was still affected by the European debt crisis. However, we did see signs of economic recovery although the growth in the U.S. has been slower than expected.

While adjusting its economic structure, the economic growth of China has further slowed down in the first half of 2012, but it still remains at a rapid and stable pace measured by international standard. With weaker demand from foreign markets, domestic demand has evidently become more important in supporting China's economic growth. Growth in domestic consumer demand continued and we also saw rapid growth of retail sales of consumer products in second and third tier cities.

II. INDUSTRY REVIEW

In terms of raw material, the price of purified terephthalic acid (PTA) has been in a downward trend in the first half of 2012 on the back of decreasing crude oil price and further production capacity expansion in China. We believe that the further expansion of PTA production capacity in China and our growing volumes of raw material procurement will increase our bargaining power with our suppliers, enabling us to source raw materials at more favorable prices.

With the decline in the prices of raw materials and further drop in the price of cotton with a substitute effect, profit in the chemical fiber industry were further squeezed. Although the profitability of regular polyester filament yarns suffered a decline, the differentiated products still maintained certain profit margin.

With respect to the downstream textile and apparel market, the export value of textile and apparel fluctuated in the first half of 2012 as a result of global economic uncertainty, while the domestic market maintained a stable growth. In addition to the weakening overseas demand, exports of textile products were also affected by the weakening competitiveness to some emerging markets such as Bengal, Vietnam, and India due to rapidly increasing labor costs in China.

In China, biaxially-oriented polyethylene terephthalate (BOPET) products are still new to the market. Though it is a segment of the polyester industry, its profitability remains at a relatively high level. The Company is confident of the growth potential and profitability of its BOPET business.

III. BUSINESS REVIEW

Actively Expand to Emerging Markets while Maintain Stable Sales in Domestic Market

Due to the volatility in raw materials price, some of our clients reduced their inventory level in the first half of the year to lower their risk. The decrease of average selling prices of the products slightly exceeded the decrease of raw material prices, resulting in a decline of the overall profit margin in the industry. However, our sales volumes increased despite the drop in sales price. At the same time, the overall profitability of the Company also remained stable due to our long term investment in research and development and our marketing efforts in promoting differentiate products. In the first half of 2012, our differentiated products contributed to 67.6% of our total revenues. This higher proportion of differentiated products ensured us the bargaining power in the market, and it was one of the main reasons that we maintained a relative stable gross and net profit margin.

In the domestic consumption market, although the downstream textile and apparel industry had experienced some fluctuation, the overall supply and demand of the polyester filament yarns in Southern China remained as a supply shortage in the first half of 2012. As of the end of June 2012, the sales volume in the domestic market increased over 15% when compared to the same period last year. In the domestic market, sales revenue in Fujian Province increased slightly. We re-adjusted our market focus in time and shifted more products for selling in the domestic market. Hence, sales from overseas market decreased slightly.

Capacity Expansion on Schedule

As of 30 June 2012, our total designed capacity for FDY and POY was approximately 475,000 TPY and our designed capacity for DTY had increased to approximately 399,000 TPY.

In addition, the construction of a new production site was completed on time and production commenced gradually as scheduled. We expect the total designed capacity of the Group for FDY and POY to reach 580,000 TPY by the end of this year, while the designed capacity for DTY to increase to approximately 493,000 TPY. In addition, by the end of 2013, our total designed capacity for FDY and POY will increase to approximately 785,000 TPY as scheduled.

The Board has approved the investment of approximately RMB1,936,700,000 for the expansion of functional environmentally-friendly BOPET business. The construction of the production facilities for functional environmentally-friendly BOPET is slightly behind schedule due to the earlier start of the rainy season this year. We expect that the trial production of functional environmentally-friendly BOPET will commence by the end of August 2012, with an initial annual production capacity of approximately 36,500 tons. We have started to actively market our functional environmentally-friendly BOPET products and contact some potential customers, and have received positive initial feedback from them. We believe this has laid a good foundation for the future development of this new business line. Our total production capacity of functional environmentally-friendly BOPET was planned to reach 255,000 TPY by 2014 gradually, which will make us the largest functional environmentally-friendly BOPET producer in Southern China and possibly nationwide.

Research and Development

As of 30 June 2012, we owned 34 national patents registered in China and have applied for registration of another 10 patents. With the support of our strong research and development capability, among all patents granted, 26 of our patented products are already in production and selling to our customers. Our expenditure on research and development in the first half of 2012 was RMB97,612,000.

For the first half of 2012, revenue from our differentiated polyester filament yarns was RMB2,010,325,000, representing 67.6% of total revenue. It is expected that the proportion of differentiated products in our total revenue will reach 69% for the year 2012. We believe that our differentiated products with national patents will be well recognized by both the domestic and international markets with highly competitive edge.

IV. FINANCIAL REVIEW

Operational Situation

1. Revenue

In the first half of 2012, revenue of the Group amounted to RMB2,972,444,000 (the first half of 2011: RMB2,969,223,000), representing an increase of 0.1% as compared with the same period last year. The slight increase in sales was attributable to the increase in sales volume during the period. The decrease in the prices of raw material during the period led to a decrease of average selling prices of products within the industry including the products of the Group.

During the period, sales volume was 214,571 tons (the first half of 2011: 193,364 tons), representing an increase of 11% as compared with the same period last year. Since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May last year, the Group has undergone plant construction and has installed more production equipment, as a result, the production capacity was increased during the period which enabled the Group to meet the market demand.

With respect to quantity, as the Group is located in Jinjiang City of Fujian Province, in the vicinity of an area with booming textile industry, despite the economic growth slowed down slightly during the period, the consumer market in the PRC (such as footwear, home furnishings and apparel) was still growing, the demand for the products of the Group was also increasing. Furthermore, the high quality of Group's products is one of the reasons that make them very popular among its customers.

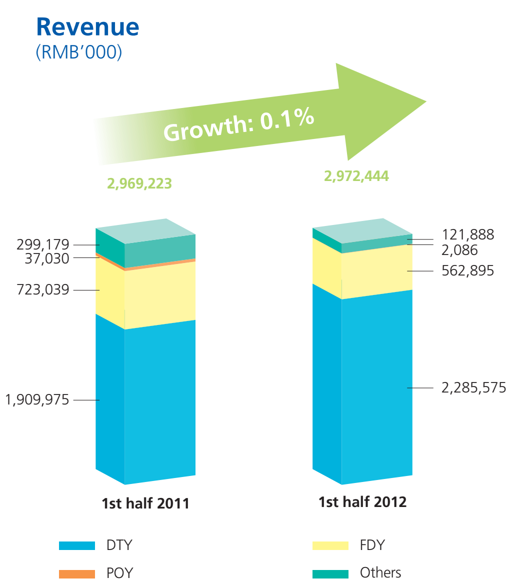
With respect to the selling price, owing to the decrease in the prices of raw materials, the average cost per ton decreased by RMB1,067 from RMB12,065 of the same period last year to RMB10,998 during the period. However, the average selling price per ton of the Group's products decreased by RMB1,503 from RMB15,356 of the same period last year to RMB13,853, which was larger than the decrease in cost. This was attributable to the intense market competition of downstream products and heavy cost pressure. As the Group is at the upstream industry sector, its selling price was adjusted downward. As a result, the revenue of the Group only increased by 0.1% despite of the 11% increase in sales volume.

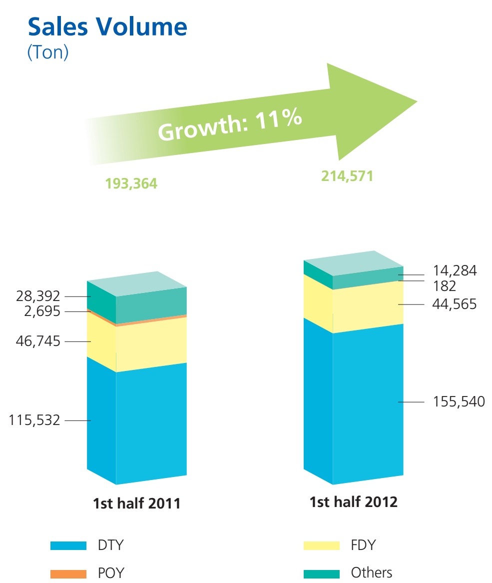
The sales by geographic region were comparable to that of the same period last year. There was a slight increase in sales in our province (i.e. Fujian Province), which resulted a slight decrease in the sales in Guangdong Province and export sales.

Analysis of Revenue and Sales Volume by Products

	Revenue Six months ended 30 June				Sales volume Six months ended 30 June			
	2012		2011		**2012**		2011	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
DTY	**2,285,575**	**76.9%**	1,909,975	64.3%	**155,540**	**72.5%**	115,532	59.7%
FDY	**562,895**	**18.9%**	723,039	24.4%	**44,565**	**20.8%**	46,745	24.2%
POY	**2,086**	**0.1%**	37,030	1.2%	**182**	**0.1%**	2,695	1.4%
Others*	**121,888**	**4.1%**	299,179	10.1%	**14,284**	**6.6%**	28,392	14.7%
Total	**2,972,444**	**100%**	2,969,223	100%	**214,571**	**100%**	193,364	100%

* *Others represent polyethylene terephthalate (PET) chips and wasted filament produced in the process of production.*





Geographic Breakdown of Sales

	Six months ended 30 June			
	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**2,282,451**	**76.8%**	2,152,573	72.5%
Guangdong Province	**355,849**	**12.0%**	392,066	13.2%
Other provinces	**39,715**	**1.3%**	20,019	0.7%
Export sales	**294,429**	**9.9%**	404,565	13.6%
Total	**2,972,444**	**100%**	2,969,223	100%

Note: Regions of export sales mainly include Vietnam, Turkey, Korea, Belgium and Italy.

2. *Cost of Sales*

The cost of sales of the Group in the first half of 2012 was RMB2,359,855,000 (first half of 2011: RMB2,332,982,000), representing an increase of 1.2% as compared with the same period last year.

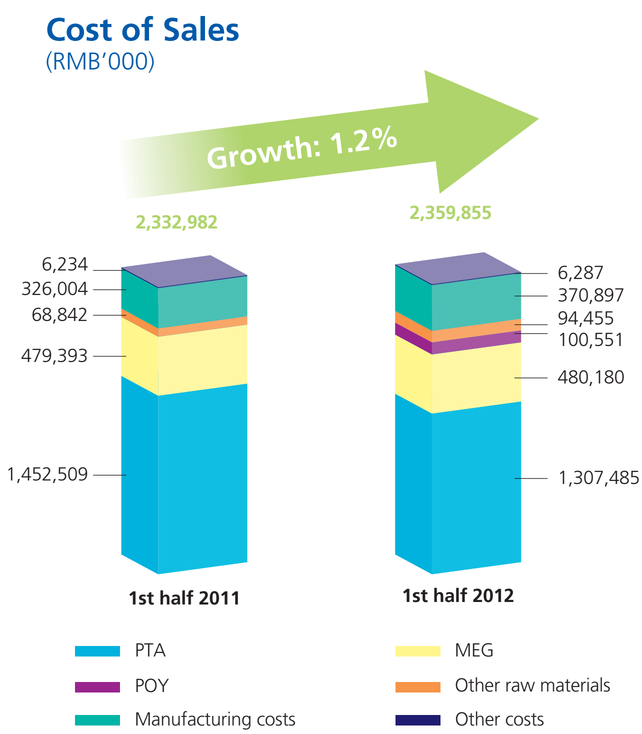
The increase in cost of sales was attributable to the increase in sales volume. Sales volume of the Group during the period was 214,571 tons (the first half of 2011: 193,364 tons), representing an increase of 11% as compared with the same period last year. The average cost per ton decreased by RMB1,067 to RMB10,998 from RMB12,065 of the same period last year, representing a decrease of 8.8%, which was attributable to the decrease in the prices of key raw materials of products, in particular PTA. The prices of PTA and mono ethylene glycol (MEG) were also directly affected by the prices of crude oil, which is the key raw material of PTA and MEG.

As the increase in the production capacity of DTY was faster than that of FDY and POY during the period, the Group is required to source externally 10,411 tons of POY, a major raw material for the production of DTY, to meet the production needs of DTY.

Other raw materials and manufacturing costs increased slightly by RMB127 per ton (accounted for 1.2% of average cost per ton) in total as compared with the same period last year. The increase was mainly attributable to the slight increase in costs of spin finish oil, direct labour wages and other production maintenance.

Analysis of Cost of Sales

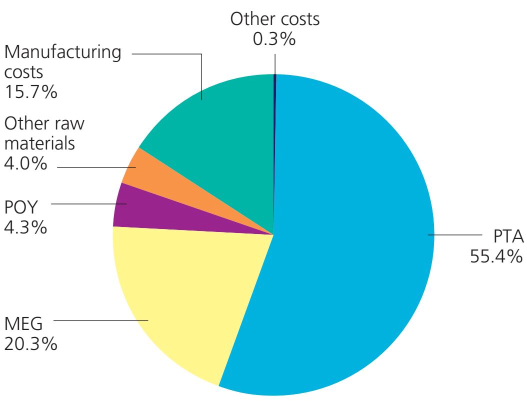
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Cost of raw materials		
PTA	**1,307,485**	1,452,509
MEG	**480,180**	479,393
POY	**100,551**	–
Other raw materials	**94,455**	68,842
	1,982,671	2,000,744
Manufacturing costs	**370,897**	326,004
Other costs	**6,287**	6,234
Total	**2,359,855**	2,332,982



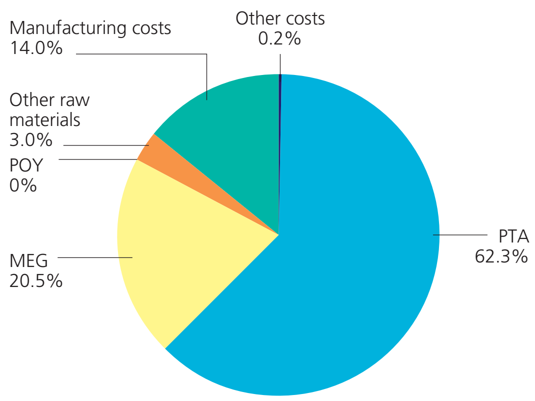
Management Discussion and Analysis

Analysis of Cost of Sales per Ton

	Six months ended 30 June			
	2012		2011	
	RMB	**Percentage**	RMB	Percentage
Cost of raw materials				
PTA	**6,093**	**55.4%**	7,512	62.3%
MEG	**2,238**	**20.3%**	2,479	20.5%
POY	**469**	**4.3%**	–	0%
Other raw materials	**440**	**4.0%**	356	3.0%
	9,240	**84.0%**	10,347	85.8%
Manufacturing costs	**1,729**	**15.7%**	1,686	14.0%
Other costs	**29**	**0.3%**	32	0.2%
Average cost per ton	**10,998**	**100.0%**	12,065	100.0%



1st half 2012



1st half 2011

3. *Gross Profit*

During the period, the gross profit of the Group amounted to RMB612,589,000 (the first half of 2011: RMB636,241,000), representing a decrease of 3.7% as compared with the same period last year. Although sales volume increased by 21,207 tons as compared with the same period last year, average gross profit per ton decreased by RMB436, leading to a decrease of RMB23,652,000 in gross profit as compared with the same period last year. The gross profit margin also decreased from 21.4% in the same period last year to 20.6%, which was attributable to the more competitive business environment during the period as compared with the same period last year, coupled with a greater decline in selling prices than cost of raw materials.

Gross profit margin decreased from 21.4% in the same period last year to 20.6% during the period, representing a decline of 0.8% in gross profit margin, which was primarily attributable to the impact of the following three factors:

(i) Decrease in the price of crude oil (being the key raw material of PTA and MEG, accounted for 75.7% of the cost of sales of the Group) led to the decrease in the prices of PTA and MEG, which in turn resulted in the decrease in the product selling prices of the entire industry;

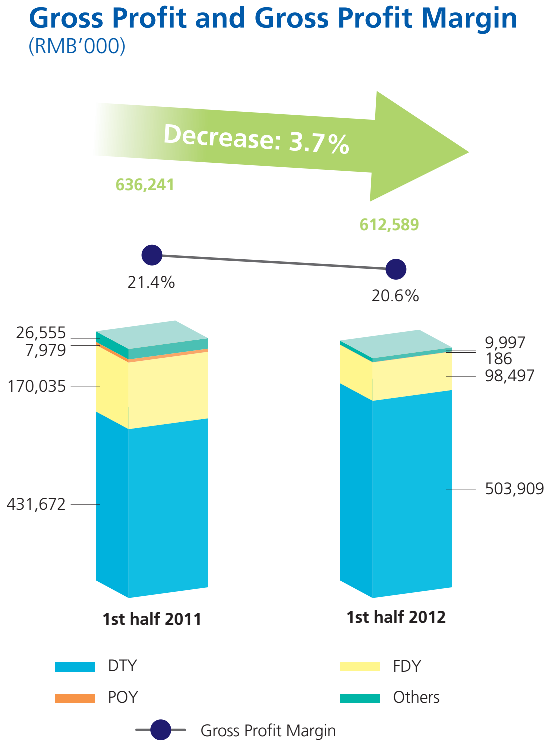
(ii) During the period, market competition of downstream products was intense and textile industry was in a tougher position than that of the same period last year, thus the pressure on the costs of downstream products also exerted pressure on the selling prices of polyester filament yarns; and

(iii) Products of the Group were of high quality and thus the Group possessed stronger bargaining power in selling prices. In addition, the economies of scale resulted from the increase in production volume enabled the Group to reduce its average production cost per ton, thereby minimising the decrease in gross profit margin.

Management Discussion and Analysis

Analysis of Gross Profit by Products

	Six months ended 30 June			
	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
DTY	**503,909**	**82.3%**	431,672	67.9%
FDY	**98,497**	**16.1%**	170,035	26.7%
POY	**186**	**0.0%**	7,979	1.2%
Others	**9,997**	**1.6%**	26,555	4.2%
	612,589	**100.0%**	636,241	100.0%



Average Gross Profit of Product Per Ton

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Average sales price per ton	**13,853**	15,356
Average cost of sales per ton	**10,998**	12,065
Average gross profit per ton	**2,855**	3,291
Average gross profit margin per ton	**20.6%**	21.4%

4. Other Revenue

During the period, other revenue amounted to RMB24,158,000 (the first half year of 2011: RMB34,155,000), representing a decrease of 29.3% as compared with the same period last year. Other revenue includes bank interest income, government grants and gain on disposal of raw materials. Such decrease was primarily attributable to the decrease in the amount of government grants and the projects subsidised as compare with the same period last year. The government grants during the period included sponsorship for patents application, patent awards from Quanzhou Municipal Bureau of Science and Technology and subsidies for export credit insurance premium.

5. Other Net Gain

During the period, other net gain amounted to RMB8,501,000 (the first half year of 2011: RMB12,711,000), representing a decrease of 33.1% as compared with the same period last year. Other net gain mainly comprised of net exchange gain and net gain on financial liabilities at fair value through profit or loss. Such decrease was primarily attributable to the decrease in net exchange gain as compare with the same period last year.

6. Selling and Distribution Expenses

During the period, selling and distribution expenses amounted to RMB16,238,000 (the first half year of 2011: RMB15,272,000), representing an increase of 6.3% as compared with the same period last year. Such costs mainly included transportation cost, travel expenses and wages of our sales staff. Owing to the increase of 11% in sales volume during the period as compared to the same period last year, selling and distribution expenses, such as transportation cost, also increased slightly.

7. Administrative Expenses

During the period, administrative expenses amounted to RMB125,445,000 (the first half year of 2011: RMB107,827,000), representing an increase of 16.3% as compared with the same period last year. Administrative expenses mainly included staff wages, general office expenses, professional and legal fees, depreciation on office equipment and research and development costs. The increase of administrative expenses was primarily attributable to the increase of research and development cost during the period.

During the period, research and development expenses amounted to RMB97,612,000 (the first half year of 2011: RMB67,722,000), representing an increase of 44.1% as compared with the same period last year. Research and development expenses included the wages of our research and development personnel, depreciation of research and development equipment, raw materials consumed and research and development outsourcing expenses paid to Donghua University.

8. Finance Costs

During the period, finance costs amounted to RMB31,276,000 (first half year of 2011: RMB21,415,000), representing an increase of 46.0% as compared with the same period last year. Such increase was attributable to the increase in interest costs as a result of the increase in bank borrowings and discounted bills during the period as compared to the same period last year.

Management Discussion and Analysis

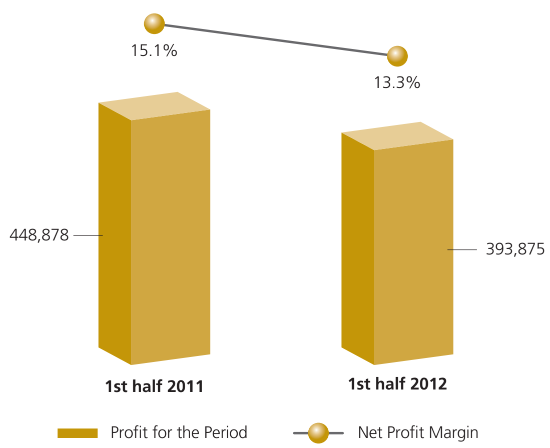
9. Income Tax

During the period, the Group's income tax was RMB78,414,000 (the first half year of 2011: RMB89,715,000), representing a decrease of 12.6% as compared with the same period last year, which was due to the decrease in profit before taxation.

10. Profit for the Period

Profit for the period amounted to RMB393,875,000 (the first half year of 2011: RMB448,878,000), representing a decrease of 12.3% as compared with the same period last year. Net profit margin for the period was 13.3% (the first half year of 2011: 15.1%), representing a decrease of 1.8% in net profit margin as compared with the same period last year. The decrease was mainly due to the decrease in gross profit and increase in research and development expenses.

Profit for the Period and Net Profit Margin
(RMB'000)



Financial Position

1. Liquidity and Capital Resources

As at 30 June 2012, cash and cash equivalent of the Group amounted to RMB748,192,000 (31 December 2011: RMB1,093,282,000), decreased by 31.6%. Such decrease was mainly due to an increase in capital expenditure for the expansion of production capacity of polyester filament yarn and the construction of production facilities for functional environmentally-friendly BOPET during the period.

During the period, net cash inflow from operating activities amounted to RMB401,033,000, net cash outflow used in investing activities amounted to RMB806,668,000, and net cash inflow from financing activities amounted to RMB71,242,000. The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital.

As at 30 June 2012, the Group had capital commitments of RMB1,622,926,000, which was mainly used for the expansion of Group's production capacity of polyester filament yarns and development of functional environmentally-friendly BOPET business.

2. *Capital Structure*

As at 30 June 2012, the total liabilities of the Group amounted to RMB2,461,891,000, and the capital and reserve amounted to RMB5,271,248,000. The gearing ratio (total liabilities divided by total equity) was 46.7%. Bank borrowings of the Group amounted to RMB1,036,304,000, of which RMB844,064,000 were repayable within one year and RMB192,240,000 were repayable after one year. Among the bank borrowings, 80.1% were secured by fixed assets, bills receivable, trade receivables and restricted bank deposits.

Contingent Liabilities

As at 30 June 2012, the Group did not have any contingent liabilities.

Foreign Currency Risk

As substantially all of the Group's revenue, costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. The Group's foreign currency risk exposure was derived from its bank loans and payment for purchasing production equipment denominated in United States Dollars, Hong Kong Dollars and Euro.

Employees and Remuneration

As at 30 June 2012, the Group has a total of 3,449 employees. Remuneration for employees is determined with reference to work performance, professional experiences and the prevailing market practices. The management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, the Group also awards discretionary bonus to certain employees based on their performance.

V. BUSINESS OUTLOOK

The year 2012 is full of challenges for both China and the global economy. We are still facing very acute global economic situation, which will bring a series of uncertainties to our business operation.

Meanwhile, we believe that the domestic market will recover earlier than the overseas market. In the consumer sector, the growth of home furnishings market remains at a relatively high growth level which will further enhance the demand for polyester products. At the same time, as the inventories of textile and apparel companies are depleting, we believe that demand for our products will increase as our customers need to replenish inventories in August and September before the traditional peak season. Looking ahead, we will actively expand ours sales in the emerging overseas markets in addition to continuing expanding our presence in the domestic market. In addition, we believe the BOPET business, a new growth driver for the Company, will better balance our product portfolio, and lower the risk of our industry concentration.

Review Report on the Interim Financial Report

Review report to the board of directors of
Billion Industrial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 41, which comprise the consolidated statement of financial position of Billion Industrial Holdings Limited at 30 June 2012, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting.*

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

20 August 2012

Consolidated Income Statement

for the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Revenue	*4*	**2,972,444**	2,969,223
Cost of sales		**(2,359,855)**	(2,332,982)
Gross profit		**612,589**	636,241
Other revenue	*5*	**24,158**	34,155
Other net gain	*6*	**8,501**	12,711
Selling and distribution expenses		**(16,238)**	(15,272)
Administrative expenses		**(125,445)**	(107,827)
Profit from operations		**503,565**	560,008
Finance costs	*7(a)*	**(31,276)**	(21,415)
Profit before taxation	*7*	**472,289**	538,593
Income tax	*8*	**(78,414)**	(89,715)
Profit for the period		**393,875**	448,878
Earnings per share			
Basic and diluted (RMB)	*10*	**0.17**	0.24

The notes on pages 27 to 41 form part of this interim financial report.
Details of dividend payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit for the period		**393,875**	448,878
Other comprehensive income for the period			
Exchange differences on translation of financial statements of operations outside mainland China		**(10,449)**	(13,696)
Total comprehensive income for the period		**383,426**	435,182

The notes on pages 27 to 41 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*11*	**2,791,458**	2,548,810
– Construction in progress	*12*	**977,059**	547,703
– Interests in leasehold land held for own use under operating leases	*13*	**199,161**	193,575
		3,967,678	3,290,088
Deposits and prepayments	*15*	**642,559**	452,340
Deferred tax assets	*18(b)*	**603**	49
		4,610,840	3,742,477
Current assets			
Inventories	*14*	**695,499**	595,501
Trade and other receivables	*15*	**959,518**	1,120,575
Restricted bank deposits		**719,090**	698,968
Cash and cash equivalents	*16*	**748,192**	1,093,282
		3,122,299	3,508,326
Current liabilities			
Trade and other payables	*17*	**1,288,308**	1,274,472
Bank loans		**844,064**	484,043
Current taxation	*18(a)*	**44,546**	60,541
		2,176,918	1,819,056
Net current assets		**945,381**	1,689,270
Total assets less current liabilities		**5,556,221**	5,431,747

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited (Continued)
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (audited)
Non-current liabilities			
Bank loans		**192,240**	235,496
Deferred tax liabilities	*18(b)*	**92,733**	80,636
		284,973	316,132
NET ASSETS		**5,271,248**	5,115,615
CAPITAL AND RESERVES	*19*		
Share capital		**19,333**	19,333
Reserves		**5,251,915**	5,096,282
TOTAL EQUITY		**5,271,248**	5,115,615

Approved and authorised for issue by the Board of Directors on 20 August 2012.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 27 to 41 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000 19(a)	Share premium RMB'000 19(b)(i)	Statutory reserve RMB'000 19(b)(ii)	Capital reserve RMB'000 19(b)(iii)	Exchange reserve RMB'000 19(b)(iv)	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2011		1,787,457	–	72,992	18,174	–	476,916	2,355,539
Changes in equity for the six months ended 30 June 2011								
Profit distribution prior to the listing		–	–	–	–	–	(324,569)	(324,569)
Elimination of paid-in capital on reorganisation		(1,787,457)	–	–	1,787,457	–	–	–
Issue of shares upon reorganisation	*19(a)(ii)*	–	–	–	–	–	–	–
Capitalisation issue		14,522	(14,522)	–	–	–	–	–
Share issued under placing and public offering, net of issuing expenses		4,811	2,446,828	–	–	–	–	2,451,639
Total comprehensive income for the period		–	–	–	–	(13,696)	448,878	435,182
Balance at 30 June 2011		19,333	2,432,306	72,992	1,805,631	(13,696)	601,225	4,917,791
Balance at 1 January 2012		19,333	2,206,245	163,237	1,805,631	(44,440)	965,609	5,115,615
Changes in equity for the six months ended 30 June 2012								
Dividends approved in respect of the previous year	*9(b)*	–	(227,793)	–	–	–	–	(227,793)
Total comprehensive income for the period		–	–	–	–	(10,449)	393,875	383,426
Balance at 30 June 2012		19,333	1,978,452	163,237	1,805,631	(54,889)	1,359,484	5,271,248

The notes on pages 27 to 41 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Net cash generated from operating activities		**401,033**	475,266
Net cash used in investing activities		**(806,668)**	(627,678)
Net cash generated from financing activities		**71,242**	2,086,488
Net (decrease)/increase in cash and cash equivalents		**(334,393)**	1,934,076
Cash and cash equivalents at 1 January		**1,093,282**	151,392
Effect of foreign exchange rate changes		**(10,697)**	(8,245)
Cash and cash equivalents at 30 June	*16*	**748,192**	2,077,223

The notes on pages 27 to 41 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 20 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 20.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those 2011 annual financial statements in their report dated 28 February 2012.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments are relevant to the Group's current financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the interim financial report are identified from the financial information provided regularly to the Group's most senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented for the Group's business segment as the Group is principally engaged in the manufacturing and sales of polyester filament fiber products in the People's Republic of China (the "PRC").

4 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 is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Domestic sales	**2,678,015**	2,564,658
Export sales	**294,429**	404,565
	2,972,444	2,969,223

The Group's customer base is diversified, no individual customer had transactions which exceeded 10% of the Group's revenue during the period ended 30 June 2012 and 2011.

5 OTHER REVENUE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Bank interest income	**19,615**	12,789
Government grants*	**466**	14,158
Gain on sales of raw materials	**4,077**	7,208
	24,158	34,155

* *Government grants of RMB466,000 and RMB14,158,000 for the six months ended 30 June 2012 and 2011 respectively were received from several local government authorities for the Group's contribution to the local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.*

6 OTHER NET GAIN

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Donations	**(18)**	(15)
Net exchange gain	**3,679**	11,634
Net gain on financial liabilities at a fair value through profit or loss	**4,714**	62
Others	**126**	1,030
	8,501	12,711

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**18,586**	16,263
	Other interest expenses	**12,690**	5,152
		31,276	21,415
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**941**	632
	Salaries, wages and other benefits	**64,911**	47,896
		65,852	48,528
(c)	Other items:		
	Amortisation of interests in leasehold land	**1,751**	1,576
	Depreciation	**78,239**	70,497
	Operating lease charges in respect of properties	**180**	220
	Research and development*	**97,612**	67,722
	Cost of inventories**	**2,359,855**	2,332,982

* *Research and development costs include RMB21,548,000 and RMB16,857,000 for the six months ended 30 June 2012 and 2011 respectively relating to staff costs of employees in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

** *Cost of inventories include RMB104,893,000 and RMB85,672,000 for the six months ended 30 June 2012 and 2011 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.*

8 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**66,871**	79,658
Deferred tax		
Origination and reversal of temporary differences	**11,543**	10,057
	78,414	89,715

(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 each of the six months ended 30 June 2012 and 2011.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance note, a subsidiary in 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 Advanced and New Technology Enterprise status in 2009 for a valid period of three 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. Billion Fujian has lodged application for renewal of Advanced and New Technology Enterprise status and expected to receive the approval by the end of 2012.

Accordingly, Billion Fujian is subject to PRC income tax at 15% for the six months ended 30 June 2012 on a provisional basis before the renewal of the Advanced and New Technology Enterprise status by the end of 2012.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance note, a subsidiary in 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"), which was set up on 1 September 2011, is subject to PRC income tax at 25% from 1 January 2011.

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

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period:

	2012 **RMB'000**	2011 RMB'000
Interim dividend proposed after the interim period of HK10.5 cents per share (2011: HK11.99 cents per share)	**196,790**	226,061

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

(b) Dividends attributable to equity shareholders of the Company in respect of the previous financial year, approved and paid during the period:

	2012 **RMB'000**	2011 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, HK12.20 cents per share (2011: nil)	**227,793**	–

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB393,875,000 (six months ended 30 June 2011: RMB448,878,000) and the weighted average of 2,299,000,000 ordinary shares (2011: 1,863,968,232 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2012 and 2011, and therefore, diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Net book value, at 1 January	**2,548,810**	2,286,023
Additions	**320,887**	351,658
Transfer from construction in progress *(note 12)*	**–**	59,429
Disposals (net carrying amount)	**–**	(83)
Depreciation charge for the period/year	**(78,239)**	(148,217)
At 30 June/31 December	**2,791,458**	2,548,810

12 CONSTRUCTION IN PROGRESS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
At 1 January	**547,703**	28,235
Additions	**429,356**	578,897
Transfer to property, plant and equipment *(note 11)*	**–**	(59,429)
At 30 June/31 December	**977,059**	547,703

13 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Interests in leasehold land held for own use under operating leases represent land use rights in the PRC. At 30 June 2012, the remaining period of the land use rights ranged from 44 to 50 years.

14 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	**226,384**	257,168
Work in progress	**34,508**	43,955
Finished goods	**434,607**	294,378
	695,499	595,501

15 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis, based on the date of billing, as of the end of the reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	**719,550**	430,985
Less than 1 month past due	**3,265**	3,925
More than 1 month but less than 3 months past due	**82**	8,299
More than 3 months but less than 1 year past due	**84**	7
More than 1 year past due	**–**	622
Trade debtors and bills receivable, net of allowance for doubtful debts	**722,981**	443,838
Deposits, prepayments and other receivables	**877,331**	1,129,077
	1,600,312	1,572,915
Less: non-current portion of deposits and prepayments	**642,559**	452,340
	957,753	1,120,575
Derivative financial assets – forward exchange contracts	**1,765**	–
	959,518	1,120,575

15 TRADE AND OTHER RECEIVABLES (Continued)

At 30 June 2012 and 31 December 2011, all of the current trade and other receivables are expected to be recovered or recognised as expenses within one year.

Trade debtors are due within 30 to 180 days from the date of billing, except for those due from related parties which were repayable on demand.

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

Current portion of deposits, prepayments and other receivables mainly represents prepayment on raw materials, interest receivable from deposits with banks and other tax recoverable.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Deposits with banks and other financial institutions	**300,000**	584,726
Cash at bank and in hand	**448,192**	508,556
Cash and cash equivalents in the consolidated statement of financial position	**748,192**	1,093,282

17 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the date of invoice, as of the end of the reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months or on demand	**825,496**	788,083
After 3 months but within 6 months	**15,624**	127,331
After 6 months but within 1 year	**293**	1,921
More than 1 year	**7,033**	6,944
Trade creditors and bills payable	**848,446**	924,279
Other payables and accrual charges	**117,838**	119,201
Equipment payables	**191,024**	11,560
Construction payables	**20,501**	60,634
Interests in leasehold land	**6,159**	–
Receipts in advance	**103,990**	155,499
Financial liabilities measured at amortised cost	**1,287,958**	1,271,173
Derivative financial liabilities		
– Interest rate swaps	**350**	1,071
– Forward exchange contracts	**–**	2,228
	1,288,308	1,274,472

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

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Provision of PRC income tax	**44,546**	60,541

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Deferred tax assets arising from Billion High-tech:		
– Pre-operating expense	**(603)**	(49)
Deferred tax liabilities arising from Billion Fujian:		
– Depreciation and amortisation of fixed assets	**101,356**	88,223
– Others	**(8,623)**	(7,587)
	92,733	80,636

(c) Deferred tax assets not recognised

At 30 June 2012, the Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB34,443,000 (31 December 2011: RMB28,876,000) 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.

(Expressed in Renminbi unless otherwise indicated)

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(d) Deferred tax liabilities not recognised

As at 30 June 2012, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB1,377,446,000 (31 December 2011: RMB983,163,000). Deferred tax liabilities of RMB68,872,000 (31 December 2011: RMB49,158,000) 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 mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

19 CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		HK$
Authorised:			
At 31 December 2011 and 30 June 2012	0.01	10,000,000,000	100,000,000

	Par value	Number of shares	Nominal value of ordinary shares	
	HK$		HK$	RMB
Issued and fully paid:				
At 31 December 2011 and 30 June 2012	0.01	2,299,000,000	22,990,000	19,333,268

(ii) 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.

19 CAPITAL AND RESERVES (Continued)

(b) 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 30 June 2012 was HK$2,308,838,000 (as at 31 December 2011: HK$2,596,168,000).

(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 30 June 2012 mainly represents premium received from capital injection which are required to be included in their reserves by the PRC regulations.

(iv) Exchange reserve

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

20 CAPITAL COMMITMENTS

Capital commitments for the acquisition of fixed assets outstanding at the end of the reporting period not provided for in the interim financial report are as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Authorised but not contracted for	**373,840**	550,921
Contracted for	**1,249,086**	1,543,640
	1,622,926	2,094,561

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for directors and key management personnel of the Group is as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**3,413**	2,842
Post-employment benefits	**36**	13
	3,449	2,855

Total remuneration is disclosed in "staff costs" *(see note 7(b))*.

21 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a related party

The Group had the following significant transactions with a related party:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of goods		
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd. ("Hengxinglong Polyester") *(notes 1 and 2)* 福建省晉江市恒興隆化纖滌綸有限公司	**26**	318

Note 1: The English translation of the name is for reference only. The official name of the entity is in Chinese.

Note 2: Hengxinglong Polyester is owned by Mr. Wu Qingshun, the son of Mr. Wu Jianshe, one of the directors of the Group.

(c) Balances with a related party

At 30 June 2012 and 31 December 2011, the Group did not have balance with a related party.

General Information

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK10.5 cents per share in cash for the six months ended 30 June 2012. It is expected that the dividend will be paid on or about 27 September 2012 to those shareholders whose names appear on the Company's register of members on 25 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 September 2012 to Tuesday, 25 September 2012, both days inclusive, during which no transfer of shares will be made. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m., on Thursday, 20 September 2012.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) 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 he or she is taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, are as follows:

(a) Long position in ordinary shares of the Company

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. This 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. This 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 30 June 2012, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) has or is 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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:

(a) Long position in ordinary shares of the Company

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 30 June 2012, so far as is known to the Directors, there is no other person (other than the Director or chief executive of the Company) who has 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 is, 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.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 31 March 2011 for the purpose of attracting and retaining skilled and experienced personnel who will contribute to the long-term growth and future success of our Company and our subsidiaries.

No options have been granted under the Share Option Scheme since its adoption up to 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed shares during the six months ended 30 June 2012.

Corporate Governance

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the revised code, namely Corporate Governance Code (the "Revised Code"), became effective on 1 April 2012. The Company has complied with all the applicable code provisions of the Former Code from 1 January 2012 to 31 March 2012. The Company has also complied with all the code provisions of the Revised Code from 1 April 2012 to 30 June 2012, except the new code provision C.1.2 which requires the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

During the period from 1 April 2012 to 30 June 2012, the management of the Company did not provide monthly updates to all members of the Board as required by new code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all the independent non-executive Directors, in a timely manner, updates on any material changes to the position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all the directors, the Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members: Mr. Yeung Chi Tat, Ms. Zhu Meifang and Mr. Ma Yuliang. All of them are independent non-executive directors. The chairman of the audit committee is Mr. Yeung Chi Tat.

The audit committee of the Company has met and discussed with external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited financial results of the Group for the six months ended 30 June 2012.

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