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

Annual Report 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.

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.

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

- 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

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

2011

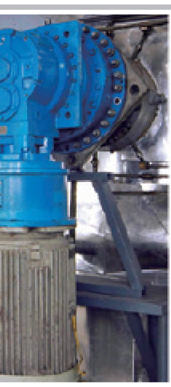
- Successfully listed on the Stock Exchange (Stock code: 2299) on 18 May 2011. Became a constituent stock of the Hang Seng Composite Index on 5 September 2011
- Continued the expansion of new production site in Jinnan Industrial Zone. The new production site commenced production in November 2011, and is expected to reach full production operation by the end of 2013

Mission

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

As at 31 December 2012, the designed capacity of FDY and POY was 580,000 tons per year (TPY), while that of DTY was 415,000 TPY. The combined designed capacity of DTY, FDY and POY was 995,000 TPY.

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



2012

- Establishment of Fujian Billion High-tech Material Industrial Co., Ltd. ("Billion High-tech") to develop polyester thin films business. In November, the company announced further investment of RMB1.587 billion in polyester thin films business, totaling investment of polyester thin films business reaches RMB1.937 billion. Upon completion in 2014, designed capacity will be expected to reach 255,000 TPY

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

September:

- CECEP Chongqing, which is a subsidiary of CECEP Group, became the largest shareholder of the Company

November:

- Completion of phase I of polyester thin films plant, with designed capacity of 36,500 TPY

December:

- Commenced sales of polyester thin films products

Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Wu Jianshe (resigned on 17 September 2012)
Mr. He Wenyao (resigned on 17 September 2012)
Mr. Yu Heping (appointed on 17 September 2012)
Mr. Xue Mangmang (appointed on 17 September 2012)

Non-executive Directors

Mr. Chen Jinen *(Co-chairman)* (appointed on 17 September 2012)
Mr. Yang Donghui (appointed on 17 September 2012)
Mr. Yang Jun (appointed on 17 September 2012)
Mr. Ding Guoqiang (appointed on 17 September 2012)

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 (resigned on 17 September 2012)
Mr. He Wenyao (resigned on 17 September 2012)
Mr. Yu Heping (appointed on 17 September 2012)
Mr. Xue Mangmang (appointed on 17 September 2012)

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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

China Construction Bank Corporation
Industrial Bank Co., Ltd.
Agricultural Bank of China Holdings Limited

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

	For the year ended 31 December		
	2012	2011	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**6,091,703**	6,053,645	0.6%
Gross profit	**1,107,651**	1,324,088	-16.3%
Profit from operations	**907,369**	1,116,584	-18.7%
Profit for the year	**750,479**	903,507	-16.9%

	As at 31 December		
	2012	2011	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**5,017,768**	3,742,477	34.1%
Non-current liabilities	**83,661**	316,132	-73.5%
Current assets	**2,812,595**	3,508,326	-19.8%
Current liabilities	**2,318,781**	1,819,056	27.5%
Net current assets	**493,814**	1,689,270	-70.8%
Total equity	**5,427,921**	5,115,615	6.1%
Earnings per Share (RMB)	**0.33**	0.43	
Interim dividend (HK cent) (Note 1)	**10.50**	11.99	
Final dividend (HK cent) (Note 2)	**10.0**	12.20	
Key Ratio Analysis			
Gross profit margin	**18.2%**	21.9%	
Operating profit margin	**14.9%**	18.4%	
Net profit margin	**12.3%**	14.9%	
Returns on equity (Note 3)	**13.8%**	17.7%	
Current ratio (Note 4)	**1.21**	1.93	
Gearing ratio (Note 5)	**44.3%**	41.7%	

Notes:

1: The interim dividend of HK10.5 cents per share in cash was paid on 27 September 2012

2: The final dividend of HK10.0 cents per share in cash will be paid on 10 May 2013

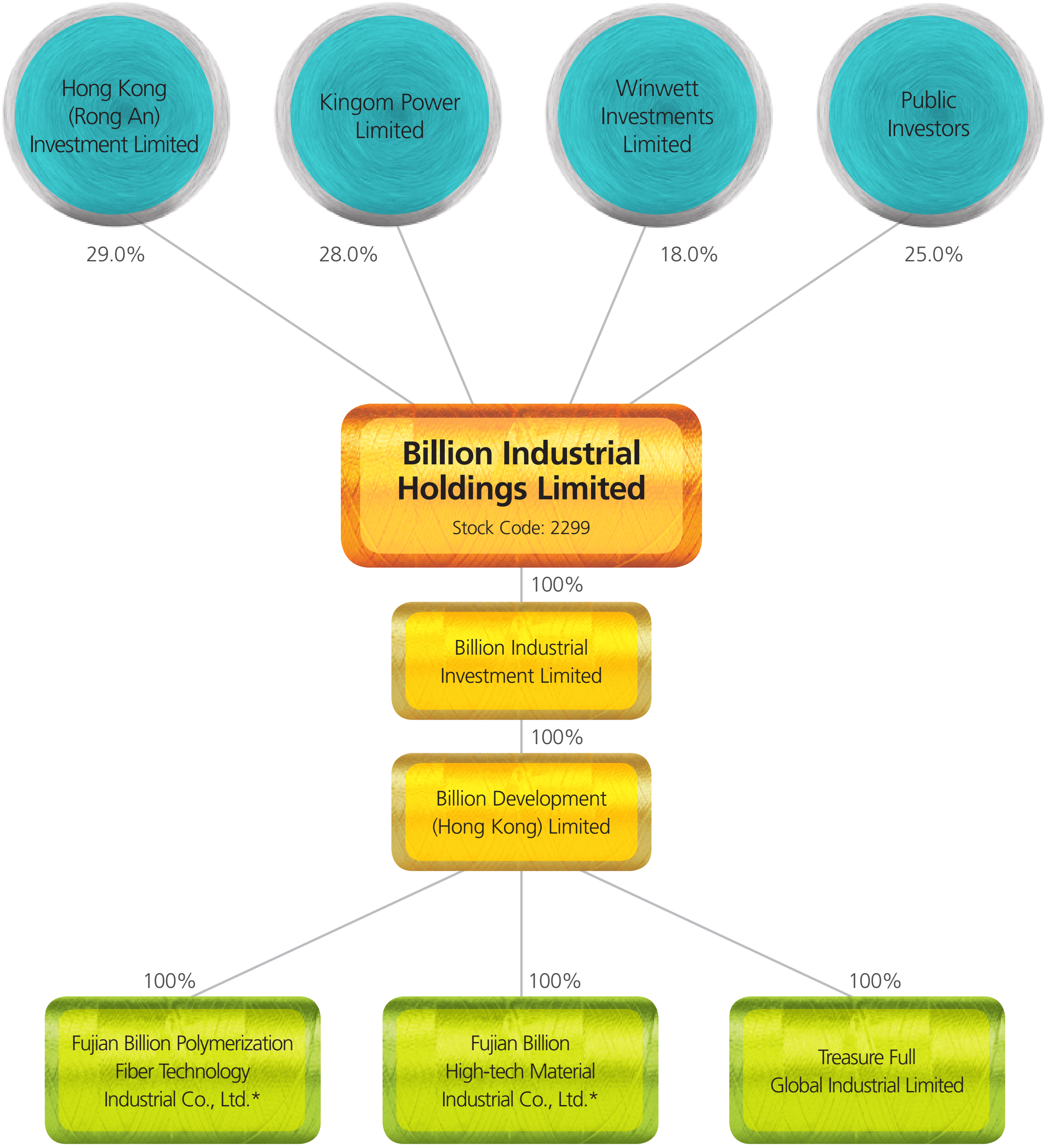
3: Returns on equity: profit for the year divided by total equity

4: Current ratio: current assets divided by current liabilities

5: Gearing ratio: total liabilities divided by total equity

Company Structure

as at 31 December 2012

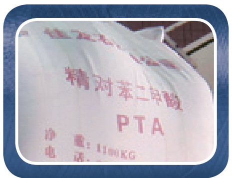


		Place of incorporation	Place of operation
Note:	Billion Industrial Holdings Limited	: Cayman Islands	Hong Kong
	Billion Industrial Investment Limited	: British Virgin Islands	Hong Kong
	Billion Development (Hong Kong) Limited	: Hong Kong	Hong Kong
	Fujian Billion Polymerization Fiber Technology Industrial 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

Polymerizing Process

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

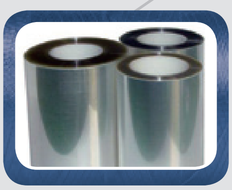
Polyester Melt

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

BOPET Chips

BOPET



Polyester melt is first biaxially stretched

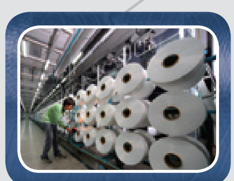
POY/FDY Spinning

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

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

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

Warehouse

Packaging

Quality Control

DTY

POY is processed through a texturing process to become DTY

Note: PTA represents purified terephthalic acid
MEG represents mono ethylene glycol
PET represents polyethylene terephthalate
BOPET represents biaxially-oriented polyethylene terephthalate

Chairman's Statement

We see new trends and opportunities emerging in 2013 as we will continue to grow our filament yarn business and expand into BOPET sector

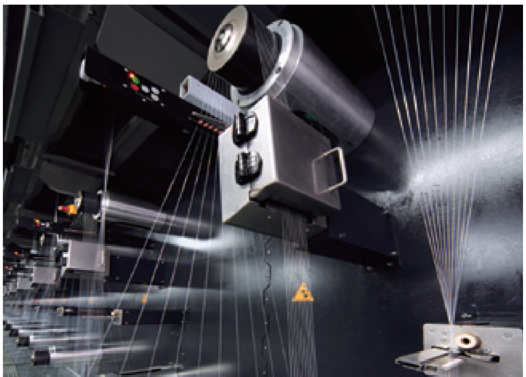
In 2012, Billion Group continued successfully its momentum of stable growth. After over a year of listing, the Company formulates strategies according to market changes and conditions to ensure its long-term and sustainable growth. In order to better reciprocate our shareholders, Billion has always adhered to the vision of "aspiring to be the world's prime supplier of consumer products, providing eco-friendly products for people" to strive for making our enterprise bigger and stronger. In order to better achieve such target, Billion introduced China Energy Conservation and Environmental Protection Group ("CECEP") as its strategic co-operator. Apart from investing in Billion, CECEP also appointed experienced management to join our Board. The new board of directors has been working closely with the management, which is our foundation to maintain a steady growth in results performance over the past year.

As the biggest state-owned enterprise focusing on energy-saving and environmental projects, CECEP is Billion's ideal strategic co-operator. Both enterprises possess strong research and development capabilities which generate a very comprehensive industrial consumer products application spectrum. Co-operation opportunities and synergy effect between Billion and CECEP exist in many aspects.

- Revenue recorded a year-on-year increase of 0.6% to RMB6,091,703,000
- Gross profit recorded a year-on-year decrease of 16.3% to RMB1,107,651,000
- Net profit recorded a year-on-year decrease of 16.9% to RMB750,479,000

After introducing CECEP as our strategic co-operator, we are getting clearer and more definite in product positioning. In the long run, by benefiting from the numerous enterprises under CECEP and the markets that they were in, our results will be improved due to cross sales, channel optimization and other aspects. We expect the synergy effect with CECEP on new products and research and development of products will gradually emerge. As a result, Billion will launch more high quality products which are beneficial to consumer health and ecological environment. I believe the new co-operative partner will help us to develop our enterprise well and improve the returns to all the shareholders.

Looking back into the past year, 2012 was still a year full of challenges for the chemical fiber industry as international economic recovery was weak, the demand from international and domestic markets were lack lustre and commodity markets fluctuated frequently. The on-going increase in labour costs in domestic manufacturing sectors continued to erode corporate profits; textile, apparel, and sporting goods industries were facing difficulties due to overcapacity, high inventory level and weak export predicament. Despite such challenges, Billion was still able to achieve its sales volume which was basically in line with the previous year, and had expanded its market share in key markets. The prices of the upstream PTA and MEG followed the substantial dip of crude oil prices during the year, which stabilized later, with product selling prices of the Company also made adjustments to a certain extent due to market conditions, thus resulted in a decrease in gross profit level of the Company. However, thanks to our long-term investment in research and development and the prudent management on products portfolio, the differentiated products of the Company were strongly favoured by more customers. The gross profit margin of the differentiated products remained stable, as we optimized our product portfolio and extended our product distribution.



Chairman's Statement

In the context of the Chinese economy experiencing its low growth rate and the continuous uncertainty of global economic outlook, Billion's stable results again demonstrated that the long-term strategy and development focus of the Company are able to generate high growth and considerable profit for the Company and its shareholders. In 2012, the contribution rate of sales revenue from the differentiated products of Billion reached 68.3%, maintaining its leading position in the industry. The State's determination on economic structure adjustment also allows us to envisage the prospect of upgrading domestic consumption and continuous improvement of textile consumption in the future.

In terms of financial performance, the Company has consistently remained sound and healthy. With stable overall liabilities levels, we also continued to implement a prudent inventory management approach and maintained a steady inventory level. As a result, the inventory level of raw materials and finished products declined on a year-on-year basis.

Looking forward, while strengthening its research and development and investment continuously, Billion is always focused on how to achieve return by quickly leveraging on the products with high-tech features and new businesses. While we continue to expand our polyester filament yarns business, we invested strategically to establish a new growth engine for the future. Phase I of our new eco-friendly BOPET, which we planned to invest RMB1,936 million for all phases, was completed in November 2012 with an initial design annual production capacity of about 36,500 tons per annum. Despite multiple challenges like the plant construction and equipment debugging which delayed the timing of putting Phase I into production as scheduled, the investment and production capacity expansion plan for 2013 are still progressing in order. The initial BOPET products will be provided mainly to the food packaging industry is primarily due to a large number of food production enterprises in the Southern China region currently where the production capacity of new eco-friendly BOPET is still relatively low. Initial market response is good and the Company has sent samples to interested customers for trial production, with the supporting sales team actively marketing in traditional regional markets and overseas markets. In the future, we hope our products could be further expanded into product packaging such as daily necessities, beverages, home appliances and medical products.

Lastly, thanks to you all for trusting us and investing in the future of Billion. The management of Billion and I will work diligently to further create value for our shareholders, customers, and employees. Since the beginning of January of 2013, the Company continued to repurchase its shares in the secondary market. Under the background of overall market downturn and the reduction in holding industrial capital in general, such move has fully demonstrated the confidence of the management of the Company on its operations and its future prospect. It can also provide a return to our shareholders. Addressing the needs in continuing the enhancement of research and development, expanding production capacity and developing new products, the Company will formulate a future capital funding plan from a financial cost perspective and abide by a timely and reasonable principle to better reciprocate our shareholders for their support.

Sze Tin Yau
Co-chairman of the Board

11 March 2013

Sze Tin Yau
Co-chairman of the Board

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	As at 31 December 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 : 415,000 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

Changes in global and China's economy

While China's economy was able to avoid a "hard landing" in 2012, GDP growth was only 7.8%, dropping below 8% for the first time in the past 13 years. Domestic economic growth was challenged by several factors, including weak domestic demand, decelerating investments and structural economic transformation. Under the government is tightened monetary policy and loosened fiscal policies, the GDP growth rate suffered a year-on-year decline in three consecutive quarters and stabilized only in the fourth quarter. In 2012, the nominal growth in retail sales of consumer goods was 14.3% year on year, accounting for 51.8% of GDP growth. Retail sales of apparel/footwear and hat/textile products by retail enterprises with operating income above the designation size increased by 18% as compared to those of 2011. According to the National Bureau of Statistics, retail sales of apparel, footwear and hats, and textile products amounted to RMB116.2 billion in December, representing a year-on-year increase of 16.4%, with the growth rate decreasing by 10.3 percentage points year over year. Cumulative retail sales amounted to RMB977.8 billion from January to December, representing a year-on-year increase of 18%, with the growth rate dropping by 6.2 percentage points year over year.

Outside China, as developed countries continued to deleverage their economies, international market demand remained sluggish and trade conflicts persisted. During the first three quarters, the global manufacturing industry kept shrinking, reflecting ongoing challenges in the global economy. In September 2012, the manufacturing sectors of most major developed countries continued to shrink. Meanwhile, the performance of the manufacturing sectors of emerging economies remained mixed.

Industry review

In terms of raw materials, owing to the steady rebound in crude oil prices and the insufficient Para-xylene (PX) production capacity both domestic and overseas, the price of PTA started to rebound in 2012. We will continue to monitor closely the new changes affecting the operation that are brought by the trend in raw materials prices as well as the trend in PTA production capacity.

Average selling prices of polyester filament yarns in 2012 were lower than those in 2011. This was mainly due to the fluctuating product prices that echoed the volatility of raw materials prices. Along with the gradual recovery of raw materials prices and the enlarged Global-Chinese market cotton price gap in the second half of 2012, the gross profit margin of the chemical fiber industry was supported in the short term.

Management Discussion and Analysis

The stagnant production is primarily due to the export difficulties of textile industry in the downstream, a result of increasing backlog of apparel and fabrics inventory. The growth rate of Chinese textile exports declined in the first half of the year but underwent a slow recovery in the second half of the year. As a result, the profit margin of filament yarns, including FDY, POY, DTY and industrial filament, has declined to its lowest levels in recent years. However, we believe that the possibility of renewed decrease in these margins is remote, as margins of POY are approaching break-even and DTY's margins are firm. In the apparel industry, inventories of domestic sports apparel/footwear brands remained high while international apparel/footwear brands shifted their focus to second and third tier cities, confronting the footwear and apparel industries with new challenges. Although the home furnishings industry in general was still in its fast growing stage, the growth rate slowed down. In addition to the weakening overseas demand, increased competition from some emerging economies such as Bangladesh, Vietnam, and India, following the rapid increase in Chinese labour costs further exacerbated the decrease of domestic textile products exports.

Domestic demand for functional biaxially-oriented polyethylene terephthalate (BOPET) continued to rise. Owing to the strong market demand, profitability remains at a relatively high level despite substantial increases in domestic production capacity in recent years. This was particularly true in Southern China, where there are relatively few companies producing relevant products and market supply and demand remained stable. In the future, the Group expects to produce differentiated BOPET products that will enable it to further enhance its competitive edge and gross profit margin. Our management is confident in the growth potential and profitability of its BOPET business.

Business review

Stable sales in domestic market

Due to the volatility in raw materials market prices, our clients generally reduced inventory levels during the first half of the year to lower inventory risk. The decrease in average selling prices of our products was slightly higher than the drop in raw materials prices of PTA, resulting in a decline in the overall profit margin in the industry. Average selling prices of our products in the second half of the year were stabilized following the rebound in raw materials prices. Driven by the need to replenish inventories in the downstream industries since the fourth quarter, the sales volumes and prices of products increased. However, looking back throughout the year, our sales volumes grew slightly despite the drop in average selling prices as compared with 2011. Sales of the Group were maintained at their normal level, with production to sales ratio basically reaching 100%. At the same time, the overall profitability of the Group also remained stable due to our long term investment in research and development and our marketing efforts in promoting differentiated products. The product differentiation rate reached 68.3% throughout 2012. Our high differentiation rate gave us bargaining power in the market, and it continued to be one of the main reasons that we could maintain a relatively stable gross margin.

In the domestic market, despite volatility in the downstream textile and apparel industry, the demand for our products remained stable, driven by stable overall supply and demand of the polyester filament yarns in Southern China and capacity expansion at our major customers in Fujian and Guangdong Province, which are our strong markets traditionally.

Management Discussion and Analysis

Production capacity expansion

As of 31 December 2012, our designed capacity for FDY and POY was increased to approximately 580,000 tons per year and our designed capacity for DTY was increased to approximately 415,000 tons per year.

In addition, the production at the new site commenced gradually. By the end of 2013, the designed capacity of the Group for FDY and POY will be further increased to approximately 785,000 tons per year according to plan, while the designed capacity for DTY will further increase to approximately 493,000 tons per year.

The construction of the production facilities for BOPET is slightly behind schedule due to the earlier start of the rainy season in 2012. The production capacity of the aforesaid BOPET was completed in November and trial production has commenced, with an initial production capacity of approximately 36,500 tons per year. The Group marketed its BOPET products actively. Customers' feedback has been positive and we believe this will lay a good foundation for the future development of this new business line. Total production capacity of BOPET of the Group is planned to gradually reach 255,000 tons per year by 2014.

Product research and development

As of 31 December 2012, we owned 39 national patents registered in China and have applied for another 13 national patents. Among all our patented products, 32 of them are already in production and sold to our customers. Our research and development activities relied on our experienced research and development team. Our expenditure on research and development in 2012 was RMB209,823,000.

As at 31 December 2012, revenue of the Group from its differentiated polyester filament yarns was RMB4,162,309,000, representing 68.3% of total revenue for the year. The Group believes that its products, protected by national patents, will be well recognized in both the domestic and international markets and provide the Company with a strong competitive edge.

Financial review

Operational performance

1. Revenue

The revenue of the Group in 2012 was RMB6,091,703,000, representing an increase of 0.6% compared to the revenue of RMB6,053,645,000 in 2011. The average selling price per ton of polyester filament yarns, the Group's main products accounting for 99.9% of the total revenue, was RMB12,876, representing a decrease of RMB2,448 or 16.0% compared to the average selling price of RMB15,324 per ton in 2011. The decrease in selling price was mainly due to the decrease of raw materials prices. Besides, as a result of the intense market competition of downstream products and heavy cost pressure and as the Group is at the upstream industry sector, its selling price was adjusted downward.

Management Discussion and Analysis

Despite a decrease of 16.0% in the selling price, the Group's revenue increased by 0.6% compared to 2011. This was attributed to the increase in sales volume by 78,091 tons or 19.8% from 395,049 tons in 2011 to 473,140 tons during the year. As the Company's proceeds raised from the first listing of Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2011 were gradually put into the construction of plants and installation of machines, the increase of the production capacity in the year results in such increase in sales volume in the year.

Production of BOPET was commenced by the end of the year with a sales volume of 511 tons and a revenue of RMB6,230,000, accounting for 0.1% of the total revenue and total sales volume.

As the Group's production facilities are located in Jinjiang City of Fujian Province with booming textile industry and the consumer market in the PRC (in particular, apparel, home furnishings and footwear) was still growing, the demand for the products of the Group was also increasing. The sales by geographic region during the year were comparable to that of 2011 with 75.4% of sales from customers in Fujian Province, 12.2% sold to Guangdong Province.

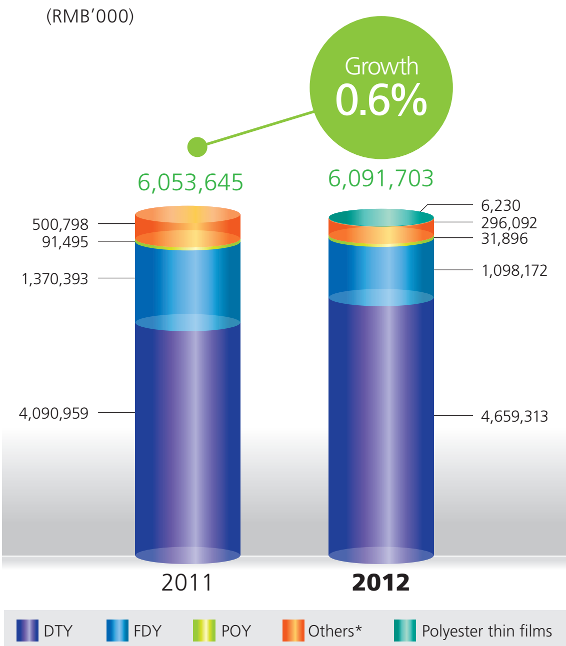
Management Discussion and Analysis

Revenue and sales volume by products

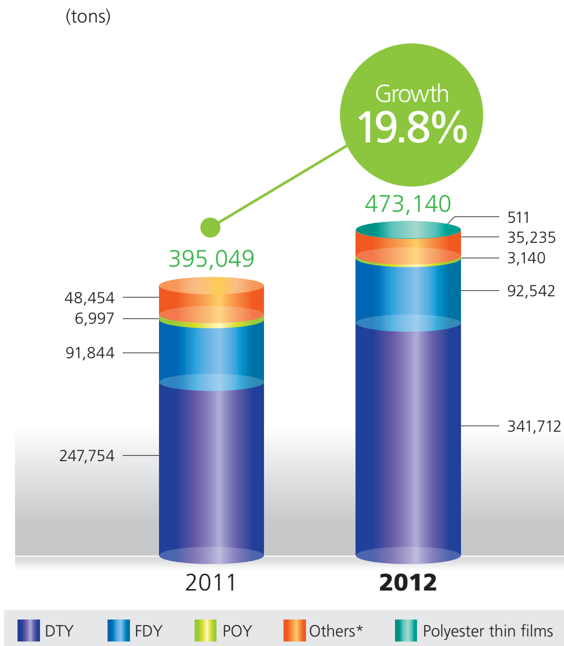
	Revenue				Sales volume			
	2012		2011		**2012**		2011	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**4,659,313**	**76.5%**	4,090,959	67.6%	**341,712**	**72.2%**	247,754	62.7%
FDY	**1,098,172**	**18.0%**	1,370,393	22.6%	**92,542**	**19.6%**	91,844	23.2%
POY	**31,896**	**0.5%**	91,495	1.5%	**3,140**	**0.7%**	6,997	1.8%
Others*	**296,092**	**4.9%**	500,798	8.3%	**35,235**	**7.4%**	48,454	12.3%
Sub-total	**6,085,473**	**99.9%**	6,053,645	100.0%	**472,629**	**99.9%**	395,049	100.0%
Polyester thin films	**6,230**	**0.1%**	–	–	**511**	**0.1%**	–	–
Total	**6,091,703**	**100.0%**	6,053,645	100.0%	**473,140**	**100.0%**	395,049	100.0%

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

Revenue



Sales volume



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

Management Discussion and Analysis

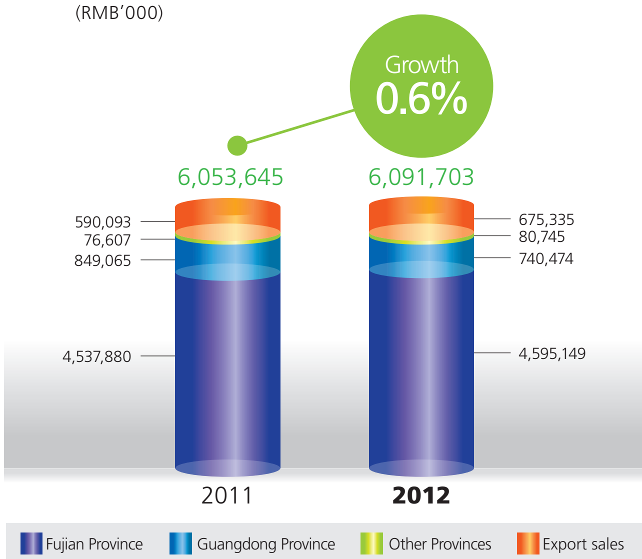
Geographic breakdown of sales

	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**4,595,149**	**75.4%**	4,537,880	75.0%
Guangdong Province	**740,474**	**12.2%**	849,065	14.0%
Other Provinces	**80,745**	**1.3%**	76,607	1.3%
Export sales	**675,335**	**11.1%**	590,093	9.7%
Total	**6,091,703**	**100.0%**	6,053,645	100.0%

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

Geographic breakdown of sale

(RMB'000)



2. *Cost of sales*

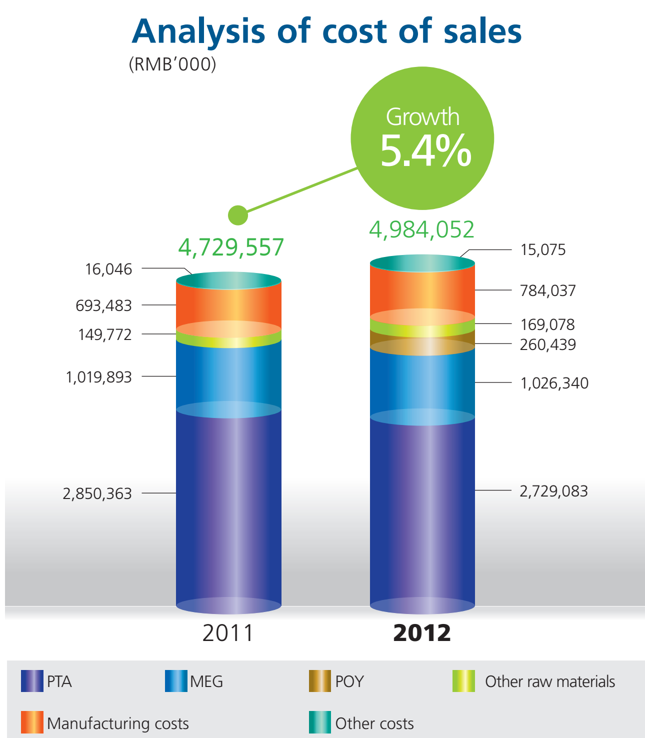
The cost of sales of the Group in 2012 was RMB4,984,052,000, representing an increase of 5.4% compared to the cost of sales of RMB4,729,557,000 in 2011. The increase was attributable to the scissor effect of increase in sales volume and decrease in raw materials prices. Sales volume of the Group during the year was 473,140 tons, representing an increase of 19.8% as compared with the 395,049 tons in 2011. The prices of raw materials for the polyester filament yarns, the Group's main products which accounted for 99.9% of the total costs were dropped from the average of RMB10,176 per ton in 2011 to the average of RMB8,844 per ton during the year, and the cost per ton decreased by RMB1,332, representing a decrease of 13.1%, among which, the costs for PTA recorded a largest decline, representing a decrease in average sale costs per ton of RMB1,441. The Group's key raw materials, namely PTA and MEG, accounting for 75.3% of the total cost of sales, were also directly affected by the prices of crude oil, which is the key raw material of PTA and MEG.

Management Discussion and Analysis

In addition, as the production capacity expansion for the Group's DTY was more rapid than that for its FDY and POY during the year, the internal output of POY was unable to meet the demand for the production of DTY (POY is raw material for DTY), as such, the Group procured externally the POY for production of DTY in the year.

Analysis of cost of sales

	2012 **RMB'000**	2011 RMB'000
Cost of raw materials		
PTA	**2,729,083**	2,850,363
MEG	**1,026,340**	1,019,893
POY	**260,439**	–
Other raw materials	**169,078**	149,772
	4,184,940	4,020,028
Manufacturing costs	**784,037**	693,483
Other costs	**15,075**	16,046
Total	**4,984,052**	4,729,557

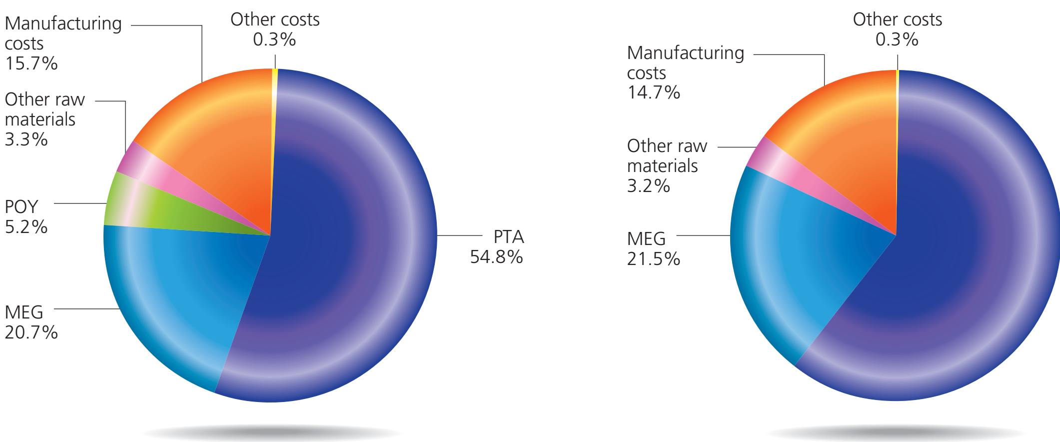


Management Discussion and Analysis

Analysis of cost of sales per ton of main products polyester filament yarns

	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
Raw materials				
PTA	**5,774**	**54.8%**	7,215	60.3%
MEG	**2,172**	**20.7%**	2,582	21.5%
POY	**551**	**5.2%**	–	–
Other raw materials	**347**	**3.3%**	379	3.2%
	8,844	**84.0%**	10,176	85.0%
Manufacturing costs	**1,659**	**15.7%**	1,755	14.7%
	10,503	**99.7%**	11,931	99.7%
Other costs	**32**	**0.3%**	41	0.3%
Average cost per ton	**10,535**	**100.0%**	11,972	100.0%

Analysis of cost of sales per ton of main products polyester filament yarns



2012 **2011**

Management Discussion and Analysis

3. Gross profit

The gross profit of the Group for the year 2012 was RMB1,107,651,000, decreased by RMB216,437,000, or 16.3% as compared to the RMB1,324,088,000 in 2011. Although sales volume during the year increased by 78,091 tons, representing an increase of 19.8% as compared with 2011, the average selling price per ton of polyester filament yarn products (accounting for 99.9% of total gross profit) decreased by RMB2,448 per ton, representing a decrease of 16.0% from the RMB15,324 in 2011 to the RMB12,876 during the year. The average gross profit per ton decreased from the RMB3,352 in 2011 to the RMB2,341 during the year. The gross profit margin decreased by 3.7% from 21.9% in 2011 to 18.2% in 2012.

Gross profit and gross profit margin both decreased from 2011 to the above-mentioned percentages which were primarily attributable to the impact of the following three factors:

(i) Decrease in the price of major raw materials, PTA and MEG (accounting for 75.3% of the cost of sales of the Group during the year), led to the decrease in the product selling prices of the entire industry;

(ii) During the year, market competition of downstream products was intense and operation of textile manufacturers was still tough, thus the pressure on the costs of downstream products also exerted pressure on the selling prices of polyester filament yarns, which recorded higher decrease than that of the raw materials and led to the decrease in the gross profit margin;

(iii) During the year, the completion of part of new plants and part of production facilities have been installed at the production site, which expanded the production capacity in stages and increased the production volume and led to an increase in the sales volume and revenue. As the sales volume effect is less than the price effect, gross profit and gross profit margin both decreased from 2011.

Management Discussion and Analysis

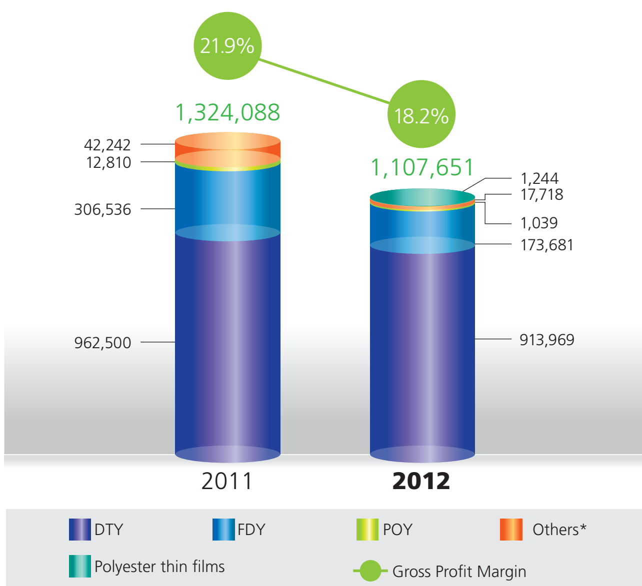
Analysis of gross profit by products

	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**913,969**	**82.5%**	962,500	72.7%
FDY	**173,681**	**15.7%**	306,536	23.2%
POY	**1,039**	**0.1%**	12,810	1.0%
Others*	**17,718**	**1.6%**	42,242	3.1%
Sub-total	**1,106,407**	**99.9%**	1,324,088	100.0%
Polyester thin films	**1,244**	**0.1%**	–	0.0%
Total	**1,107,651**	**100.0%**	1,324,088	100.0%

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

Gross Profit and Gross Profit Margin

(RMB'000)



Management Discussion and Analysis

Average gross profit to product per ton of main products polyester filament yarns

	2011 **RMB**	2010 RMB
Average selling price per ton	**12,876**	15,324
Average cost of sales per ton	**10,535**	11,972
Average gross profit per ton	**2,341**	3,352
Average gross profit margin	**18.2%**	21.9%

4. *Other revenue*

Other revenue of the Group in 2012 amounted to RMB104,455,000, representing an increase of 79.6% as compared to the RMB58,149,000 in 2011. It was primarily attributable to the increase in the amount of government grants during the year. Government grants mainly include taxation rewards for enterprises（企業納税獎勵）, development funds on cotton-like polyester filament yarns from provincial governments（省級補助研究超仿棉滌綸長絲開發經費）and rewards for technology（科技獎）.

5. *Other net gain*

Other net gain of the Group in 2012 amounted to RMB7,839,000, representing a decrease of 76.7% as compared to the RMB33,577,000 in 2011. It was mainly due to the exchange loss during the year.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2012 amounted to RMB38,659,000, representing an increase of 23.1% as compared to the RMB31,412,000 in 2011. Such costs mainly included transportation cost, insurance premium, wages of our sales staff and promotion expenses. Such increase was mainly due to the increase in sales volume during the year.

7. *Administrative expenses*

Administrative expenses of the Group in 2012 amounted to RMB273,917,000, increased by 2.3% compared to the RMB267,818,000 in 2011. Administrative expenses mainly included research and development costs, staff wages, depreciation on office equipment, general office expenses and professional and legal fees.

Research and development costs during the year was RMB209,823,000, increased by 7.1% compared to the RMB195,902,000 in 2011.

During the year, administrative expenses increased slightly, including the increase of staff wages due to the expansion of the Group and the depreciation on office equipment.

8. Finance costs

Finance costs of the Group in 2012 amounted to RMB54,183,000, increased by 55.5% compared to the RMB34,854,000 in 2011. It was mainly due to the increase on discounted bills expenses and bank borrowings.

9. Income tax

Income tax of the Group in 2012 amounted to RMB102,707,000, representing a decrease of 42.4% as compared to RMB178,223,000 in 2011. It was mainly due to the decrease in profit before taxation during the year.

During the year, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）, a principal subsidiary of the Group, had successfully renewed its status for three years as a high technology enterprise and can continue to enjoy corporate income tax at the concessionary rate of 15% up to 2014. Fujian Billion High-tech Material Industrial Co., Ltd.*（福建百宏高新材料實業有限公司）is subject to a corporate income tax rate at 25%.

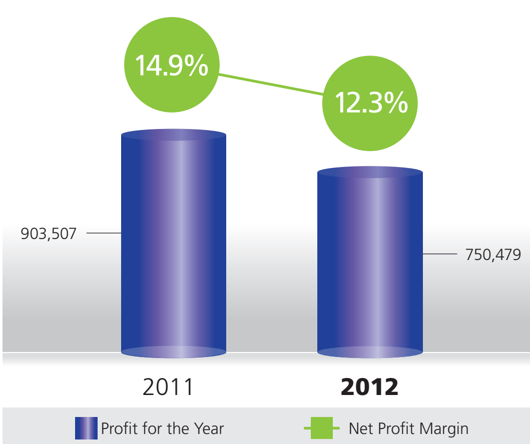
* The English translation of the name is for reference only. The official name of the entity is in Chinese.

10. Profit for the year

Profit of the Group for the year 2012 amounted to RMB750,479,000 (2011: RMB903,507,000), representing a decrease of RMB153,028,000 or 16.9% as compared to 2011. Net profit margin was 12.3% (2011: 14.9%), representing a decrease of 2.6% in net profit margin when compared to 2011. The decrease was mainly due to the decrease of RMB216,437,000 in gross profit during the year.

Profit for the year and net profit margin

(RMB'000)



Management Discussion and Analysis

Financial Position

1. Liquidity and capital resources

As at 31 December 2012, the cash and cash equivalent of the Group amounted to RMB644,049,000, as compared to RMB1,093,282,000 as at 31 December 2011, decreased by RMB449,233,000 or 41.1%. Such a decrease was mainly due to the capital expenditure which amounted to RMB1,422,460,000 for the expansion of plants and the purchase of production facilities to increase the production capacity of polyester filament yarn and functional environmentally-friendly BOPET during the year.

During the year, net cash inflow from operating activities amounted to RMB1,094,415,000, net cash outflow used in investing activities amounted to RMB1,472,562,000, and net cash outflow used in financing activities amounted to RMB60,271,000. The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year, inventory turnover day was 38.1 days (2011: 38.6 days), accounts receivables turnover days was 33.5 days (2011: 28.7 days) and accounts payables turnover days was 63.1 days (2011: 60.1 days). There is no significant change for those three turnover days as compared with 2011.

As at 31 December 2012, the Group had capital commitments of RMB1,111,357,000, which was mainly used in the expansion of production capacity of polyester filament yarn and the development of functional environmentally-friendly BOPET business.

2. Capital structure

As at 31 December 2012, the total liabilities of the Group amounted to RMB2,402,442,000 and the capital and reserve amounted to RMB5,427,921,000. The gearing ratio (total liabilities divided by total equity) was 44.3%. The Group's bank loans amounted to RMB1,139,964,000, of which RMB1,119,422,000 were repayable within one year and RMB20,542,000 were repayable over one year. Among the bank borrowings, 68.4% were secured by properties, trade receivables and restricted bank deposits.

Contingent liabilities

As at 31 December 2012, the Group did not have any contingent liabilities (2011: nil).

Foreign currency risk

As substantially all of the Group's operating costs and expenses are denominated in Renminbi, the Group's operation is not exposed to significant foreign currency risk. As at 31 December 2012, the Group's foreign currency risk exposure is mainly derived from the net liabilities exposure denominated in United States Dollars of RMB283,093,000, the net liabilities exposure denominated in Euro of RMB152,745,000 and the net assets exposure denominated in GBP of RMB119,626,000.

Management Discussion and Analysis

Employees and remuneration

As at 31 December 2012, the Group has a total of 3,531 employees. Remuneration for employees is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Business outlook

The year 2013 will be full of challenges and opportunities for both the Chinese and the global economy. The fundamental issue of the global economic imbalance still has not been resolved, resulting in weak private sector investment and consumption in developed countries. Additionally, developing countries may face the dilemma of assuring economic recovery while suppressing inflation. Such factors will bring a series of uncertainties to business operations of the Group.

Meanwhile, we believe that the recovery in the domestic market that started at the end of 2012 will continue for a period of time, but its specific duration and potency will depend on the direction of the real economy in next several months. In the consumer sector, the growth of home furnishings market remains relatively strong and should further enhance the demand for polyester products. At the same time, as inventories on the textile industry are relative low, we believe the needs for replenishing inventories will drive the demand for our products. Looking ahead, we will actively expand our sales to the emerging overseas markets in addition to further strengthen our presence in the domestic market steadily and continuously. We are confident that the BOPET business, a new growth driver for the Company, will better balance product portfolio of the Group, and enable us to diversify our risk across industries.

Corporate Governance Report

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.

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 31 December 2012, except for the new code provision C.1.2 in the Revised Code 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 31 July 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.

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board of the Company by 31 December 2012. As at 31 December 2012, the Board comprises 4 executive Directors, 4 non-executive Directors and 3 independent non-executive Directors, therefore, the Company failed to comply with the requirement of Rule 3.10A. The Company has made endeavors but will require more time to identify suitable candidate(s) to act as the additional independent non-executive Director(s) of the Board and will continue with such endeavours to comply with the Listing Rules as soon as practicable. Further announcement(s) will be made in relation to change in Directors of the Company or in the roles and functions of the Directors of the Company as and when necessary.

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. 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 during the year ended 31 December 2012.

Board of directors

Composition and role

As at 31 December 2012 and the date of this annual report, the Board comprised four executive Directors, four non-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, non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

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.

Independent non-executive directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The Independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint three Independent non-executive Directors. One of the three independent non-executive Directors, Mr. Yeung Chi Tat, possessing appropriate professional accounting qualifications and financial management expertise, which is in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the 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.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications.

The individual attendance record of each Director at the meetings of the Board and the general meetings during the year ended 31 December 2012 is set out below:

	Attendance/ Number of Meetings	
Name of Director	**Board Meetings**	**Shareholders Meetings**
Executive Directors		
Mr. Sze Tin Yau *(Co-chairman)*	6/6	3/3
Mr. Wu Jinbiao *(Chief executive officer)*	6/6	2/3
Mr. Wu Jianshe (resigned on 17 September 2012)	4/4	0/2
Mr. He Wenyao (resigned on 17 September 2012)	4/4	0/2
Mr. Yu Heping (appointed on 17 September 2012)	2/2	1/1
Mr. Xue Mangmang (appointed on 17 September 2012)	2/2	0/1
Non-executive Directors		
Mr. Chen Jinen *(Co-chairman)* (appointed on 17 September 2012)	1/2	0/1
Mr. Yang Donghui (appointed on 17 September 2012)	1/2	0/1
Mr. Yang Jun (appointed on 17 September 2012)	2/2	0/1
Mr. Ding Guoqiang (appointed on 17 September 2012)	2/2	0/1
Independent non-executive Directors		
Mr. Yeung Chi Tat	6/6	3/3
Ms. Zhu Meifang	5/6	0/3
Mr. Ma Yuliang	6/6	0/3

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings.

Chairman and chief executive officer

The co-chairman of the Board are Mr. Sze Tin Yau and Mr. Chen Jinen 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.

Continuous professional development

The Directors have been informed of the requirement under code provision A.6.5 of the CG Code regarding continuous professional development. Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Details of attendance record of professional training by each Director during the year ended 31 December 2012 is set out below. The Directors as at 31 December 2012 confirmed that they have complied with such requirement for the period under review.

Name of Director	**Professional Training attended**
Executive Directors	
Mr. Sze Tin Yau *(Co-chairman)*	Yes
Mr. Wu Jinbiao *(Chief executive officer)*	Yes
Mr. Wu Jianshe (resigned on 17 September 2012)	No
Mr. He Wenyao (resigned on 17 September 2012)	No
Mr. Yu Heping (appointed on 17 September 2012)	Yes
Mr. Xue Mangmang (appointed on 17 September 2012)	Yes
Non-executive Directors	
Mr. Chen Jinen *(Co-chairman)* (appointed on 17 September 2012)	Yes
Mr. Yang Donghui (appointed on 17 September 2012)	Yes
Mr. Yang Jun (appointed on 17 September 2012)	Yes
Mr. Ding Guoqiang (appointed on 17 September 2012)	Yes
Independent non-executive Directors	
Mr. Yeung Chi Tat	Yes
Ms. Zhu Meifang	Yes
Mr. Ma Yuliang	Yes

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Appointment, 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 17 September 2012, subject to retirement and re-election in accordance with the articles and associations of the Company. Mr. Wu Jianshe and Mr. He Wenyao resigned on 17 September 2012 and they confirmed that they have no disagreement with the Board and that there is no matter which it is necessary to bring to the attention to the Shareholders of the Company in respect of their resignation as executive Director of the Company.

Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 17 September 2012, subject to retirement and re-election in accordance with the articles and associations of the Company.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 31 March 2011, subject to retirement and re-election in accordance with the articles and associations of the Company.

Each of the non-executive Directors and independent non-executive Directors may terminate his/her appointment by giving a one-month prior written notice to the Company or in accordance with the terms set out in the respective letters of appointment.

The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Remuneration committee

During the year ended 31 December 2012, members of the remuneration committee of the Board comprised one executive Director who is also a co-chairman of the Board namely Mr. Sze Tin Yau, 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 primary duties of the remuneration committee are 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. Their composition and written terms of reference are in line with the Corporate Governance Code provisions.

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.

During the year ended 31 December 2012, the remuneration committee mainly performed the following duties:

– determined the remuneration of Mr. Yu Heping and Mr. Xue Mangmang;

– determined the remuneration of Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun and Mr. Ding Guoqiang to the Board; and

– reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2013.

During the year ended 31 December 2012, two meetings were held by the remuneration committee to review and approve the remuneration package for Directors and senior management. The individual attendance record of each member at the meeting of the remuneration committee is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Yeung Chi Tat *(Chairman)*	2/2
Mr. Sze Tin Yau	2/2
Mr. Ma Yuliang	2/2

Nomination committee

During the year ended 31 December 2012, members of the nomination committee of the Board comprised one executive Director who is also a co-chairman of the Board, namely Mr. Sze Tin Yau, 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 qualified 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. Their composition and written terms of reference are in line with the Corporate Governance Code provisions.

During the year ended 31 December 2012, the nomination committee mainly performed the following duties:

– reviewed the qualifications of Mr. Yu Heping, Mr. Xue Mangmang, Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun and Mr. Ding Guoqiang and recommended their appointments to the Board;

– reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and

– reviewed the structure, size and composition of the Board during the year of 2012.

During the year ended 31 December 2012, one meeting was held by the nomination committee. The individual attendance record of each member at the meeting of the nomination committee is set out below:

Name of member	Attendance/ Number of Meeting
Mr. Sze Tin Yau *(Chairman)*	1/1
Mr. Yeung Chi Tat	1/1
Ms. Zhu Meifang	1/1

Audit committee

During the year ended 31 December 2012, members of the audit committee of the Board comprised 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 make recommendations to the Board on the appointment, re-appointment and removal of external auditors and review and supervise the financial reporting process and internal control system of the Group. Their composition and written terms of reference are in line with the Corporate Governance Code provisions.

During the year ended 31 December 2012, the audit committee mainly performed following duties:

– reviewed the Group's audited annual results for the year ended 31 December 2011 and the unaudited interim results for the six months ended 30 June 2012, met with the external auditors to discuss such annual results and interim results (without the Company's management being present), and 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;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management, including meeting with the management of the Company and internal control review consultant regarding the internal control of the Group and reviewing the internal control assessment report of the Group.

During the year ended 31 December 2012, five meetings were held by the audit committee. The individual attendance record of each member at the meetings of the audit committee is set out below:

Name of member	Attendance/ Number of Meeting(s)
Mr. Yeung Chi Tat *(Chairman)*	5/5
Ms. Zhu Meifang	3/5
Mr. Ma Yuliang	5/5

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. During the year ended 31 December 2012, members of the corporate governance committee of the Board comprised four executive Directors, namely Mr. Sze Tin Yau (chairman), Mr. Wu Jinbiao, Mr. Wu Jianshe and Mr. He Wenyao. Mr. Wu Jianshe and Mr. He Wenyao resigned from the Board and the committee on 17 September 2012 and Mr. Yu Heping and Mr. Xue Mangmang were appointed on the same day to fill the vacancies. 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 Corporate Governance Code and disclosure in the corporate governance report.

During the year ended 31 December 2012, the corporate governance committee mainly performed following duties:

– reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group; and

– reviewed the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

During the year ended 31 December 2012, one meeting was held by the corporate governance committee. The individual attendance record of each member at the meeting is set out below:

Name of member	Attendance/ Number of Meeting
Mr. Sze Tin Yau *(Chairman)*	1/1
Mr. Wu Jinbiao	1/1
Mr. Wu Jianshe (resigned on 17 September 2012)	0/0
Mr. He Wenyao (resigned on 17 September 2012)	0/0
Mr. Yu Heping (appointed on 17 September 2012)	1/1
Mr. Xue Mangmang (appointed on 17 September 2012)	1/1

Accountability and audit

The Directors acknowledge their responsibility for preparation of the financial statements for the year ended 31 December 2012 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 2012, 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, KPMG, 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 Company 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. The Company engages KPMG as its external auditors. During the year ended 31 December 2012, the Group was required to pay an aggregate of approximately RMB2,230,090 (2011: RMB1,916,920) to the external auditors for their audit services relating to financial information and approximately RMB701,870 (2011: RMB457,380) for their non-audit services, which mainly includes review of financial statements.

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 2012, 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.

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 has taken not less than 15 hours of relevant professional training for the year ended 31 December 2012.

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.

Investor relations

Constitution documents

During the year ended 31 December 2012, the Company made certain amendments to its articles of associations pursuant to an extraordinary resolution passed on 11 December 2012. A summary of the material changes are set forth below:

(i) amended the quorum of the Board to be more than half of the number of Directors;

(ii) required certain matters such as the appointment of directors and the declaration of dividends to be approved by special resolution of the Company;

(iii) adopted the operation of a co-chairman structure for the Board; and

(iv) removed the role of deputy chairman of the Board.

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 29 April 2013 (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 are 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.

Executive directors

Mr. Sze Tin Yau, aged 43, is an executive Director, a co-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 22 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.*（福建晉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*（福建百凱紡織化纖實業有限公司）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 an executive member of 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 Executive Master of Business Administration ("EMBA") program in Peking University*（北京大學）. Mr. Sze joined the Company in November 2010.

As at 31 December 2012, Mr. Sze was the sole director of Kingom Power Limited which was interested in 28% of the issued share capital of the Company and was 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, as at 31 December 2012, held 18% of the issued share capital of the Company; a uncle of Mr. Wu Zhongqin, the assistant to the Chairman; and a brother-in-law of Mr. He Wenyao, a vice president of the Company and a director of Billion Fujian and Billion High-tech who resigned as an executive Director and member of the corporate governance committee of the Board on 17 September 2012. 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 50, 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 27 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.*（福建晉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*（福建百凱紡織化纖實業有限公司）from May 2000 to October 2003. Mr. Wu Jinbiao was elected and appointed as a member of 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.

As at 31 December 2012, Mr. Wu was the sole director of Winwett Investments Limited which was interested in 18% of the issued share capital of the Company and was 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, a co-chairman of the Board and the sole shareholder of Kingom Power Limited which, as at 31 December 2012, held 28% of the issued share capital of the Company; and the father of Mr. Wu Zhongqin, the assistant to the Chairman. 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. Yu Heping（于和平）, aged 58, has over 35 years of experience in the industry of electrical energy resources and energy conservation. He was appointed to the Board on 17 September 2012. Mr. Yu joined CECEP Chongqing Industry Co., Ltd.（重慶中節能實業有限責任公司）("CECEP Chongqing"), the sole shareholder of Hong Kong Rong An, since November 1997 and is the chairman of each session of the board of CECEP Chongqing since November 1997. Mr. Yu is also the assistant to general manager of China Energy Conservation and Environmental Protection Group（中國節能環保集團公司）("CECEP"), a PRC state-owned enterprise and the parent company of CECEP Chongqing, since December 2003. Mr. Yu has been serving as an executive director of CECEP COSTIN New Materials Group Limited, a company listed on the Main Board of the Stock Exchange, since 25 April 2012. From October 1977 to October 1987, Mr. Yu served as a technican, engineer and commander of the Xiao Jiang Water Power Electricity Plant of Wan County, originally in Sichuan Province（原四川省萬縣地區小江水力發電廠）. From November 1987 to October 1989, he served as an executive deputy supervisor（常務副主任）of Electricity Office of Wan County, originally in Sichuan Province（原四川省萬縣地區行署三電辦）. From October 1989 to March 1994, he served as a deputy general manager and general manager of Wan County Electricity Company, originally in Sichuan Province（原四川省萬縣地區電力公司）. From March 1994 to June 2000, he served as a deputy chairman, general manager and chairman of Chongqing Three Gorges Water Conservancy and Electric Power (Group) Co. Ltd（重慶三峽水利電力（集團）股份有限公司）. Mr. Yu is also a director of Hong Kong (Rong An) Investment Limited which, as at 31 December 2012, held 29% of the issued share capital of the Company.

Mr. Yu received a diploma from the Electrical Machinery Faculty of Chongqing University（重慶大學）specializing in Industrial and Enterprise Automation.

Mr. Xue Mangmang（薛茫茫）, aged 41, has over 8 years of experience in resources management. He was appointed to the Board on 17 September 2012. Mr. Xue joined CECEP Chongqing in January 2003 and was appointed as a general manager of CECEP Chongqing in April 2012. Mr. Xue has been serving as executive director of CECEP COSTIN New Materials Group Limited, a company listed on the Main Board of the Stock Exchange, since 25 April 2012.

Mr. Xue graduated from Chongqing University（重慶大學）with a master's degree of business administration ("MBA") in 2003.

Non-executive directors

Mr. Chen Jinen（陳津恩）, aged 58, was appointed to the Board on 17 September 2012 and has been serving as the secretary of Party Committee of Communist Party of China ("CPC Party Committee") and vice president of CECEP since May 2010. From October 2001 to May 2010, Mr. Chen served various positions at China Energy Conservation Investment Corporation（中國節能投資公司）, including deputy general manager, vice president, secretary of CPC Party Committee and secretary of disciplinary inspection committee of this company. From December 1999 to October 2001, Mr. Chen served as the minister of the Execution Department of the Supervisory Board of the Central Enterprise Work Committee（中央企業工委監事會工作部）, currently known as State-owned Assets Supervision and Administration Commission of the State Council（國務院國有資產監督管理委員會）. From August 1998 to December 1999, he served as a deputy director of General Office of Special Inspectors of the State Council（國務院稽察特派員總署辦公室）. From June 1988 to August 1998, he served successively as deputy division chief, division chief and deputy director at the Department of Title of National Ministry of Personnel（國家人事部）, currently known as Ministry of Human Resources and Social Security of the People's Republic of China（中國人力資源和社會保障部）. Mr. Chen also served as an engineer at Science and Technology Cadre Bureau of the National Science and Technology Commission（國家科委科技幹部局）from August 1978 to December 1986 and then as an engineer at the 602 Research Laboratory of Department of Aviation（航空部602研究所）until June 1988.

Mr. Chen graduated from Nanjing University of Aeronautics and Astronautics（南京航空航天大學）, with a bachelor's degree in airplane design in August 1978. He also received a master's degree in business management from City University of Macau (Previously known as Macau International Open University) in July 2000.

Mr. Yang Donghui（楊東輝）, aged 67, was appointed to the Board on 17 September 2012 and has been working at the China National Textile & Apparel Council（中國紡織工業協會）since 1978 and is currently a vice president of this organisation. He has been the president of the National Association of Domestic Textile Products Industry（中國家用紡織品行業協會）since 1999 and a director of Environmental and Resources Conservation Promotion Committee（環境保護與資源節約促進委員會）since 2011. Mr. Yang has been serving as an independent non-executive director of Luolai Home Textile Co., Ltd.（羅萊家紡股份有限公司）, a company listed on the Main Board of the Shenzhen Stock Exchange ("SZSE"), since 7 July 2007, Zhejiang Golden Eagle Co., Ltd.（浙江金鷹股份有限公司）, a company listed on the Main Board of the Shanghai Stock Exchange, since June 2008, and Kingdom Holdings Limited（金達控股有限公司）, a company listed on main board of the Stock Exchange since November 2006. Mr. Yang also served, from March 2007 to March 2012, as an independent non-executive director of Hunan Mendale Hometextile Co., Ltd.（湖南夢潔家紡股份有限公司）, a company listed on the Main Board of the SZSE.

Mr. Yang received a bachelor's degree from Tsinghua University（清華大學）in chemical engineering and chemistry in 1970.

Mr. Yang Jun (楊峻), aged 52, was appointed to the Board on 17 September 2012 and currently serves as a deputy secretary-general of China National Textile and Apparel Council (中國紡織工業聯合會) (formerly known as China Textile Industry Association (中國紡織工業協會)) and a vice-chairman and secretary-general of China Textile Industry Association of Enterprise Management (中國紡織工業企業管理協會). From February 1982 to July 1992, he worked at the Textile Industry Ministry (紡織工業部) and held various positions including cadre, engineer and deputy division head. From July 1992 to May 1998, he served successively as the deputy general manager of the development department and the general manager and assistant to the president of trade department of China Worldbest Group Co., Ltd. (中國華源集團有限公司) and the general manager and senior engineer of Shanghai Worldbest International Trade Development Co., Ltd. (上海華源國際貿易有限公司).

From May 1998 to July 2008, he served as the general manager and was later promoted to the president of Sinotex United Import and Export Co., Ltd. (中紡聯合進出口有限責任公司). He also served as the deputy general manager of China National Chemical Fiber Corp (中國化纖總公司) from March 2001 to May 2003, and then served as a deputy general manager of China Knitting Machinery (Group) Co., Ltd. (中織機械(集團)有限公司) from May 2003 to July 2008. From December 2003 to July 2008, he was also the vice-president and general manager of China Garments Co., Ltd. (中國服裝股份有限公司).

Mr. Yang graduated from Tianjin Polytechnic University (天津工業大學) (formerly known as Tianjin Institute of Textile Science and Technology (天津紡織工學院)), with a bachelor's degree in textile engineering. He has also obtained his EMBA degree from China Europe International Management College (中歐管理學院).

Mr. Ding Guoqiang (丁國強), aged 68, was appointed to the Board on 17 September 2012 and has been serving as the dean of Quanzhou Textile & Garment Institute (泉州紡織服裝學院) and secretary of CPC Party Committee since March 2007. He started his career at Hubei Xiangfan Textile and Printing Factory (湖北省襄樊紡織印染廠) as a technician, and also held various other positions, such as engineer, senior engineer and head of the factory from July 1968 to March 1991. From March 1991 to March 2007, Mr. Ding was a professor and the dean of the textile department of Wuhan Institute of Textile Science and Technology (武漢紡織工學院) (now known as Wuhan Textile University (武漢紡織大學)). Mr. Ding was a council member of the fourth, fifth and sixth China Fashion Association (中國服裝設計師協會).

He was appointed as the chief member of the fourth and fifth Academic Committee of China Fashion Association (中國服裝設計師協會學術委員會). He was also appointed as an executive council member of Fujian Textile Engineering Society (福建省紡織工程學會). Mr. Ding was also named as one of the "Top Ten Newsmaker" of National Apparel Industry (全國服裝「十大新聞人物」) in 2002 by China Textile News (中國紡織報).

Mr. Ding graduated from East China Institute of Textile Science and Technology (華東紡織工學院) (now known as Donghua University (東華大學)), with a bachelor's degree in textile materials in July 1968.

Independent non-executive directors

Mr. Yeung Chi Tat, aged 43, 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

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 47, 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 24 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 74, was appointed as an independent non-executive Director on 31 March 2011. Mr. Ma is also members of the audit committee and the remuneration committee 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 SZSE, 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. Wu Jianshe, aged 58, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu resigned from the positions of executive Director and member of the corporate governance committee of the Board on 17 September 2012. Mr. Wu has more than 27 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 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 46, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He resigned from the positions of executive Director and member of the corporate governance committee of the Board on 17 September 2012. 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, an executive Director, the co-chairman of the Board and the sole shareholder of Kingom Power Limited which, as at 31 December 2012, held 28% of the issued share capital of the Company.

Mr. Ye Jingping, aged 54, is a vice president of the Company and a senior engineer. He has approximately 29 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 35, is a vice president of the Company. He has approximately 15 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 Fujian Baikai Textile Chemical Fiber Industrial Co., Ltd.*（福建百凱紡織化纖實業有限公司）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）.

Mr. Wu Zhongqin, aged 25, joined our Group in April 2011. Mr. Wu served as the manager of the external relations department of Billion Fujian from April 2011 to September 2012 and he was promoted to the assistant to the Chairman in October 2012. He was appointed as a committee member of the Political Consultative Conference of Jinjiang City for the 12th session（晉江市第十二屆政協委員）in 2012. Mr. Wu was an officer in the sales department of Xiamen Chinese Cuisine Trading Limited（廈門中菜貿易有限公司）from August 2009 to March 2011. He was graduated from the East China University of Science and Technology（華東理工大學）with a bachelor's degree in finance in July 2009.

Mr. Wu is a son of Mr. Wu Jinbiao, an executive Director, the chief executive officer and the sole shareholder of Winwett Investments Limited, which held 18% of the issued share capital of the Company as at 31 December 2012; and a nephew of Mr. Sze Tin Yau, an executive Director, a co-chairman and the sole shareholder of Kingom Power Limited, which held 28% of the issued share capital of the Company as at 31 December 2012.

Ms. Ng Weng Sin, aged 41, is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Ms. Ng has over 16 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 of the Stock Exchange, 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 of the Stock Exchange). 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 48, 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 assisting the president for the production management of polyester filament yarn in the new production site. 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 Co., 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.

Mr. Zhang Bochen, aged 54, 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 production management of the existing production site. 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 32, 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 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）.

Mr. Xu Xiaofeng, aged 37, 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.

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

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group for the year ended 31 December 2012.

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 2012.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2012 are set out in note 13 to the consolidated financial statements.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2012, 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 62 to 119.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB750,479,000 (2011: profit of RMB903,507,000) has been transferred to reserves.

An interim dividend of HK10.50 cents per share (2011: HK11.99 cents per share) was paid on 27 September 2012.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2012 are set out in the consolidated statement of changes in equity and note 21 to the financial statement, respectively.

Distributable reserves

As at 31 December 2012, the Company's reserves, including the share premium account but after offsetting the accumulated losses, 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$2,061,741,000, of which approximately HK$222,300,000 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 2012, the Group held property, plant, equipment and other fixed assets of approximately RMB4,575,135,000. 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 2012, the aggregate sales attributable to the Group's five largest customers accounted for approximately 14.4% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 5.3% of the Group's total sales. During the year ended 31 December 2012, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 61.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 28.4% 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 2012 amounted to approximately RMB1,494,000 (2011: approximately RMB488,000).

Share capital

Details of the movement in share capital of the Company during the year are set out in note 21 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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Results and dividends

The results of the Group for the year ended 31 December 2012 are set out in the financial statements.

The Directors propose to recommend the payment of a final dividend of HK10.0 cents per share for the year ended 31 December 2012 to the shareholders whose names appear on the register of members of the Company on 8 May 2013, and the payment of final dividends will be in cash.

The final dividend of HK10.0 cents 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 five financial years, as extracted from the published audited financial statements, is set out on page 120 of this annual report. Such summary does not form part of the audited financial statements.

Directors

The Directors during the year ended 31 December 2012 and up to the date of this annual report were as follows:

Executive directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao *(Chief executive officer)*
Mr. Wu Jianshe (resigned on 17 September 2012)
Mr. He Wenyao (resigned on 17 September 2012)
Mr. Yu Heping (appointed on 17 September 2012)
Mr. Xue Mangmang (appointed on 17 September 2012)

Non-executive directors

Mr. Chen Jinen *(Co-chairman)* (appointed on 17 September 2012)
Mr. Yang Donghui (appointed on 17 September 2012)
Mr. Yang Jun (appointed on 17 September 2012)
Mr. Ding Guoqiang (appointed on 17 September 2012)

Independent non-executive directors

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

In accordance with the Company's articles of association, four Directors, namely Mr. Yeung Chi Tat, Ms. Zhu Meifang, Mr. Ma Yuliang and Mr. Sze Tin Yau 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. The service contracts of Mr. Sze Tin Yau and Mr. Wu Jinbiao commenced from the Listing Date and that of Mr. Yu Heping and Mr. Xuemangmang commenced from 17 September 2012. The service contracts may be 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 non-executive Directors and independent non-executive Directors has signed a letter of appointment for a term of three years. The letters of appointment of Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun and Mr. Ding Guoqiang commenced from 17 September 2012, that of Mr. Yeung Chi Tat, Ms. Zhu Meifang and Mr. Ma Yuliang commenced from the 31 March 2011. The letters of appointment may be terminated by one month's notice in writing served by the non-executive Directors and independent non-executive Director on the Company or in accordance with the terms set out in the respective letters of appointment.

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 Company 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 2012 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 2012 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 2012, 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	643,720,000	28.0%
Mr. Wu Jinbiao	Interest in controlled corporation	2	413,820,000	18.0%

Notes:

1. These 643,720,000 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 413,820,000 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 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. 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 2012, 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	Notes	**Capacity**	**Number of ordinary shares interested**	**Percentage of the Company's issued share capital**
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An")		Beneficial owner	666,710,000	29.0%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing")	(a)	Through controlled corporations	666,710,000	29.0%
China Energy Conservation and Environmental Protection Group	(b)	Through controlled corporations	666,710,000	29.0%
Kingom Power Limited		Beneficial owner	643,720,000	28.0%
Winwett Investments Limited		Beneficial owner	413,820,000	18.0%

Notes:

(a) CECEP Chongqing owned 100% of the issued share capital of Hong Kong Rong An, therefore, was deemed to be interested in 666,710,000 shares of the Company owned by Hong Kong Rong An under the SFO.

(b) CECEP Chongqing was a non-wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group ("CECEP"), CECEP was therefore deemed to be interested in 666,710,000 shares of the Company indirectly owned by CECEP Chongqing under the SFO.

Save as disclosed above, as at 31 December 2012, so far as is known to the Directors, there was no other person 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.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as of 18 May 2011, i.e. 229,900,000 Shares.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

No options have been granted under the Share Option Scheme since its adoption up to 31 December 2012.

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 from 1 January 2012 to 31 May 2012 and HK$25,000 from 1 June 2012 to 31 December 2012. 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 2012, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB2,233,000 (2011: RMB1,413,000). 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 2012, 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 are set out below:

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

During the year ended 31 December 2012, pursuant to a sales agreement entered into between Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）(“Billion Fujian”) and Fujian Baikai Elastic Weaving Co., Ltd.*（福建省百凱彈性織造有限公司）(“Baikai Elastic Weaving”) on 31 March 2011 as amended by a revised sales agreement dated 10 February 2012, Billion Fujian sold DTY, FDY and POY to Baikai Elastic Weaving at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

As at the date of such sales agreement, 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.

For the year ended 31 December 2012, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB136,779,000, which is within the approved cap of RMB140.5 million as disclosed in the Company’s announcement dated 13 February 2012 and circular dated 5 March 2012.

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

During the year ended 31 December 2012, pursuant to a sales agreement entered into between Billion Fujian and Fujian Baikai Wrap Knitting Industry Co., Ltd.*（福建省百凱經編實業有限公司）(“Baikai Wrap Knitting”) on 31 March 2011 as amended by a revised sales agreement dated 10 February 2012, Billion Fujian sold DTY and FDY to Baikai Wrap Knitting at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

As at the date of such sales agreement, 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.

For the year ended 31 December 2012, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB179,254,000, which is within the approved cap of RMB183.4 million as disclosed in the Company’s announcement dated 13 February 2012 and circular dated 5 March 2012.

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

During the year ended 31 December 2012, pursuant to a sales agreement entered into between Billion Fujian and Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.*（福建百凱紡織化纖實業有限公司）(“Baikai Textile”) on 31 March 2011 as amended by a revised sales agreement dated 10 February 2012, Billion Fujian sold semidull PET chips, POY to Baikai Textile at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

As at the date of such sales agreement, 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.

For the year ended 31 December 2012, sales to Baikai Textile by Billion Fujian amounted to approximately RMB118,714,000, which is within the approved cap of RMB194.2 million as disclosed in the Company’s announcement dated 13 February 2012 and circular dated 5 March 2012.

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

During the year ended 31 December 2012, pursuant to a sales agreement entered into between Billion Fujian and Fujian Baikai Zipper Dress Co., Ltd.*（福建省百凱拉鏈服飾有限公司）(“Baikai Zipper”) on 31 March 2011 as amended by a revised sales agreement dated 10 February 2012, Billion Fujian sold DTY to Baikai Zipper at prices agreed between the parties from time to time with reference to the then market prices of similar products that Billion Fujian sold to other independent customers.

As at the date of such sales agreement, 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.

For the year ended 31 December 2012, sales to Baikai Zipper by Billion Fujian amounted to approximately RMB6,410,000, which is within the approved cap of RMB9.0 million as disclosed in the Company’s announcement dated 13 February 2012 and circular dated 5 March 2012.

(e) *Provision of paper boxes and rolls and related processing services by Baikai Paper to Billion Fujian and Billion High-tech*

During the year ended 31 December 2012, pursuant to a purchase agreement entered into between Billion Fujian and Fujian Baikai Paper Co., Ltd.*（福建百凱紙品有限公司）(“Baikai Paper”) on 31 March 2011 as amended by a revised purchase agreement dated 10 February 2012, Baikai Paper provided paper boxes and rolls and related processing services to Billion Fujian at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion Fujian paid to other independent suppliers. Pursuant to a purchase agreement entered into between Billion High-tech and Baikai Paper on 10 February 2012, Baikai Paper agreed to provide paper boxes and rolls and related processing services to Billion High-tech at prices agreed between the parties from time to time with reference to the then market prices of similar products and services that Billion High-tech paid to other independent suppliers.

As at the date of such purchase agreement, 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.

For the year ended 31 December 2012, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB111,148,000 and RMB61,000 respectively, which is within the approved cap of RMB287.7 million and RMB15.4 million respectively as disclosed in the Company’s announcement dated 13 February 2012 and circular dated 5 March 2012.

(f) Sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to Subsidiaries of CECEP COSTIN

On 18 October 2012, Billion Fujian entered into a framework agreement with Xinhua Share Co., Ltd. Fujian*（福建鑫華股份有限公司）, Gerfalcon Trade Co., Ltd. Jinjiang* (晉江海東青貿易有限公司) and Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.*（海東青非織工業（福建）有限公司）(collectively, the "Subsidiaries of CECEP COSTIN") with respect to the sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to the Subsidiaries of CECEP COSTIN. The framework agreement is valid with retrospective effect from 17 September 2012 to 31 December 2012. The product price shall be determined based on the then market price.

CECEP Chongqing became a substantial shareholder of the Company interested in 29% of its issued share capital on 17 September 2012, thus also became a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing also controls the composition of a majority of the board of directors of CECEP COSTIN, which in turn owns 100% of the shares of each of the Subsidiaries of CECEP COSTIN, thus each of the Subsidiaries of CECEP COSTIN is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules.

During the period from 17 September 2012 to 31 December 2012, aggregate sales to the Subsidiaries of CECEP COSTIN by Billion Fujian pursuant to the framework agreement amounted to approximately RMB10,061,000, which is within the approved cap of RMB22 million as disclosed in the Company's announcement dated 18 October 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 above continuing connected transactions 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 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, KPMG to perform certain agreed-upon procedures on the continuing connected transactions. 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; and

(iv) did not exceed the annual cap amounts for the year ended 31 December 2012.

(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 24 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.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2012.

Contracts with controlling shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2012.

Deed of non-competition

Mr. Sze Tin Yau, Mr. Wu Jinbiao, Kingom Power Limited and Winwett Investments Limited ceased to be controlling shareholders of the Company upon completion of the disposal of certain shares of the Company held by Kingom Power Limited and Winwett Investments Limited on 17 September 2012. Each of Mr. Sze Tin Yau, Mr. Wu Jinbiao, Kingom Power Limited and Winwett Investments Limited 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) during the period from 1 January 2012 to 17 September 2012. 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 then controlling shareholders. Hong Kong (Rong An) Investment Limited has confirmed to the Company that it did not engage in any business which directly or indirectly compete with the business of the Company from 17 September 2012 to 15 March 2013.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules as at 20 March 2013, being the latest practicable date prior to printing of this annual report for ascertaining certain information contained herein.

Bank Loans

Details of bank loans of the Company and the Group as at 31 December 2012 are set out in note 19 to the financial statements.

Audit committee

The audit committee of the Board had reviewed, together with the management and external auditors of the Company, KPMG, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2012. The financial statements had been agreed with external auditors of the Company.

Auditors

The consolidated financial statements for the year ended 31 December 2012 have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution for the reappointment of KPMG as the auditors of the Company is to be proposed at the annual general meeting.

Dividend

The Board has recommended the payment of a final dividend of HK10.0 cents per share of the Company for the year ended 31 December 2012. 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 8 May 2013.

Closure of register of members

The register of members of the Company will be closed from Monday, 6 May 2013 to Wednesday, 8 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 3 May 2013.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Friday, 10 May 2013, to shareholders whose names appear on the register of members of the Company on Wednesday, 8 May 2013.

On behalf of the Board

Sze Tin Yau
Co-chairman

Hong Kong, 11 March 2013

KPMG

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 62 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 disclosure requirements of 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, 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 2012 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 disclosure requirements of the Hong Kong Companies Ordinance.

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

11 March 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Expressed in Renminbi)

	Note	**2012** **RMB'000**	2011 RMB'000
Revenue	3	**6,091,703**	6,053,645
Cost of sales		**(4,984,052)**	(4,729,557)
Gross profit		**1,107,651**	1,324,088
Other revenue	4	**104,455**	58,149
Other net gain	5	**7,839**	33,577
Selling and distribution expenses		**(38,659)**	(31,412)
Administrative expenses		**(273,917)**	(267,818)
Profit from operations		**907,369**	1,116,584
Finance costs	6(a)	**(54,183)**	(34,854)
Profit before taxation	6	**853,186**	1,081,730
Income tax	7	**(102,707)**	(178,223)
Profit for the year		**750,479**	903,507
Earnings per share			
Basic and diluted (RMB)	11	**0.33**	0.43

The notes on pages 69 to 119 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Renminbi)

	2012 **RMB'000**	2011 RMB'000
Profit for the year	**750,479**	903,507
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside mainland China	**(12,820)**	(44,440)
Total comprehensive income for the year	**737,659**	859,067

The notes on pages 69 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		**3,117,951**	2,548,810
– Construction in progress		**1,180,302**	547,703
– Interests in leasehold land held for own use under operating leases		**276,882**	193,575
		4,575,135	3,290,088
Deposits and prepayments	15	**441,542**	452,340
Deferred tax assets	20(b)	**1,091**	49
		5,017,768	3,742,477
Current assets			
Inventories	14	**444,942**	595,501
Trade and other receivables	15	**935,113**	1,120,575
Restricted bank deposits	16	**788,491**	698,968
Cash and cash equivalents	17	**644,049**	1,093,282
		2,812,595	3,508,326
Current liabilities			
Trade and other payables	18	**1,147,770**	1,274,472
Bank loans	19	**1,119,422**	484,043
Current taxation	20(a)	**51,589**	60,541
		2,318,781	1,819,056
Net current assets		**493,814**	1,689,270
Total assets less current liabilities		**5,511,582**	5,431,747

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank loans	19	**20,542**	235,496
Deferred tax liabilities	20(b)	**63,119**	80,636
		83,661	316,132
NET ASSETS		**5,427,921**	5,115,615
CAPITAL AND RESERVES	21		
Capital		**19,333**	19,333
Reserves		**5,408,588**	5,096,282
TOTAL EQUITY		**5,427,921**	5,115,615

Approved and authorised for issue by the Board of Directors on 11 March 2013.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 69 to 119 form part of these financial statements.

Statement of Financial Position

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Investments in subsidiaries	13	**–**	–
Current assets			
Trade and other receivables	15	**1,691,727**	2,085,280
Cash and cash equivalents	17	**79**	40,586
		1,691,806	2,125,866
Current liabilities			
Trade and other payables	18	**1,401**	2,514
		1,401	2,514
Total assets less current liabilities		**1,690,405**	2,123,352
NET ASSETS		**1,690,405**	2,123,352
CAPITAL AND RESERVES	21(a)		
Capital		**19,333**	19,333
Reserves		**1,671,072**	2,104,019
TOTAL EQUITY		**1,690,405**	2,123,352

Approved and authorised for issue by the Board of Directors on 11 March 2013.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 69 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Renminbi)

	Note	Paid-in capital/ Share capital note 21(c)(i) RMB'000	Share premium note 21(d)(i) RMB'000	Capital reserves note 21(d)(iii) RMB'000	Exchange reserves note 21(d)(iv) RMB'000	Statutory reserves note 21(d)(ii) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 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		–	–	–	–	–	(324,569)	(324,569)
Elimination of paid-in capital on reorganisation	21(c)(ii)	(1,787,457)	–	1,787,457	–	–	–	–
Issue of shares upon reorganisation	21(c)(iii)	–	–	–	–	–	–	–
Capitalisation issue	21(c)(iii)	14,522	(14,522)	–	–	–	–	–
Share issue under placing and public offering, net of issuing expenses	21(c)(iv)	4,811	2,446,828	–	–	–	–	2,451,639
Dividends declared in respect of the current year	21(b)	–	(226,061)	–	–	–	–	(226,061)
Appropriation to statutory reserve		–	–	–	–	90,245	(90,245)	–
Balance at 31 December 2011 and 1 January 2012		**19,333**	**2,206,245**	**1,805,631**	**(44,440)**	**163,237**	**965,609**	**5,115,615**
Changes in equity for 2012:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**750,479**	**750,479**
Other comprehensive income		**–**	**–**	**–**	**(12,820)**	**–**	**–**	**(12,820)**
Total comprehensive income		**–**	**–**	**–**	**(12,820)**	**–**	**750,479**	**737,659**
Dividends approved in respect of the last year	21(b)	**–**	**(227,793)**	**–**	**–**	**–**	**–**	**(227,793)**
Dividends declared in respect of the current year	21(b)	**–**	**(197,560)**	**–**	**–**	**–**	**–**	**(197,560)**
Appropriation to statutory reserve		**–**	**–**	**–**	**–**	**76,165**	**(76,165)**	**–**
Balance at 31 December 2012		**19,333**	**1,780,892**	**1,805,631**	**(57,260)**	**239,402**	**1,639,923**	**5,427,921**

The notes on pages 69 to 119 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Renminbi)

	Note	**2012 RMB'000**	2011 RMB'000
Operating activities			
Cash generated from operations	17(b)	**1,224,633**	831,587
Income tax paid		**(130,218)**	(124,346)
Net cash generated from operating activities		**1,094,415**	707,241
Investing activities			
Payment for purchase of property, plant and equipment		**(11,920)**	(789,663)
Expenditure on construction in progress		**(1,297,703)**	(754,536)
Payment for interests in leasehold land held for own use under operating lease		**(112,837)**	(25,081)
Proceeds from disposal of property, plant and equipment		**–**	137
Interest received		**39,399**	14,893
Increase in pledged bank deposits		**(89,501)**	(171,565)
Net advances to related parties		**–**	(2,915)
Net cash used in investing activities		**(1,472,562)**	(1,728,730)
Financing activities			
Proceeds from issue of shares under public offering, net of issuing expenses		**–**	2,451,639
Proceeds from new bank loans		**1,137,798**	1,111,205
Repayment of bank loans		**(720,847)**	(859,887)
Interest paid		**(51,869)**	(26,709)
Repayment of loan to third parties		**–**	(116,011)
Profit distributions prior to the listing		**–**	(324,569)
Dividend paid to equity shareholder of the Company		**(425,353)**	(226,061)
Net cash (used in)/generated from financing activities		**(60,271)**	2,009,607
Net (decrease)/increase in cash and cash equivalents		**(438,418)**	988,118
Cash and cash equivalents at 1 January		**1,093,282**	151,392
Effect of foreign exchange rate changes		**(10,815)**	(46,228)
Cash and cash equivalents at 31 December		**644,049**	1,093,282

The notes on pages 69 to 119 form part of these financial statements.

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 shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 18 May 2011.

These consolidated 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"). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. 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 2012 comprise the Company and its subsidiaries (together "the Group").

The measurement basis used in the preparation of the consolidated 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.

The functional currency of the Company is Hong Kong Dollars ("HK$"). These consolidated financial statements are presented in Renminbi ("RMB") as the functional currency of the Group's operating subsidiaries is RMB. These consolidated financial statements presented in RMB have been rounded to the nearest thousand.

The preparation of these consolidated 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.

1 Significant accounting policies (Continued)

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

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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the amendment titled "HKFRS 7 *Financial instruments: Disclosures – Transfers of financial assets*" is relevant to the Group's consolidated financial statements. The amendment has no material impact on the Group's consolidated financial statements as the amendment was consistent with policies already adopted by the Group.

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

(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. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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;

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of receivables (Continued)

- 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.

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.

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(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 an operating lease;

– construction in progress; and

– investments in subsidiaries.

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.

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– 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.

(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 using the effective interest method, 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.

1 Significant accounting policies (Continued)

(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.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently 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 or the Company 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 RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB 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 RMB, 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 control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) 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) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) 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).

1 Significant accounting policies (Continued)

(u) Related parties (Continued)

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.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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 judgement and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) 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.

2 Significant accounting judgement and estimates (Continued)

(b) 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.

(c) 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.

(d) Bank acceptance bills

As set out in note 22(a)(i), the Group considers that the credit risk associated with bank acceptance bills issued by major banks in the PRC to be insignificant. The Group monitors the credit risk of issuing banks. The judgement to derecognise bank acceptance bills upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

3 Revenue

The principal activities of the Group are manufacturing and sales of polyester filament yarns products and polyester thin films products.

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

	2012 **RMB'000**	2011 RMB'000
Polyester filament yarns products	**6,085,473**	6,053,645
Polyester thin films products	**6,230**	–
	6,091,703	6,053,645

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the years ended 31 December 2012 and 2011.

4 Other revenue

	2012 **RMB'000**	2011 RMB'000
Bank interest income	**40,880**	36,832
Government grants	**55,748**	15,129
Sales of raw materials	**7,827**	6,188
	104,455	58,149

During the year, government grants of RMB55,748,000 (2011: RMB15,129,000) 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

	2012 **RMB'000**	2011 RMB'000
Net gain on sale of property, plant and equipment	**–**	54
Donation	**(1,494)**	(488)
Net exchange (loss)/gain	**(3,241)**	32,138
Net gain on financial assets and liabilities at a fair value through profit or loss	**12,321**	1,095
Others	**253**	778
	7,839	33,577

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2012 **RMB'000**	2011 RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**36,970**	29,697
Other interest expenses	**17,708**	5,171
	54,678	34,868
Less: interest expense capitalised into construction in progress*	**495**	14
	54,183	34,854

* The borrowing costs have been capitalised at a rate of 6.7% per annum (2011: 6.7%).

6 Profit before taxation (Continued)

		2012 RMB'000	2011 RMB'000
(b)	**Staff costs (including directors' remuneration in note 8):**		
	Contributions to defined contribution retirement plan	**2,233**	1,413
	Salaries, wages and other benefits	**131,915**	103,780
		134,148	105,193

		2012 RMB'000	2011 RMB'000
(c)	**Other items:**		
	Amortisation of interests in leasehold land held for own use under operating leases	**3,658**	3,138
	Depreciation	**161,165**	148,217
	Auditors' remuneration	**2,932**	2,374
	Operating lease charges in respect of properties	**360**	995
	Research and development costs*	**209,823**	195,902
	Cost of inventories**	**4,984,052**	4,729,557

* Research and development costs include RMB42,973,000 (2011: RMB37,109,000) relating to staff costs in the research and development department 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.

** Cost of inventories include RMB216,497,000 (2011: RMB182,303,000) 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:

	2012 RMB'000	2011 RMB'000
Current tax – PRC Income Tax		
Provision for the year	**121,266**	157,356
Deferred tax		
Origination and reversal of temporary differences	**13,695**	20,867
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(32,254)**	–
	(18,559)	20,867
	102,707	178,223

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

	2012 RMB'000	2011 RMB'000
Profit before taxation	**853,186**	1,081,730
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**213,296**	272,659
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(32,254)**	–
Tax effect of non-deductible expenses	**10,010**	11,020
Tax concessions (note (iii))	**(88,345)**	(105,456)
Actual tax expenses	**102,707**	178,223

7 Income tax in the consolidated income statement (Continued)

(b) Reconciliation between income tax and accounting profit 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 have assessable profits during the years ended 31 December 2012 and 2011.

(iii) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the 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") renewed the High and New Technology Enterprise Status in 2012 for a valid period of 3 years from 2012 to 2014 which entitles Billion Fujian to a reduced income tax rate at 15% during the valid period under the New Tax Law and its relevant regulations. Nevertheless this reduced tax rate cannot be applied in conjunction with the grandfathered tax holiday.

(iv) In accordance with the relevant PRC Corporate Income Tax Laws, regulations and implementation guidance notes, the 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") 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.

8 Directors' remuneration

Directors' remuneration is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2012 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,394	–	11	1,405
Mr. Wu Jinbiao	–	1,227	–	11	1,238
Mr. Wu Jianshe*	–	625	–	8	633
Mr. He Wenyao*	–	555	–	8	563
Mr. Yu Heping**	70	–	–	–	70
Mr. Xue Mangmang**	70	–	–	–	70
Non-executive directors					
Mr. Chen Jinen**	282	–	–	–	282
Mr. Yang Donghui**	21	–	–	–	21
Mr. Yang Jun**	21	–	–	–	21
Mr. Ding Guoqiang**	21	–	–	–	21
Independent non-executive directors					
Mr. Yeung Chi Tat	156	–	–	–	156
Ms. Zhu Meifang	74	–	–	–	74
Mr. Ma Yuliang	74	–	–	–	74
Total	789	3,801	–	38	4,628

8 Directors' remuneration (Continued)

	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

* Mr. Wu Jianshe and Mr. He Wenyao, have resigned as executive Directors, with effect from 17 September 2012.

** Mr. Yu Heping and Mr. Xue Mangmang have been appointed as executive Directors, and Mr. Chen Jinen, Mr. Yang Donghui, Mr. Yang Jun and Mr. Ding Guoqiang have been appointed as non-executive Directors, for a term of three years, with effect from 17 September 2012.

9 Individual with highest emoluments

Of the five individuals with the highest emoluments, four (2011: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2011: one) individual are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other emoluments	**846**	865
Retirement scheme contributions	**11**	10
	857	875

(Expressed in Renminbi unless otherwise indicated)

9 Individual with highest emoluments (Continued)

The emoluments of the one (2011: one) individual with the highest emoluments are with the following bands:

	2012 Number of individuals	2011 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB10,211,000 (2011: RMB20,033,000) 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 21(b).

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 RMB750,479,000 (2011: RMB903,507,000) and the weighted average of 2,299,000,000 ordinary shares (2011: 2,083,272,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
Effect of issue upon legal establishment	**2**	2
Effect of issue of shares upon reorganisation (note 21(c)(iii))	**198**	198
Effect of capitalisation issue (note 21(c)(iii))	**1,724,249,800**	1,724,249,800
Effect of shares issued upon placing and public offering (note 21(c)(iv))	**574,750,000**	359,022,000
Weighted average number of ordinary shares	**2,299,000,000**	2,083,272,000

There were no dilutive potential ordinary shares during the years ended 31 December 2012 and 2011, 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 2011	767,361	1,688,825	265,582	28,928	2,750,696	28,235	188,018	2,966,949
Additions	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

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 2012	878,120	1,958,320	273,803	51,227	3,161,470	547,703	213,099	3,922,272
Additions	–	–	2,423	7,342	9,765	1,353,140	86,965	1,449,870
Transfers	401,765	310,380	8,396	–	720,541	(720,541)	–	–
At 31 December 2012	1,279,885	2,268,700	284,622	58,569	3,891,776	1,180,302	300,064	5,372,142
Accumulated depreciation and amortisation:								
At 1 January 2012	(114,783)	(404,344)	(76,450)	(17,083)	(612,660)	–	(19,524)	(632,184)
Charge for the year	(29,903)	(105,657)	(16,039)	(9,566)	(161,165)	–	(3,658)	(164,823)
At 31 December 2012	(144,686)	(510,001)	(92,489)	(26,649)	(773,825)	–	(23,182)	(797,007)
Net book value:								
At 31 December 2012	1,135,199	1,758,699	192,133	31,920	3,117,951	1,180,302	276,882	4,575,135
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 2012, the remaining period of the land use rights ranged from 44 to 50 years.

(b) As at 31 December 2012, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB73,601,000 (2011: RMB25,081,000) from the relevant PRC government authorities.

12 Fixed Assets (Continued)

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

	The Group	
	2012	2011
	RMB'000	RMB'000
In Hong Kong		
– medium-term leases (note 19)	**49,364**	50,514
Outside Hong Kong		
– medium-term leases	**1,362,717**	906,398
	1,412,081	956,912
Representing:		
Buildings held for own use	**1,135,199**	763,337
Interests in leasehold land held for own use under operating leases	**276,882**	193,575
	1,412,081	956,912

13 Investments in subsidiaries

	The Company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**–**	–

(Expressed in Renminbi unless otherwise indicated)

13 Investments in subsidiaries (Continued)

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:

Name of company	Place of incorporation and operation	Particulars of issued and fully paid up capital	Proportion of equity interest attributable to the Company: Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activity
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$450,940,000	100%	–	100%	Manufacturing and sales of polyester filament yarns products
Treasure Full Global Industrial Limited ("Treasure Full")	BVI	US$1	100%	–	100%	Investment holding
Billion High-tech (note (i))	PRC	US$35,755,000	100%	–	100%	Manufacturing and sales of polyester thin films products

Note:

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

14 Inventories

	The Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**126,809**	257,168
Work in progress	**43,268**	43,955
Finished goods	**274,865**	294,378
	444,942	595,501

15 Trade and other receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors	**472,074**	197,794	**–**	–
Bills receivable	**203,301**	246,044	**–**	–
Deposits, prepayments and other receivables				
– Subsidiary	**–**	–	**1,691,696**	2,085,268
– Others	**691,225**	1,129,077	**31**	12
	1,366,600	1,572,915	**1,691,727**	2,085,280
Less: non-current portion of deposits and prepayments	**(441,542)**	(452,340)	**–**	–
	925,058	1,120,575	**1,691,727**	2,085,280
Derivative financial assets – forward exchange contracts	**10,055**	–	**–**	–
	935,113	1,120,575	**1,691,727**	2,085,280

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

As at 31 December 2012, the Group had discounted bank acceptance bills totalling RMB253,680,000 (2011: nil) and endorsed bank acceptance bills totalling RMB297,594,000 (2011: RMB370,201,000), which are derecognised as financial assets. These bank acceptance bills matured within six months from date of issue.

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

15 Trade and other receivables (Continued)

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

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

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the date of billing, is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Current	**675,368**	430,985
Less than 1 month past due	**2**	3,925
More than 1 month but less than 3 months past due	**1**	8,299
More than 3 months but less than 1 year past due	**2**	7
More than 1 year	**2**	622
	7	12,853
	675,375	443,838

Trade debtors are due within 90 to 180 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 22(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 2012 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 RMB788,491,000 (2011: RMB698,968,000) 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks and other financial institutions	**129,931**	584,726	**–**	40,535
Cash at bank and in hand	**514,118**	508,556	**79**	51
Cash and cash equivalents in the statement of financial position	**644,049**	1,093,282	**79**	40,586

At 31 December 2012, cash at bank balances were placed with banks in the PRC amounted to RMB470,902,000 (2011: RMB370,364,000). 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	**2012 RMB'000**	2011 RMB'000
Profit before taxation		**853,186**	1,081,730
Adjustments for:			
– Bank interest income	4	**(40,880)**	(36,832)
– Net gain on disposal of property, plant and equipment	5	**–**	(54)
– Net gain on financial assets and liabilities at fair value through profit or loss	5	**(12,321)**	(1,095)
– Finance costs	6(a)	**54,183**	34,854
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	**3,658**	3,138
– Depreciation	6(c)	**161,165**	148,217
– Net foreign exchange loss/(gain)	5	**3,241**	(32,138)
		1,022,232	1,197,820
Decrease/(increase) in inventories		**150,559**	(190,667)
Decrease/(increase) in trade and other receivables		**197,088**	(147,649)
Decrease in trade and other payables		**(145,246)**	(27,917)
Cash generated from operations		**1,224,633**	831,587

18 Trade and other payables

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors and bills payable	**835,149**	924,279	**–**	–
Other payables and accrued charges	**107,220**	119,201	**1,401**	2,514
Equipment payables	**45,793**	11,560	**–**	–
Construction payables	**9,788**	60,634	**–**	–
Receipts in advance	**148,786**	155,499	**–**	–
	1,146,736	1,271,173	**1,401**	2,514
Derivative financial liabilities				
– forward exchange contracts	**940**	2,228	**–**	–
– interest rate swaps	**94**	1,071	**–**	–
	1,034	3,299	**–**	–
	1,147,770	1,274,472	**1,401**	2,514

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

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 3 months	**742,840**	788,083
More than 3 months but within 6 months	**85,557**	127,331
More than 6 months but within 1 year	**280**	1,921
More than 1 year	**6,472**	6,944
	835,149	924,279

19 Bank loans

At 31 December 2012, the bank loans were repayable as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 1 year or on demand	**1,119,422**	484,043
After 1 year but within 2 years	**1,622**	214,823
After 2 years but within 5 years	**4,865**	5,810
After 5 years	**14,055**	14,863
	20,542	235,496
	1,139,964	719,539

At 31 December 2012, the bank loans were secured as follows:

	2012	2011
	RMB'000	RMB'000
Bank loans		
– secured	**780,093**	689,539
– unsecured	**359,871**	30,000
	1,139,964	719,539

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

	2012	2011
	RMB'000	RMB'000
Properties (note 12)	**49,364**	50,514
Pledged trade receivables	**18,962**	7,429
Restricted bank deposits	**740,571**	658,330
	808,897	716,273

Further details of the Group's interest rate risk are set out in note 22(c) and management of liquidity risk are set out in note 22(b).

20 Income tax in the consolidated statement of financial position

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

	2012 **RMB'000**	2011 RMB'000
Provision for the year	**121,266**	157,356
Tax paid	**(130,218)**	(124,346)
	(8,952)	33,010
Balance of tax provision relating to prior years	**60,541**	27,531
	51,589	60,541

(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 expenses RMB'000	**Depreciation and amortisation of fixed assets** RMB'000	**Others** RMB'000	**Total** RMB'000
Deferred tax arising from:				
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
At 1 January 2012	(49)	88,223	(7,587)	80,587
Charged/(credited) to profit or loss	(1,042)	(20,552)	3,035	(18,559)
At 31 December 2012	(1,091)	67,671	(4,552)	62,028

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

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

Reconciliation to the consolidated statement of financial position

	2012 RMB'000	2011 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(1,091)**	(49)
Deferred tax liabilities recognised in the consolidated statement of financial position	**63,119**	80,636
	62,028	80,587

(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 RMB44,775,000 (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.

(d) Deferred tax liabilities not recognised

As at 31 December 2012, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB1,665,519,000 (2011: RMB983,163,000). Deferred tax liabilities of RMB83,276,000 (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.

21 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 beginning and the end of the year are set out below:

The Company

	Note	Share capital note 21(c)(i) RMB'000	Share premium note 21(d)(i) RMB'000	Exchange reserve note 21(d)(iv) RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 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	21(c)(iii)	–	–	–	–	–
Capitalisation issue	21(c)(iii)	14,522	(14,522)	–	–	–
Share issue under public offering, net of issuing expenses	21(c)(iv)	4,811	2,446,828	–	–	2,451,639
Dividends declared in respect of the current year	21(b)	–	(226,061)	–	–	(226,061)
Balance at 31 December 2011 and 1 January 2012		**19,333**	**2,206,245**	**(73,350)**	**(28,876)**	**2,123,352**
Changes in equity for 2012:						
Total comprehensive income for the year		**–**	**–**	**2,617**	**(10,211)**	**(7,594)**
Dividends approved in respect of the previous year	21(b)	**–**	**(227,793)**	**–**	**–**	**(227,793)**
Dividends declared in respect of the current year	21(b)	**–**	**(197,560)**	**–**	**–**	**(197,560)**
Balance at 31 December 2012		**19,333**	**1,780,892**	**(70,733)**	**(39,087)**	**1,690,405**

21 Capital, reserves and dividends (Continued)

(b) Dividends

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

	2012 RMB'000	2011 RMB'000
Interim dividend declared and paid of HK10.5 cents per share (2011: HK11.99 cents per share)	**197,560**	226,061
Final dividend proposed after the end of the reporting period of HK10.0 cents per ordinary share* (2011: HK12.20 cents per share)	**179,419**	227,793
	376,979	453,854

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.

* The total number of ordinary shares issued is 2,299,000,000 as at 31 December 2012. The Company has repurchased and cancelled 76,000,000 shares in January and February 2013. As at the date of approving the consolidated financial statements, the total number of ordinary shares in issue is 2,223,000,000.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

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

(Expressed in Renminbi unless otherwise indicated)

21 Capital, reserves and dividends (Continued)

(c) 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			
31 December 2012	0.01	10,000,000,000	100,000,000

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

(ii) Elimination of paid-in capital on reorganisation

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

(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 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.

21 Capital, reserves and dividends (Continued)

(c) Share capital: (Continued)

(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.

(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 but after offsetting the accumulated losses, of the Company as at 31 December 2012 was HK$2,061,741,000 (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 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 Wise Industrial Limited ("Billion H.K.") to Billion Development at nil consideration (see note 21(c)(iii)).

21 Capital, reserves and dividends (Continued)

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

(iv) Exchange reserve

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

(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 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 2012 and 2011, the Group's debt ratio, being the Group's total liabilities over its total assets, was 30.7% and 29.4% respectively.

22 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.

Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

22 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, 17% and 24% (2011: 50% and 66%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively. 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.

As set out in note 15, at 31 December 2012, the Group had discounted bank acceptance bills totalling RMB253,680,000 (2011: nil) and endorsed bank acceptance bills totalling RMB297,594,000 (2011: RMB370,201,000), which are derecognised as financial assets. The transferees have recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. The Group's maximum loss in case of default is RMB551,274,000 for these discounted or endorsed bills. Nonetheless, the Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

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 on bank deposits 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.

22 Financial risk management and fair values (Continued)

(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.

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 2012 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	1,119,422	1,980	5,776	15,194	1,142,372	1,139,964
Trade creditors and bills payable	835,149	–	–	–	835,149	835,149
Other payables and accrued charges	256,006	–	–	–	256,006	256,006
Equipment payables	45,793	–	–	–	45,793	45,793
Construction payables	9,788	–	–	–	9,788	9,788
Interest rate swaps (net settled)	94	–	–	–	94	94
	2,266,252	1,980	5,776	15,194	2,289,202	2,286,794
Derivatives settled gross						
– outflow	(556,822)	–	–	–	(556,822)	
– inflow	565,937	–	–	–	565,937	

22 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	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	

22 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued 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. Accordingly, the fair value gain/(loss) were recognised in the Group's income statement. The Group did not apply hedge accounting in respect of these derivatives. At 31 December 2012 and 2011, the Group had interest rate swaps with a notional contract amount of US$19,400,000 (equivalent to RMB122,698,000) and US$26,155,000 (equivalent to RMB164,777,000) respectively.

(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			
	2012		2011	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	**1.49% to 6.48%**	**727,810**	3.58% to 6.70%	422,781
Pledged bank deposits	**3.10% to 7.84%**	**(788,491)**	2.50% to 4.40%	(698,968)
		(60,681)		(276,187)
Variable rate borrowings/ (deposits):				
Bank loans	**1.90% to 5.20%**	**412,154**	2.27% to 5.70%	296,758
Cash and cash equivalent	**0.50%**	**(644,049)**	0.50%	(1,093,282)
		(231,895)		(796,524)
Total net deposits		**(292,576)**		(1,072,711)

22 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2012, 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 RMB2,487,000 (2011: increase/decrease the Group's profit after taxation and retained profits by approximately RMB7,827,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expenses 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 2011.

(d) Currency risk

The Group is exposed to currency risk primarily through bank borrowings, sales and 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"), Australian Dollars ("AUD") and Great Britain Pound ("GBP"). Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

22 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								
	2012					2011			
	USD RMB'000	HKD RMB'000	EUR RMB'000	AUD RMB'000	GBP RMB'000	USD RMB'000	HKD RMB'000	EUR RMB'000	CHF RMB'000
Trade and other receivables	116,732	–	643	3,156	3,821	110,794	–	7,165	–
Cash and cash equivalents in the consolidated statement of financial position	123,031	129	20,336	263,515	115,805	19,903	48,824	4	–
Trade and other payables	(128,665)	–	(7,644)	(2,169)	–	(149,833)	–	(840)	(545)
Bank loans	(521,788)	–	(288,426)	(69,654)	–	(665,758)	–	–	–
Gross exposure arising from recognised assets and liabilities	(410,690)	129	(275,091)	194,848	119,626	(684,894)	48,824	6,329	(545)
Notional principal amounts of forward contracts	127,597	–	122,346	(208,802)	–	(116,015)	–	–	–
Net exposure arising from recognised assets and liabilities	(283,093)	129	(152,745)	(13,954)	119,626	(800,909)	48,824	6,329	(545)

In response to the foreign currency risk of loans denominated in USD, EUR and AUD, 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 gain/(loss) were recognised in the Group's income statement. The settlement dates of the forward exchange contracts held by the Group as at 31 December 2012 are from 11 June 2013 to 5 December 2013 respectively.

22 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(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 end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December			
	2012		2011	
	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%**	**(12,031)**	5%	(34,039)
	(5%)	**12,031**	(5%)	34,039
HKD	**5%**	**5**	5%	2,075
	(5%)	**(5)**	(5%)	(2,075)
EUR	**5%**	**(6,492)**	5%	269
	(5%)	**6,492**	(5%)	(269)
AUD	**5%**	**(593)**	5%	–
	(5%)	**593**	(5%)	–
GBP	**5%**	**5,084**	5%	–
	(5%)	**(5,084)**	(5%)	–
CHF	**5%**	**–**	5%	(23)
	(5%)	**–**	(5%)	23

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.

22 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 2011.

(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 2012	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets			
Derivative financial instruments			
– Forward exchange contracts	–	10,055	–
Liabilities			
Derivative financial instruments			
– Forward exchange contracts	–	(940)	–
– Interest rate swaps	–	(94)	–
	–	9,021	–

22 Financial risk management and fair values (Continued)

(e) Fair values (Continued)

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

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	–

(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 2012 and 31 December 2011 to discount the derivatives and loans and borrowings. The interest rates used are 1.49% and 0.57%-2.21% as at 31 December 2012 and 31 December 2011 respectively.

23 Commitments

(a) Capital commitments in respect of fixed assets outstanding at 31 December 2012 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Authorised but not contracted for	**293,167**	550,921
Authorised and contracted for	**818,190**	1,543,640
	1,111,357	2,094,561

(b) At 31 December 2012, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2012	2011
	RMB'000	RMB'000
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**2,250**	2,610
	4,050	4,410

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.

24 Material related party transactions

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

Name of related party	Relationship
Fujian Jinjiang City Hengxinglong Polyester Co., Ltd.* ("Hengxinglong Polyester")) 福建省晉江市恒興隆化纖絲綸有限公司	Mr. Wu Qingshun, the son of Mr. Wu Jianshe, is the controlling shareholder of Hengxinglong Polyester
Mr. Sze Tin Yau	Director of the Company and holding 28% of the Company's issued share capital
Mr. Wu Jinbiao	Director of the Company and holding 18% of the Company's issued share capital
Mr. Wu Jianshe (note (i))	Director of the Company before 17 September 2012 and key management personnel during the year

Notes:

(i) Mr. Wu Jianshe, has resigned as executive Directors, with effect from 17 September 2012 but was still a key management personnel of the Group as at 31 December 2012.

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

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**7,033**	6,617
Post-employment benefits	**66**	58
	7,099	6,675

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

24 Material related party transactions (Continued)

(b) Transactions with related parties

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

	2012	2011
	RMB'000	RMB'000
Sales of goods		
Hengxinglong Polyester	**26**	2,027

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 a related party

As at 31 December 2012 and 2011, the Group did not have balance with a related party.

25 Jointly controlling parties

At 31 December 2012, the directors consider the jointly controlling parents of the Group to be Hong Kong (Rong An) Investment Limited incorporated in Hong Kong, Kingom Power Limited incorporated in the BVI and Winwett Investment Limited incorporated in the BVI.

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

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 2012 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

(Expressed in Renminbi unless otherwise indicated)

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012 (Continued)

	Effective for accounting periods beginning on or after
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, Financial instruments	1 January 2015

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 consolidated financial statement.

Financial Summary

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,091,703**	6,053,645	4,309,731	2,963,098	2,113,614
Cost of sales	**4,984,052**	(4,729,557)	(3,678,783)	(2,713,454)	(1,989,150)
Gross profit	**1,107,651**	1,324,088	630,948	249,644	124,464
Profit before taxation	**853,186**	1,081,730	537,452	128,374	72,401
Income tax	**(102,707)**	(178,223)	(91,493)	(26,978)	(15,677)
Profit for the year	**750,479**	903,507	445,959	101,396	56,724

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**2,812,595**	3,508,326	2,037,526	1,866,806	1,869,712
Non-current assets	**5,017,768**	3,742,477	2,498,477	2,490,325	2,473,132
Total assets	**7,830,363**	7,250,803	4,536,003	4,357,131	4,342,844
Current liabilities	**2,318,781**	1,819,056	1,883,674	2,243,272	2,351,710
Non-current liabilities	**83,661**	316,132	296,790	132,274	116,011
Total liabilities	**2,402,442**	2,135,188	2,180,464	2,375,546	2,467,721
Net assets	**5,427,921**	5,115,615	2,355,539	1,981,585	1,875,123
Share capital/paid-in capital	**19,333**	19,333	1,787,457	1,681,672	1,678,088
Reserves	**5,408,588**	5,096,282	568,082	299,913	197,035
Total equity	**5,427,921**	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.