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 2013

Contents

Company Profile

Mission

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

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.

As at 31 December 2013, the designed capacity of FDY and POY of the Group was 785,000 tons per year (TPY), while that of DTY was 493,000 TPY. The combined designed capacity of DTY, FDY and POY was 1,278,000 TPY.

In August 2011, Billion started to expand into the production of polyester thin films, and has gradually commenced operation since 2012. As at 31 December 2013, the designed capacity of polyester thin films of the Group was 36,500 tons per year TPY, which is expected to reach 255,000 TPY in 2014.

Billion's Journey

2003

- Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd.*（福建百宏聚纖科技實業有限公司）("Billion Fujian") was established in the People's Republic of China (the "PRC") by Billion Wise Industrial Limited*（百宏實業有限公司）("Billion H.K.") as a wholly foreign-owned enterprise

2005

- Commencement of commercial production of polyester filament yarns – in 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
- Continued the expansion of new production site in Jinnan Industrial Zone, Jinjiang City. The new production site commenced production in November 2011, and is expected to reach full production operation by the end of 2013
- Establishment of 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") to develop polyester thin films business. In November, the company announced further investment of RMB1.587 billion in polyester thin films business, and the investment of polyester thin films business reached RMB1.937 billion
- Being awarded as "State-Accredited Enterprise Technology Centre"

2012

September:

- CECEP Chongqing Industry Co., Ltd*（重慶中節能實業有限公司）("CECEP Chongqing"), a subsidiary of China Energy Conservation and Environmental Protection Group*（中國節能環保集團公司）("CECEP"), 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

2013

- Second to Fifth production lines of polyester thin films commenced construction. Upon completion in 2014, designed capacity is expected to reach 255,000 TPY

September:

- Being awarded as one of the "China's top 500 private enterprises in the manufacturing sector"

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

Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau *(Co-chairman)*
Mr. Wu Jinbiao
(Chief executive officer)
Mr. Yu Heping
Mr. Xue Mangmang

Non-executive Directors

Mr. Yang Yihua *(Co-chairman)*
(appointed on 19 March 2014)
Mr. Chen Jinen *(Co-chairman)*
(resigned on 19 March 2014)
Mr. Wu Zhongqin (appointed on
19 March 2014)
Mr. Yang Donghui (resigned on
19 March 2014)
Mr. Yang Jun (resigned on
19 March 2014)
Mr. Ding Guoqiang (resigned on
19 March 2014)
Ms. Ma Yun (appointed
on 31 March 2013 and
resigned on 19 March 2014)
Mr. Chen Bo (appointed
on 31 March 2013 and
resigned on 19 March 2014)

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Ma Yuliang
Ms. Zhu Meifang (resigned on
19 March 2014)
Mr. Li Zhi Xian (appointed
on 31 March 2013 and
resigned on 19 March 2014)
Mr. Lin Jian Ming (appointed
on 31 March 2013)

Board Committees

Audit committee

Mr. Yeung Chi Tat *(Chairman)*
Mr. Ma Yuliang
Ms. Zhu Meifang (resigned on
19 March 2014)
Mr. Lin Jian Ming (appointed
on 19 March 2014)

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 (resigned on
19 March 2014)
Mr. Lin Jian Ming (appointed
on 19 March 2014)

Corporate Governance Committee

Mr. Sze Tin Yau *(Chairman)*
Mr. Wu Jinbiao
Mr. Yu Heping
Mr. Xue Mangmang

Company Secretary

Mr. Lai Wai Leuk

Authorised Representatives

Mr. Sze Tin Yau
Mr. Lai Wai Leuk

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

Guotai Junan 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		
	2013	2012	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	**6,152,700**	6,091,703	1.0%
Gross profit	**726,782**	1,107,651	-34.4%
Profit from operations	**479,443**	907,369	-47.2%
Profit for the year	**358,341**	750,479	-52.3%

	As at 31 December		
	2013	2012	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	**5,594,724**	5,017,768	11.5%
Non-current liabilities	**101,122**	83,661	20.9%
Current assets	**3,005,752**	2,812,595	6.9%
Current liabilities	**3,323,980**	2,318,781	43.4%
Net current (liabilities)/ assets	**(318,228)**	493,814	-164.4%
Total equity	**5,175,374**	5,427,921	-4.7%
Earnings per Share (RMB)	**0.16**	0.33	
Interim dividend (HK cent) (Note 1)	**7.00**	10.50	
Final dividend (HK cent) (Note 2)	**3.10**	10.00	
Key Ratio Analysis			
Gross profit margin	**11.8%**	18.2%	
Operating profit margin	**7.8%**	14.9%	
Net profit margin	**5.8%**	12.3%	
Returns on equity (Note 3)	**6.9%**	13.8%	
Current ratio (Note 4)	**0.90**	1.21	
Gearing ratio (Note 5)	**66.2%**	44.3%	

Notes:

1: The interim dividend of HK7.0 cents per share in cash was paid on 21 August 2013

2: The final dividend of HK3.1 cents per share in cash will be paid on 5 June 2014

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

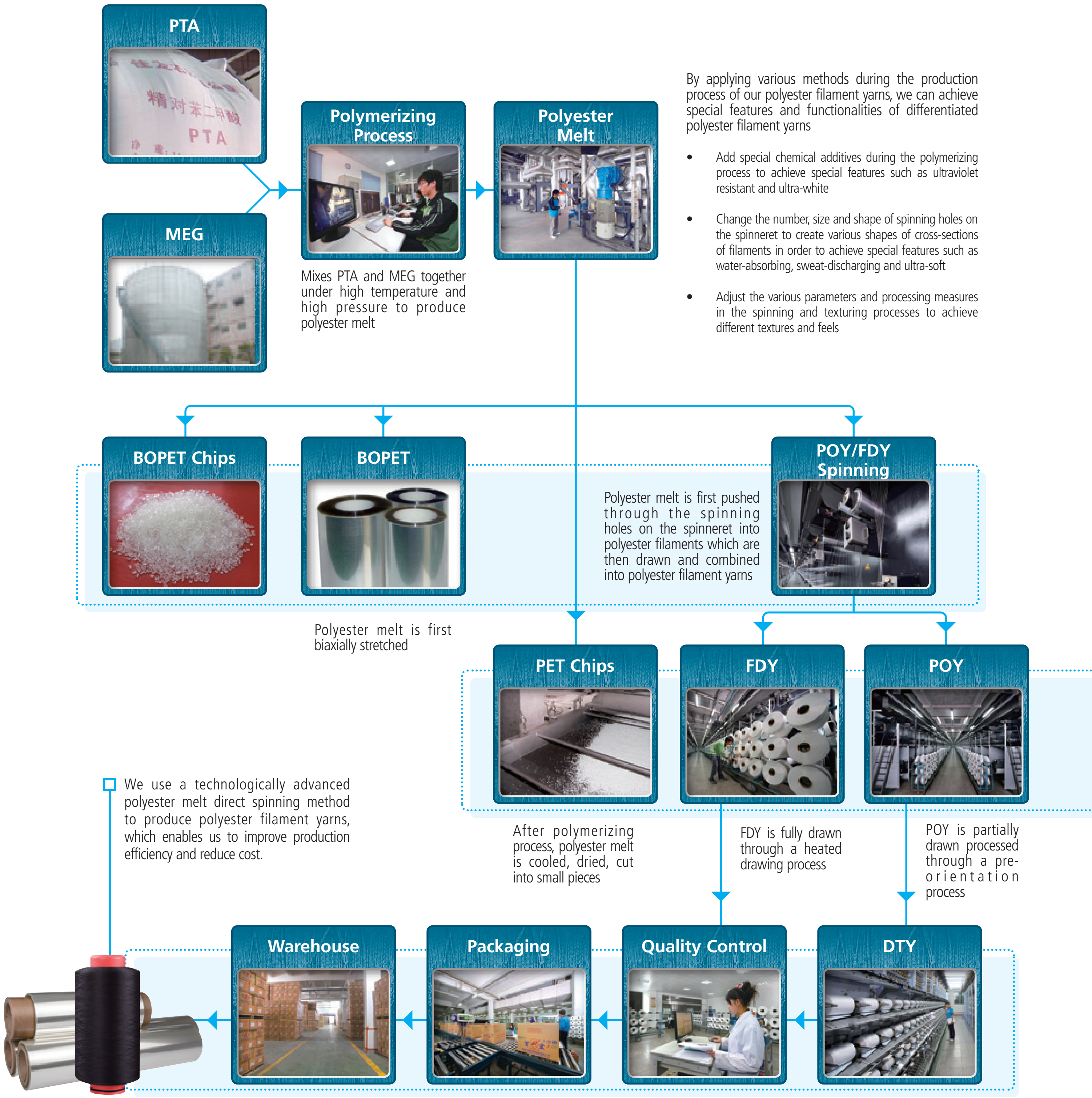
Company Structure

as at 31 December 2013

Note:		Place of incorporation	Place of operation
	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 & Polyester Thin Films



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

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.

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

Chairman's Statement

In order to ensure its long-term growth, the Group will further intensify its research and development, continue to explore new application sectors, and strengthen the utilisation of modern technologies, thereby realising its product innovation.

2013 continued to be a challenging year for the chemical fiber industry. Amid a retarding economic growth in the PRC and a downturn in the chemical fiber industry during the year, the Group has always adhered to the vision of "aspiring to be the world's premier supplier of consumer products, providing eco-friendly products for the public". Following our strategic partnership with CECEP, the largest state-owned enterprise in the PRC specializing in energy-saving and environmental projects, many co-operation opportunities and synergy effects appeared. In addition, with our management's far-reaching vision and close cooperation, our position and goals became clearer and more definite.

Sze Tin Yau
Co-chairman of the Board

Along with the slow recovery of the global economy, the recovery in China's textile and apparel exports continued to be weak. In terms of domestic demand, consumer confidence and income growth rate in general remained low and has limited room for growth. Coupled with the frequent fluctuations in bulky commodities market prices, the price and profitability of chemical fiber products declined in different degrees. Looking back into the past year, the profitability of the chemical fiber industry stayed at a historically low level. Faced with the aforesaid challenges, the Group had experienced a drop in the average selling price during the year. Thanks to the proactive and innovative efforts from our sales force, our sales volume maintained a steady growth during such industry-wide downturn period. As the market price of our major raw materials, being purified terephthalic acid (PTA) and mono ethylene glycol (MEG), decreased, our product selling prices were adjusted to a certain extent as well, resulting in a decrease in gross profit level of the Group.

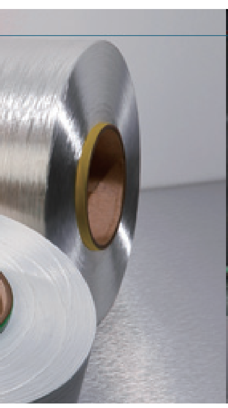
Chairman's Statement

The Group's significant investments in production facilities and other aspects have been among the top in the industry. Apart from pursuing the benefits of economies of scale, the Group will also focus on quality improvement. Meanwhile, the Group will closely monitor the upstream resources, track and reserve the technologies related to the upstream renewable materials, degradable materials, bio-based materials and other upstream ones, as well as raising the proportion of recyclable and degradable products. Moreover, the Group will continue to invest more in research and development, and keep developing high value-added and differential products. Following our cooperation with leading enterprises from the downstream of the industry, we constantly improve our service standards, optimise our product mix, and develop new products to cater for the market demands. We expect that the synergy effect of our cooperation with CECEP in new products as well as in the research and development will further become apparent in 2014. On this basis, the Group will launch more quality products conducive to both consumers' health and ecology in the future, while strengthening the efforts in promoting the application of five elements, namely, ecology, fashion, function, environmental protection, and science and technology in the products.

On top of its steady and constant expansion in the domestic consumer market, the Group has, on one hand cemented its market presence in Fujian Province and Guangdong Province by leveraging on its advantages of having the largest polyester fiber production base in Southern China, and on the other hand, expanded the markets in Shandong Province and Zhejiang Province, where the Group provides customers with customised products and services. In addition, the Group will further expand the overseas emerging markets. In 2013, the Group sold its products to a number of overseas countries, including Turkey, Italy, Belgium, Brazil, the United States, Spain and Germany.

The construction of a polyester thin films production factory proceeds as scheduled. As at 31 December 2013, our designed production capacity of polyester thin films was 36,500 tons per annum. Due to strong demands for the polyester thin films, our customers responded

- Sales volume recorded a year-on-year increase of 11.03% to 525,315 tons
- Revenue recorded a year-on-year increase of 1.0% to RMB6,152,700,000
- Gross profit recorded a year-on-year decrease of 34.4% to RMB726,782,000
- Profit for the year recorded a year-on-year decrease of 52.3% to RMB358,341,000



Chairman's Statement

positively towards our products. According to its plan, the Group will gradually enhance the production capacity of polyester thin films to 255,000 tons per annum by 2014. The management believes that the polyester thin films business will become one of the driving forces for the sales increase of the Group and will also better balance the product portfolio of the Group.

Amid a low growth rate in China's economy and a slow recovery in the global economy, despite the Group's profitability was affected, it still outperformed its competitors in the industry. The Group's capital fund and financing capabilities remain in a good position. In particular, in the challenging environment of the industry this year, the Group still maintained sound ability to control its operational cash flow and capital turnover.

In order to sharpen our competitive edge, the Group will continue to improve its own product quality and develop diverse and differentiated products. During the year, the differentiation rate of our products reached 63.4%, thereby remaining a leader in the industry. The Group is currently a key high-tech enterprise of the State Torch Program and a national research and development base for polyester fiber products with functional differentiation. It also owns laboratories with national certifications and national enterprise technology centers. The higher differentiation rate has ensured our ability to compete in the market, which is also one of the reasons that we maintained a steady growth of sales volume. Looking into 2014, as driven by the PRC's economic development, the employment remains stable, and rural and urban residents' income will continue to rise. Against this backdrop, the domestic demand and consumption of textile and apparel products are expected to maintain a stable growth. In addition, the steady and smooth economic development in Europe and the United States will further accelerate the recovery of the China's foreign trade. As there is very small room for the price difference between chemical fibers and its raw materials to further drift down, the profitability of the industry will stabilise. Armed with the Group's outstanding management team and fueled by its solid technological reserve and financial advantages, the management is in full confidence with respect to the prospect of our business.

During the year, expenditures involved in our investing activities were RMB1,248 million, resulting net current liabilities of RMB318 million as at 31 December 2013. Such investments in the plants and equipment of the Group will further expand our corporate scale and generate a larger net cash flow from our future operation, which

Chairman's Statement

in turn will bring better returns for shareholders in the long run. In addition, the debt-to-equity ratio (calculated by dividing total assets by total liabilities) was 2.5 times, and the overall liabilities remained at a stable level.

Looking forward, the Group's investment and capacity expansion plan will still progress orderly. Save for pursuing the economies of scale effect, the Group will also shift its focus to improving product quality. In order to ensure its long-term growth, the Group will further intensify its research and development, continue to explore new application sectors, and strengthen the utilisation of modern technologies, thereby realising its product innovation.

In January 2013, the Company repurchased 76,000,000 its shares from the secondary market, representing approximately 3.3% of the total issued share capital of the Company prior to the repurchase. 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 the Company's management in the operations and future prospect of the Group.

On 13 January 2014, Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"), a wholly owned subsidiary of CECEP Chongqing and a substantial shareholder of the Company, proposed an unconditional mandatory cash offer to purchase shares of the Company. Such move has fully demonstrated the confidence of Hong Kong Rong An in the chemical fiber industry, and the business prospect of the Group.

Last but not least, I wish to thank you all for the trust in us and for investing in the future of the Company. The management of the Company and I will work diligently to further create value for our shareholders, customers, and employees, and strive for better returns for all shareholders.

Sze Tin Yau
Co-chairman of the Board

31 March 2014

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:

As at 31 December 2011

FDY+POY : 475,000 TPY
DTY : 350,000 TPY

As at 31 December 2012

FDY+POY : 580,000 TPY
DTY : 415,000 TPY
BOPET : 36,500 TPY

As at 31 December 2013

FDY+POY : 785,000 TPY
DTY : 493,000 TPY
BOPET : 36,500 TPY

Designed Capacity will be:

By the end of 2014

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

Management Discussion and Analysis

Changes in marco-economic environment

China's economic growth continued its slowdown trend in 2013. Despite the slowdown in the first half of 2013, it started to stabilise and recover in the second half of the year. China's gross domestic product ("GDP") grew by 7.7% in 2013, slightly lower than its average growth rate in the last decade. The lower than 8.0% GDP growth for the last two consecutive years indicated that China has shifted from the previous rapid growth to a modest growth and is progressing in accordance with its master economic guideline of "making progress while maintaining stability" by maintaining reasonable economic growth in conjunction with acceleration of its economic structure adjustment to improve the quality and efficiency of China's economy and ensure its long-term steady development.

In 2013, the final consumption contributed to 50.0% of China's GDP growth, which is 1.8 percentage points lower than the 51.8% in 2012. According to National Bureau of Statistics of the PRC, retail sales of apparel, footwear and hats, and textile products amounted to RMB1,141.4 billion in 2013, representing a year-on-year increase of 11.6%, among which, the sales for December 2013 was RMB132.3 billion, representing a year-on-year increase of 11.1%. As the adjustment on economic structure advances, urbanisation will become a strong driving force for domestic demand, which will benefit the consumer goods market.

Outside China, the global economy showed a trend of slow recovery while the aftermath of international financial crisis remained. A number of major institutions lowered their global economic growth estimates several times in 2013. Among the major economies, the U.S. economy continued to recover, and the Euro zone recorded a slight growth following its difficult time in 2012. The rising trend of emerging countries did not change despite an overall slowdown of their growth.

Industry review

Average selling prices of polyester filament yarns in 2013 were lower than those in 2012, mainly due to the fluctuation of raw materials prices. The market prices of both purified terephthalic acid ("PTA") and mono ethylene glycol ("MEG"), the principal raw materials of the Group's products, dropped in 2013, particularly in the first half of 2013 when their market prices were mostly in a downwards trend. The prices did not stabilise until the third quarter of the year, a traditional peak season. The Group's products are substitutes for cotton to a certain degree. Cotton price fluctuated widely during 2013. As the cotton plantation area in the PRC is expected to decrease in 2014, mainly due to the decrease in the revenue from cotton plantation in relative terms and the expected gradual phaseout of Chinese government's policies on cotton purchase and storage, cotton price will show a downward tend in 2014. We will continue to monitor closely the new changes of the raw material prices that may affect the Group's operation and the trend of PTA production capacity.

Management Discussion and Analysis

As the challenges faced by China's export industry remained and the global economy has been recovering in a slow pace, China's textile products export continued to record a weak recovery in 2013, while domestic sales of apparel, footwear and home textile products remained stable overall. Domestic sales are expected to grow, however, its growth potential may be limited as the consumer confidence and people's income growth rate remained relatively low in general. As such, certain apparel, footwear and house textile brands focus their business expansion in the second and third-tier cities. Looking forward to 2014, as China's economic growth will lead to stable employment, in turn, the income of urban and rural residents will increase, which hopefully will facilitate the growth of domestic sales of textile and apparel products.

The downstream industry of polyester thin films represents mainly plastic soft packages which are primarily used in food and beverages, consumer goods and pharmaceutical industries. Owing to strong market demand, its end-demand and 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 polyester thin films and market supply and demand remained stable. Currently, China's polyester thin films market shows a rapid growth trend and its product mix is upgrading in a accelerating pace. After the scale accumulation stage, manufacturers begin to differentiate their products with high added values. Therefore, the Group will enhance the competitive edge of its polyester thin films products by innovation and developing more value-added and differentiated products. Our management is confident in the growth potential and profitability of its polyester thin films business.

Business review

Stable growth in the Group's sales

Looking back into the year 2013, despite the slowdown of China's economic growth and the downwards cycle of the chemical fiber industry, market demand for the Group's products remained strong, and the Group was able to maintain a stable growth in both sales volume and sales value for the year. According to National Bureau of Statistics of the PRC, retail sales of apparel, footwear and hats and textile products, being the downstream products of the Group, amounted to RMB1,141.4 billion in 2013, representing a year-on-year increase of 11.6%. As the market price of PTA and MEG, being the principal materials of the Group's products, dropped during the year, resulting in the decrease in the price of polyester filament yarns, which further pushed up the market demand for polyester filament yarns. However, due to fierce market competition, the Group's overall profit margin was lower than that for the year ended 31 December 2012.

The Group continued to seek to improve its product quality and develop differentiated products with features such as moisture and sweat absorption, UV resistance, anti-abrasion, super soft and flame retardant in order to strengthen its competitiveness. Product quality is dependent upon research and development. During the year, the Group's research and development expenses amounted to RMB197,830,000, representing 3.2% of its total revenue. Its research and development efforts mainly focus on improving product quality and production efficiency. Owing to our long-term investment in research and development and marketing efforts in promoting differentiated products, the Group's overall business volume maintained a solid growth in 2013. The Group's product differentiation rate reached 63.4% during the year. Such high rate ensures our competitiveness in the market and is also a key factor contributing to the steady growth of the Group's sales volume and sales value.

Management Discussion and Analysis

Taking advantage of having the biggest polyester fiber production base in southern China, the Group has been solidifying its market share in Fujian Province and Guangdong Province as well as exploring markets in Shandong, Jiangsu and Zhejiang Provinces where the Group has provided customised product services. In addition, the Group has been actively expanding its sales in emerging overseas markets. The Group's export sales for the year ended 31 December 2013 were RMB740,553,000, representing an increase of RMB65,218,000, or 9.7% compared to the year ended 31 December 2012, indicating a significant improvement in its brand recognition and market share in the oversea market.

The Group has been actively promoting polyester thin films during the year. The polyester thin films sales were RMB243,717,000, representing 4.0% of its total revenue for the year ended 31 December 2013. Due to the wide application of polyester thin films, it enjoys a strong market demand, and the management believes that its polyester thin films business will better balance the Group's product mix and will be a new source of growth for the Group, and it anticipates that revenue from polyester thin films will continue to grow in 2014.

Production capacity expansion progressed orderly

As of 31 December 2013, the Group's designed capacity for FDY and POY was 785,000 tons per year and our designed capacity for DTY was 493,000 tons per year. The construction of polyester thin films plant progressed as scheduled. As of 31 December 2013, our designed capacity for polyester thin films was 36,500 tons per year. With positive feedbacks from customers on the Group's polyester thin films products, polyester thin films business became one of the driving forces for the Group's revenue growth. The Group's plans to increase its total production capacity for polyester thin films to 255,000 tons per year in 2014.

Product research and development

As of 31 December 2013, we owned 48 national patents registered in China and have applied for 71 national patents. Among all our patented products, 38 of them have already been applied to our products sold to customers. Our research and development activities relied on our experienced research and development team. Our research and development expenditure was RMB197,830,000, representing 3.2% of our revenue in 2013.

For the year ended 31 December 2013, revenue generated from the Group's differentiated products amounted to RMB3,899,587,000, accounting for 63.4% of its total revenue for the year. The Group believes that its products, protected by national patents, will be well recognised in both domestic and international markets and will provide the Group with a strong competitive edge.

Management Discussion and Analysis

Business outlook

The management believes that the global economic growth will gradually recover in 2014. Measures adopted by the Euro zone member states in the past few years have helped to lower the risks for the Euro zone significantly. Although the United States's progress in ensuring its medium-term financial sustainability is slow, the uncertainties as to U.S. financial policies have been substantially eliminated in the short term. Developing countries, however, are facing new uncertainties and risks, including the potential impact of the decrease in commodity prices on commodity export nations and the challenges brought by the exit of quantitative easing policies in developed countries. Such factors will bring a series of uncertainties to the business operations of the Group.

As the global economy recovers, the Group is no longer just pursuing economies of scale. The Group has already ranked among the top in the industry in terms of its production capacity, demonstrated by its large investment in production facilities, and it will shift its development focus from scale to quality. It will focus on the control over upstream resources, monitoring and developing technology for upstream materials such as recycled materials, degradable materials and biomass materials, and improving the percentage of its recycled and degradable products. It will continue to strengthen its investment in research and development to continuously develop high valued-added and differentiated products to optimise its product mix and develop new products which have greater market demand. We will actively expand our sales to the emerging overseas markets in addition to further strengthening our presence in the domestic market steadily and continuously. We are confident that the polyester thin films business, a new growth driver for the Group, will better balance the product portfolio of the Group, and enable us to diversify our risk due to high industry concentration. With the Group's outstanding management team, strong technical strengths and financial resources, the management will capture the development opportunities to further expand its scale and improve returns to its shareholders.

Financial review

Operational Performance

1. Revenue

Revenue of the Group for 2013 was RMB6,152,700,000, representing an increase of 1.0% as compared to RMB6,091,703,000 for 2012. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB5,908,983,000, accounting for 96.0% of the total revenue. Revenue attributable to the sales of polyester thin films, the new products, was RMB243,717,000, accounting for 4.0% of the total revenue. The revenue analysis of the two products is as follows.

Management Discussion and Analysis

Polyester filament yarns

Revenue attributable to the sales of polyester filament yarns products for the year was RMB5,908,983,000, representing a decrease of 176,490,000 or 2.9% as compared to RMB6,085,473,000 in 2012. The average selling price of polyester filament yarns in the year was RMB11,727 per ton, representing a decrease of RMB1,149 or 8.9% as compared to RMB12,876 per ton in 2012. The decrease in sales and average selling price per ton was mainly due to the decrease in raw materials prices. Furthermore, the continuous softened economic growth in China has exerted negative impact on the Group's customers such as apparel and footwear enterprises. As a result, despite the market demand for the Group's products remained strong and the sales volume of polyester filament yarns of the Group for the year increased to 503,889 tons (representing 95.9% of total sales volume) during the year from 472,629 tons in 2012 (representing an increase of 31,260 tons or 6.6%), owing to the cost pressure faced by its customers, the price of the Group's polyester filament yarns products prices was also suppressed.

As the domestic consumption market continues to grow, in particular driven by the urbanisation, the market demand for the Group's products remained strong. In view of this, over 80.0% of the capital raised by the Group from its initial public offering in May 2011 has been utilised to increase the production capacity of its polyester filament yarns. The increased production capacity enabled the Group to support its increase in sales during the year.

Polyester thin films

During the year 2013, revenue generated from polyester thin film products was RMB243,717,000, representing an increase of RMB237,487,000 as compared to the revenue of RMB6,230,000 in 2012. The sales volume was 21,426 tons, representing 4.1% of the total sales volume. The average selling price of polyester thin films in 2013 was RMB11,375 per ton.

The Group commenced trial production of polyester thin film products in the second half of 2012, followed by gradual commercial production in the same year. Polyester thin film products have wide application, including being used in food and other products packaging. Therefore, it has a large market demand and has become a new growth point of the Group's business.

Sales by geographic region

The Group continued to expand its market share in overseas market, improve its service quality and increase its brand recognition, hence, the percentage of export sales revenue of the Group increased to 12.0% during the year from 11.1% in 2012. Approximately 88.0% of the Group's revenue was generated from domestic market sales, of which 69.4% were to customers in Fujian Province and 15.4% to Guangdong Province, our neighbouring province. The textile manufacturing industries in both provinces are booming, resulting in strong demand for the Group's products. Furthermore, the Group also expanded into Shandong, Jiangsu and Zhejiang markets during the year, where it provided customised product services to its customers.

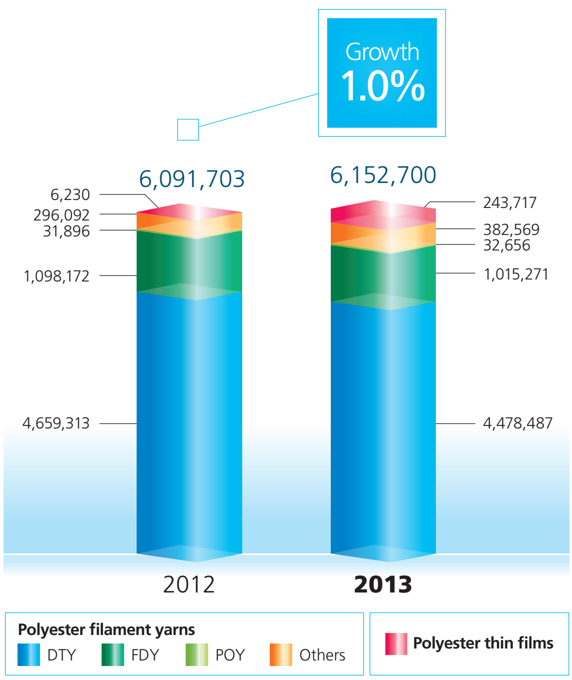
Management Discussion and Analysis

Revenue and Sales Volume by Product

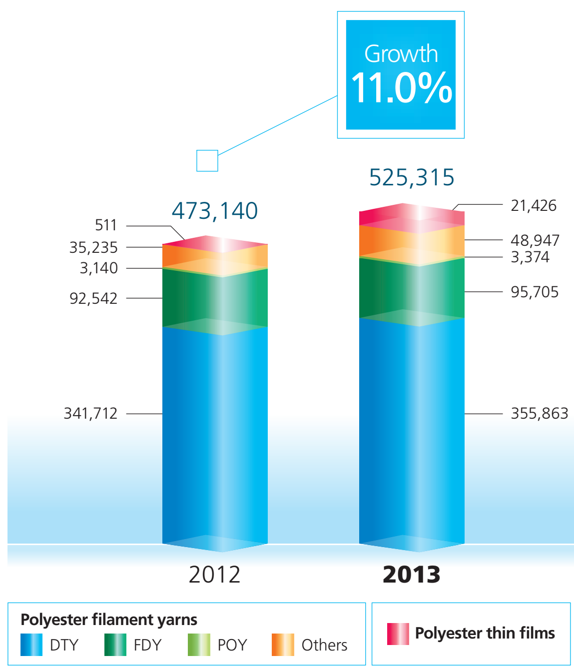
	Revenue				Sales Volume			
	2013		2012		**2013**		2012	
	RMB'000	**Percentage**	RMB'000	Percentage	**Tons**	**Percentage**	Tons	Percentage
Polyester filament yarns								
DTY	**4,478,487**	**72.8%**	4,659,313	76.5%	**355,863**	**67.8%**	341,712	72.2%
FDY	**1,015,271**	**16.5%**	1,098,172	18.0%	**95,705**	**18.2%**	92,542	19.6%
POY	**32,656**	**0.5%**	31,896	0.5%	**3,374**	**0.6%**	3,140	0.7%
Others*	**382,569**	**6.2%**	296,092	4.9%	**48,947**	**9.3%**	35,235	7.4%
Sub-total	**5,908,983**	**96.0%**	6,085,473	99.9%	**503,889**	**95.9%**	472,629	99.9%
Polyester thin films	**243,717**	**4.0%**	6,230	0.1%	**21,426**	**4.1%**	511	0.1%
Total	**6,152,700**	**100.0%**	6,091,703	100.0%	**525,315**	**100.0%**	473,140	100.0%

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

Revenue
(RMB'000)



Sales volume
(tons)

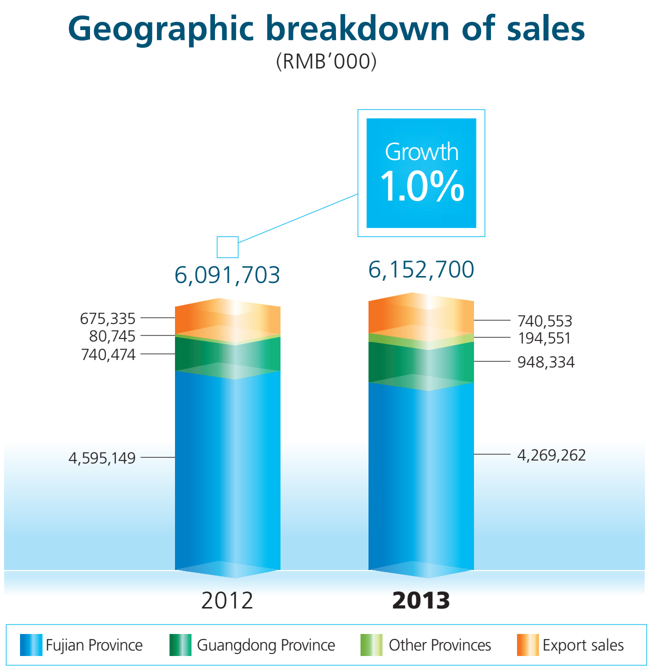


Management Discussion and Analysis

Geographic Breakdown of Sales

	2013		2012	
	RMB'000	**Percentage**	RMB'000	Percentage
Domestic sales				
Fujian Province	**4,269,262**	**69.4%**	4,595,149	75.4%
Guangdong Province	**948,334**	**15.4%**	740,474	12.2%
Other provinces	**194,551**	**3.2%**	80,745	1.3%
Export sales*	**740,553**	**12.0%**	675,335	11.1%
Total	**6,152,700**	**100.0%**	6,091,703	100.0%

* Export sales were mainly made to countries such as Turkey, Italy, Belgium, Brazil, United States, Spain, and Germany.



2. *Cost of Sales*

The cost of sales of the Group in 2013 was RMB5,425,918,000, representing an increase of 8.9% as compared to RMB4,984,052,000 in 2012. Such increase was primarily attributable to a combined impact of the increase in sales volume, the drop in raw materials prices and the rising manufacturing costs.

The cost of sales for polyester filament yarns was RMB5,209,860,000, accounting for 96.0% of total cost of sales. The cost of sales for polyester thin films, the Group's new products, was RMB216,058,000, accounting for 4.0% of total cost of sales. The percentages of costs of sales of these two types of products were generally consistent with their respective sales volumes.

Polyester filament yarns

The average cost of sales for polyester filament yarns dropped from RMB10,535 per ton in 2012 to RMB10,339 per ton for the year, representing a decrease of RMB196 or 1.9%. Among which, the average price of raw materials for polyester filament yarns dropped from RMB8,844 per ton in 2012 to RMB8,411 per ton for the year, representing a decrease of RMB433 per ton or 4.9%. The Group's key raw materials, namely PTA and MEG, accounted for 72.6% of the total cost of sales, the price of which in turn directly affected by the prices of crude oil, a key raw material of PTA and MEG.

Polyester thin films

Trial production of polyester thin films commenced in the second half of 2012, followed by gradual commercial production in the same year. The average selling costs for polyester thin films for the year was RMB10,084 per ton.

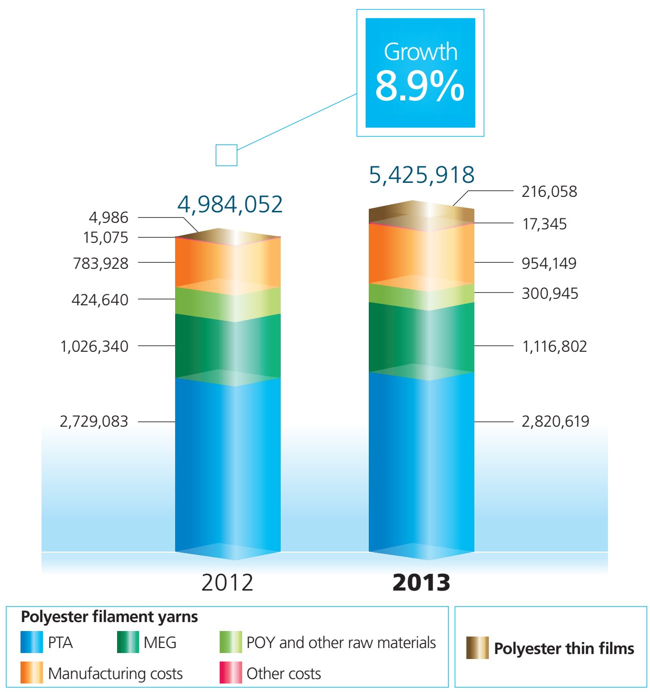
Management Discussion and Analysis

Analysis of cost of sales

	2013		2012	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**2,820,619**	**52.0%**	2,729,083	54.8%
MEG	**1,116,802**	**20.6%**	1,026,340	20.6%
POY and other raw materials	**300,945**	**5.5%**	424,640	8.5%
Sub-total	**4,238,366**	**78.1%**	4,180,063	83.9%
Manufacturing costs	**954,149**	**17.6%**	783,928	15.7%
Other costs	**17,345**	**0.3%**	15,075	0.3%
Sub-total	**5,209,860**	**96.0%**	4,979,066	99.9%
Polyester thin films	**216,058**	**4.0%**	4,986	0.1%
Total	**5,425,918**	**100.0%**	4,984,052	100.0%

Analysis of cost of sales

(RMB'000)



Analysis of average cost of sales per ton by product

	2013		2012	
	RMB (per ton)	**Percentage**	RMB (per ton)	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	**5,598**	**54.2%**	5,774	54.8%
MEG	**2,216**	**21.4%**	2,172	20.6%
POY and other raw materials	**597**	**5.8%**	898	8.5%
Sub-total	**8,411**	**81.4%**	8,844	83.9%
Manufacturing costs	**1,894**	**18.3%**	1,659	15.8%
Other costs	**34**	**0.3%**	32	0.3%
Sub-total	**10,339**	**100.0%**	10,535	100.0%
Polyester thin films	**10,084**		**9,757**	
Total	**10,329**		**10,534**	

3. Gross profit

The gross profit of the Group for the year 2013 was RMB726,782,000, decreased by RMB380,869,000, or 34.4% as compared to RMB1,107,651,000 in 2012. Although sales volume during the year increased by 52,175 tons, representing an increase of 11.0% as compared with 2012, the average selling price of the products decreased by RMB1,163 per ton, representing a decrease of 9.0% from the RMB12,875 in 2012 to RMB11,712 during the year. The average cost of the products only decreased by RMB205 per ton, representing a decrease of 1.9% from RMB10,534 in 2012 to RMB10,329 during the year. Therefore, the average gross profit per ton decreased from RMB2,341 in 2012 to RMB1,384 during the year. The gross profit margin decreased by 6.4 percentage points from 18.2% in 2012 to 11.8% in 2013.

The average selling price of polyester filament yarn decreased by RMB1,149 per ton, representing a decrease of 8.9% from RMB12,876 in 2012 to RMB11,727 in 2013. The average gross profit of polyester filament yarn per ton decreased from RMB2,341 in 2012 to RMB1,388 during the year. The gross profit margin decreased by 6.4 percentage points from 18.2% in 2012 to 11.8% in 2013.

Management Discussion and Analysis

During the year, the decrease in the gross profit and gross profit margin of the Group was primarily attributable to the impact of the following three factors:

(i) Decrease in the price of major raw materials, PTA and MEG, led to the decrease in the product selling prices of the entire industry;

(ii) During the year, the chemical fiber industry was in a downwards cycle, market competition of downstream products was intense and operation of textile manufacturers remained tough, thus the pressure on the costs of downstream products also exerted negative impact 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, both gross profit and gross profit margin for the year ended 31 December 2013 decreased compared to the year ended 31 December 2012.

Analysis of gross profit by product

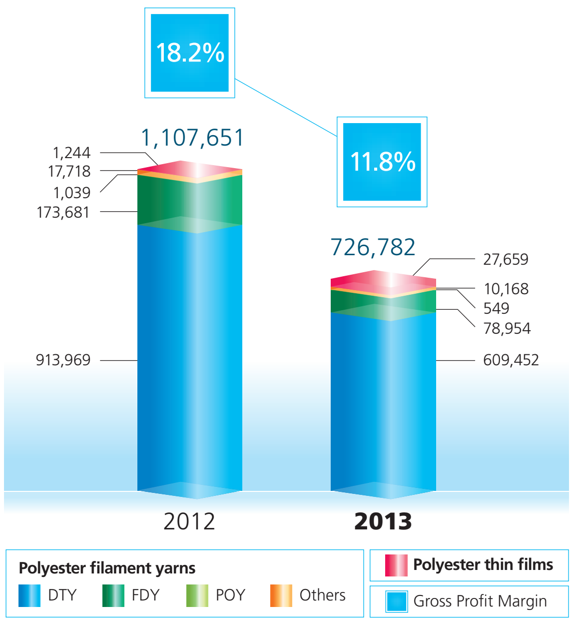
	2013		2012	
	RMB'000	**Percentage**	RMB'000	Percentage
Polyester filament yarns				
DTY	**609,452**	**83.8%**	913,969	82.5%
FDY	**78,954**	**10.9%**	173,681	15.7%
POY	**549**	**0.1%**	1,039	0.1%
Others*	**10,168**	**1.4%**	17,718	1.6%
Sub-total	**699,123**	**96.2%**	1,106,407	99.9%
Polyester thin films	**27,659**	**3.8%**	1,244	0.1%
Total	**726,782**	**100.0%**	1,107,651	100.0%

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

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

(RMB'000)



Breakdown of average product selling price, cost and gross profit (per ton)

	2013 **RMB**	2012 RMB
Polyester filament yarns		
Average selling price	**11,727**	12,876
Average cost of sales	**10,339**	10,535
Average gross profit	**1,388**	2,341
Average gross profit margin	**11.8%**	18.2%
Polyester thin films		
Average selling price	**11,375**	12,192
Average cost of sales	**10,084**	9,757
Average gross profit	**1,291**	2,435
Average gross profit margin	**11.3%**	20.0%

Management Discussion and Analysis

4. *Other revenue*

Other revenue of the Group in 2013 amounted to RMB92,160,000, representing a decrease of 11.8% as compared to RMB104,455,000 in 2012. Other revenue included bank interest income, government grants and gains on disposal of raw materials. Such decrease was attributable to the decrease in the amount of government grants during the year as compared to that of last year. Government grants mainly included taxation rewards for key enterprises, advanced production capacity electricity usage reward, encouraging and supporting reward for economic development, science and technology reward, reward fund for scientific and technological innovation, supporting fund for public service platform in foreign trade and special fund for municipal-level technology improvement, to name a few.

5. *Other net gain*

Other net gain of the Group in 2013 amounted to RMB16,878,000, representing an increase of 115.3% as compared to RMB7,839,000 in 2012. Other net gain mainly comprised net exchange gain and net gain on financial assets and liabilities at fair value through profit or loss. Such increase was mainly due to the increase in exchange gain, partially offset by the decrease in net gain on financial assets and liabilities at fair value through profit or loss during the year.

6. *Selling and distribution expenses*

Selling and distribution expenses of the Group in 2013 amounted to RMB47,438,000, representing an increase of 22.7% as compared to RMB38,659,000 in 2012. Selling and distribution expenses 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 2013 amounted to RMB308,939,000, increased by 12.8% as compared to RMB273,917,000 in 2012. Administrative expenses mainly included research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees and property tax provision. The increase was primarily attributable to a property tax provision of RMB25,503,000, addition of offices and employees due to the commencement of the Group's polyester thin films business and an increase in depreciation on office equipment during the year.

8. *Finance costs*

Finance costs of the Group in 2013 amounted to RMB44,939,000, decreased by 17.1% as compared to RMB54,183,000 in 2012. It was mainly due to the decrease on discounted bills expenses.

9. *Income tax*

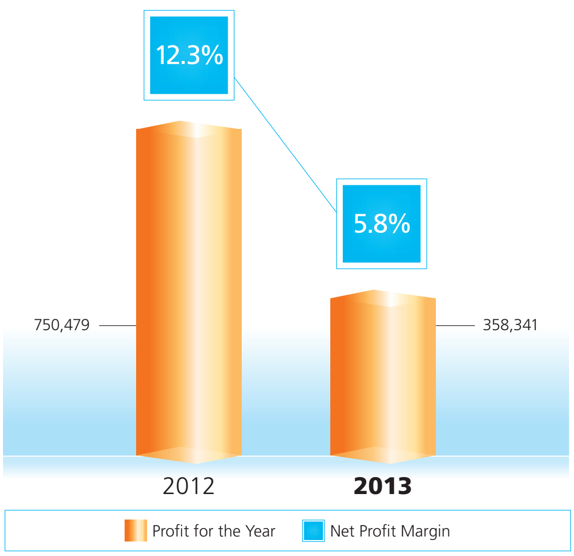
Income tax of the Group in 2013 amounted to RMB76,163,000, decreased by 25.8% as compared to RMB102,707,000 in 2012, which was mainly due to the decrease in profit before taxation. Billion Fujian, a principal subsidiary of the Group which has been awarded as a high technology enterprise, can enjoy corporate income tax at the concessionary rate of 15% in 2013. Billion High-tech, another principal subsidiary of the Group, is subject to a corporate income tax rate of 25%.

10. *Profit for the year*

Profit of the Group for the year 2013 amounted to RMB358,341,000, decreased by RMB392,138,000 or 52.3% as compared to RMB750,479,000 in 2012. Net profit margin was 5.8%, decreased by 6.5 percentage points as compared to 12.3% in 2012. The decrease was mainly due to the decrease of RMB380,869,000 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 2013, cash and cash equivalent of the Group amounted to RMB219,846,000, decreased by RMB424,203,000 or 65.9% as compared to RMB644,049,000 as at 31 December 2012. Such decrease was mainly due to the capital expenditure of the Group which amounted to RMB790,409,000 for the expansion of plants and the purchase of production equipment to increase the production capacity of polyester filament yarn and functional environmentally-friendly polyester thin films during the year.

During the year, net cash inflow from operating activities amounted to RMB611,222,000, net cash outflow used in investing activities amounted to RMB1,249,262,000 and net cash inflow generated from financing activities amounted to RMB184,494,000.

The Group primarily uses the cash inflow from operating activities to satisfy the requirements of working capital. During the year, inventory turnover day was 37.7 days (2012: 38.1 days), accounts receivable turnover days was 33.8 days (2012: 33.5 days) and accounts payable turnover days was 62.5 days (2012: 63.1 days). There was no significant change for those turnover days as compared with 2012.

As at 31 December 2013, the Group had capital commitments of RMB527,786,000, which was mainly used in the expansion of production capacity of polyester filament yarn and the development of functional environmentally-friendly polyester thin films business.

2. *Capital Structure*

As at 31 December 2013, the total liabilities of the Group amounted to RMB3,425,102,000, and the capital and reserve amounted to RMB5,175,374,000. The gearing ratio (total liabilities divided by total equity) was 66.2%. The total assets amounted to RMB8,600,476,000. The asset liability ratio (total assets divided by total liabilities) was 2.5 times. Bank loans of the Group amounted to RMB1,990,876,000, of which RMB1,972,514,000 were repayable within one year and RMB18,362,000 were repayable after one year. Among the bank borrowings, 40.1% were secured by properties, trade receivables and restricted bank deposits.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquiring Capital Assets.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review.

The Company's future plan in the coming year for material investments and additions of capital assets are primarily related to the expansion of production capacity of polyester filament yarns and the development of functional environmentally-friendly polyester thin films business. The Company intends to finance such plan through internally generated fund and bank loans.

Charges on Assets

Save as disclosed in this report, there was no other charge on Group's assets as of 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group did not have contingent liabilities (2012: nil).

Foreign Currency Risk

As most 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 2013, the Group's foreign currency risk exposure was mainly derived from the net liabilities exposure denominated in United States Dollars of RMB1,304,416,000 and the net liabilities exposure denominated in Euro of RMB3,469,000.

Employees and Remuneration

As at 31 December 2013, the Group had a total of 3,737 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The 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.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company 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. Save as disclosed below, for the year ended 31 December 2013, the Company has complied with all the applicable code provision of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by directors of the Company. 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 2013.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2013. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Board of directors

Composition and role

As at 31 December 2013, the Board comprised four executive Directors, six non-executive Directors and five 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 is 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.

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 advice 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 had at least three non-executive Directors, therefore, it had satisfied the requirement under Rule 3.10(1) of the Listing Rules. One of the 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.

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. During the period from 1 January 2013 to 30 March 2013, the Board comprised four executive Directors, four non-executive Directors and three independent non-executive Directors, therefore, the Company failed to comply with the requirement of Rule 3.10A. On 31 March 2013, two non-executive Directors and two independent non-executive Directors were appointed to the Board, which brought the Board composition to four executive Directors, six non-executive Directors and five independent non-executive Directors, and the Company re-complied with Rule 3.10A 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, and notice of at least 14 days were given to directors before the meetings. Directors may participate either in person or through electronic means of communications.

Corporate Governance Report

The individual attendance record of each Director for the meetings of the Board and the general meetings held during the year ended 31 December 2013 is set out below:

Name of Director	Attendance/ Number of Meetings Board Meetings	Attendance/ Number of Meetings Shareholders Meetings
Executive Directors		
Mr. Sze Tin Yau *(Co-chairman)*	5/5	1/1
Mr. Wu Jinbiao *(Chief executive officer)*	5/5	0/1
Mr. Yu Heping	5/5	1/1
Mr. Xue Mangmang	5/5	1/1
Non-executive Directors		
Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)	1/5	0/1
Mr. Yang Donghui (resigned on 19 March 2014)	5/5	0/1
Mr. Yang Jun (resigned on 19 March 2014)	2/5	0/1
Mr. Ding Guoqiang (resigned on 19 March 2014)	5/5	1/1
Ms. Ma Yun (appointed on 31 March 2013 and resigned on 19 March 2014)	3/3	0/1
Mr. Chen Bo (appointed on 31 March 2013 and resigned on 19 March 2014)	3/3	0/1
Independent non-executive Directors		
Mr. Yeung Chi Tat	5/5	1/1
Mr. Ma Yuliang	5/5	0/1
Ms. Zhu Meifang (resigned on 19 March 2014)	3/5	0/1
Mr. Li Zhi Xian (appointed on 31 March 2013 and resigned on 19 March 2014)	3/3	0/1
Mr. Lin Jian Ming (appointed on 31 March 2013)	2/3	1/1

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three of the independent non-executive Directors and five of the non-executive Directors did not attend the annual general meeting held on 29 April 2013 due to other work commitments. The Company will improve its general meeting planning process so that all Directors can get sufficient time to arrange their work in advance and obtain all necessary support for attending general meetings of the Company in the future.

Chairman and chief executive officer

For the year ended 31 December 2013, the co-chairman of the Board were Mr. Sze Tin Yau and Mr. Chen Jinen while the chief executive officer of the Company was 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 2013 is set out below. The Directors as at 31 December 2013 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. Yu Heping	Yes
Mr. Xue Mangmang	Yes
Non-executive Directors	
Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)	Yes
Mr. Yang Donghui (resigned on 19 March 2014)	Yes
Mr. Yang Jun (resigned on 19 March 2014)	Yes
Mr. Ding Guoqiang (resigned on 19 March 2014)	Yes
Ms. Ma Yun (appointed on 31 March 2013 and resigned on 19 March 2014)	Yes
Mr. Chen Bo (appointed on 31 March 2013 and resigned on 19 March 2014)	Yes
Independent non-executive Directors	
Mr. Yeung Chi Tat	Yes
Mr. Ma Yuliang	Yes
Ms. Zhu Meifang (resigned on 19 March 2014)	Yes
Mr. Li Zhi Xian (appointed on 31 March 2013 and resigned on 19 March 2014)	Yes
Mr. Lin Jian Ming (appointed on 31 March 2013)	Yes

Corporate Governance Report

Directors' and officers' insurance

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

Board diversity policy

The Group adopted a board diversity policy on 29 November 2013. The summary of the board diversity policy together with the measurable objectives for implementing such policy and the progress on achieving such objectives are disclosed below.

Summary of the board diversity policy

The Company recognises the importance of diversity in board members to corporate governance and the board effectiveness. The purposes of board diversity policy is to set out the basic principles to be followed to ensure that the board of directors of the Company has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will be made on merit basis based on its business needs from time to time while taking into account diversity.

Measurable objectives

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

Monitoring and reporting

The Nomination Committee is responsible for reviewing the board diversity policy, developing and reviewing measurable objectives for implementing the board diversity policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review this policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Appointment, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, subject to retirement and re-election in accordance with the articles and associations of the Company.

According to code provision A.4.1 of the CG Code, all non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, 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 2013, 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 individual executive directors and senior management. 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 2013, the remuneration committee mainly performed the following duties:

– recommendated the remuneration of Ms. Ma Yun, Mr. Chen Bo, Mr. Li Zhi Xian and Mr. Lin Jian Ming to the Board;

– recommendated the remuneration of Mr. Lai Wai Leuk 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 2014.

Corporate Governance Report

During the year ended 31 December 2013, three 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 for the meetings of the remuneration committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Yeung Chi Tat *(Chairman)*	3/3
Mr. Sze Tin Yau	3/3
Mr. Ma Yuliang	3/3

Nomination committee

During the year ended 31 December 2013, 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 written terms of reference of the nomination committee has been revised on 29 November 2013 to adopt the board diversity policy, such terms of reference is published on the website of the Stock Exchange and the website of the Company.

The nomination committee is primarily responsible for review the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and as appropriate, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive directors of the Company; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; review the board diversity policy of the Company and develop and review measurable objectives for implementing such policy at least annually, and monitor the progress on achieving such objectives and make disclosure of its review results in the Corporate Governance Report annually. Their composition and written terms of reference are in line with the CG Code provisions.

During the year ended 31 December 2013, the nomination committee mainly performed the following duties:

— reviewed the qualifications of Ms. Ma Yun, Mr. Chen Bo, Mr. Li Zhi Xian and Mr. Lin Jian Ming 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, and whether the composition of the Board complied with the requirements of the board diversity policy during the year of 2013.

During the year ended 31 December 2013, two meetings were held by the nomination committee. The individual attendance record of each member for the meetings of the nomination committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meeting**
Mr. Sze Tin Yau *(Chairman)*	2/2
Mr. Yeung Chi Tat	2/2
Ms. Zhu Meifang (resigned on 19 March 2014)	2/2

Audit committee

During the year ended 31 December 2013, 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.

Corporate Governance Report

During the year ended 31 December 2013, the audit committee mainly performed following duties:

— reviewed the Group's audited annual results for the year ended 31 December 2012 and the unaudited interim results for the six months ended 30 June 2013, met with the external auditors to discuss such annual results and interim results, 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 department regarding the internal control of the Group and review the capabilities and scope of review of the internal control assessment team of the Group.

During the year ended 31 December 2013, five meetings were held by the audit committee. The individual attendance record of each member for the meetings of the audit committee held during the year under review is set out below:

Name of member	**Attendance/ Number of Meeting**
Mr. Yeung Chi Tat *(Chairman)*	5/5
Mr. Ma Yuliang	5/5
Ms. Zhu Meifang (resigned on 19 March 2014)	5/5

Corporate governance committee

The Company's corporate governance function is carried out by the corporate governance committee. During the year ended 31 December 2013, members of the corporate governance committee of the Board comprised four executive Directors, namely Mr. Sze Tin Yau (chairman), Mr. Wu Jinbiao, Mr. Yu Heping and Mr. Xue Mangmang. 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 2013, 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 2013, 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. Yu Heping	1/1
Mr. Xue Mangmang	1/1

Accountability and audit

The Directors acknowledge their responsibility for preparation of the financial statements for the year ended 31 December 2013 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 2013, 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.

Corporate Governance Report

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 2013, the Group was required to pay an aggregate of approximately RMB2,063,000 (2012: RMB2,230,090) to the external auditors for their audit services relating to financial information and approximately RMB630,000 (2012: RMB701,870) for their non-audit services, which mainly includes review of financial statements.

Internal control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2013 and up to the date of this report. The day-to-day operation is entrusted to a separate department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Group's independent internal audit department was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

Company secretary

The secretary of the Company is Mr. Lai Wai Leuk, whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Lai 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 2013.

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 kenlai@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.

Relationship with investors and shareholders

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting 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 21 May 2014 (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 their understanding on the strategy, business and development of the Group through mutual and efficient communications. Such discussion shall be limited to explanation on previous published materials and general discussion of non-price sensitive information.

Directors and Senior Management

Executive Directors

Mr. Sze Tin Yau, aged 44, 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 23 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 H.K. and has been the chairman of the board of directors of Billion H.K. 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 2013, Mr. Sze was the sole director of Kingom Power Limited which was interested in 28.96% 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 2013, held 16.05% of the issued share capital of the Company; an uncle of Mr. Wu Zhongqin, the assistant to the Chairman; and a brother-in-law of Mr. He Wenyao, vice-president of the Company, a director of Billion Fujian and Billion High-tech. 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 51, is an executive Director, the chief executive officer of the Company, a cofounder 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 28 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 H.K. and has been a director of Billion H.K. 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 recognised 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.

Directors and Senior Management

As at 31 December 2013, Mr. Wu was the sole director of Winwett Investments Limited which was interested in 16.05% 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 28.96% 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, aged 59, has over 36 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, 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 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 ("CECEP COSTIN Group"), 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 which, as at 31 December 2013, held 29.99% 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, aged 42, has over 9 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 Group, 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.

Directors and Senior Management

Non-executive Directors

Mr. Yang Yihua, aged 60, was appointed to the Board on 19 March 2014, Mr. Yang has extensive experience and knowledge in business management and economics. He has served as chief economist of CECEP since May 2010. CECEP is an indirect holding company of Hong Kong Rong An, a controlling shareholder of the Company. Mr. Yang has also been serving as a non-executive director of CECEP COSTIN Group since 1 November 2013. Mr. Yang obtained a postgraduate certificate in professional studies in business administration from Economic Research Centre（經濟研究所）of Nankai University（南開大學）in the PRC in June 2004. He also obtained a master of business administration degree from City University of the United States of America in December 2003.

Mr. Wu Zhongqin, aged 27, joined the Group in April 2011 and was appointed to the Board on 19 March 2014. 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 of the Company in October 2012. Mr. Wu 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 also an officer of 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 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 the son of Mr. Wu Jinbiao, an executive Director, the chief executive officer and the substantial shareholder of the Company; and a nephew of Mr. Sze Tin Yau, an executive Director, a co-chairman and a substantial shareholder of the Company.

Independent non-executive directors

Mr. Yeung Chi Tat, aged 44, 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 of the Stock Exchange:

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

Mr. Yeung received a bachelor's degree in Business Administration from the University of Hong Kong and a master's degree in Professional Accounting with distinction from Hong Kong Polytechnic University. 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. He possesses extensive experience in auditing, corporate restructuring and corporate finance.

Mr. Ma Yuliang, aged 75, 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 1998, 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.

Mr. Lin Jian Ming, aged 52, was appointed as an independent non-executive Director on 31 March 2013 and has also been a member of the audit committee and the nomination committee of the Board since 19 March 2014. Mr. Lin has many years of experience in education and research. He was a graduate of Huaqiao University* (華僑大學). He was also a visiting scholar of the Chinese University of Hong Kong in 1995. He also received a doctorate degree from the Tianjin University* (天津大學) in 2002.

Mr. Lin is a the Head of the Department of Materials Science and Engineering of Huaqiao University; and the director, researcher and professor of the Institute of Materials Physical Chemistry of Huaqiao University. He is also a director of the Optical Society of Fujian* (福建省光學學會), a director of the Optical Branch of Fujian Physical Society* (福建省物理學會光學分會), a deputy executive director of the Chemistry and Chemical Engineering Society of Quanzhou* (泉州市化學化工學會). He received the Youth Science and Technology Award in Quanzhou in 2006.

Directors and Senior Management

Senior management

Mr. Wu Jianshe, aged 59, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu has more than 28 years of experience in the textile industry. He joined the Group upon its establishment in 2003 as a director of Fujian Billion and has been primarily responsible for sales and marketing of the Group. Prior to joining the Group, from May 1985 to April 1998, he was the general business manager of Jinjiang Longhu Henglong Zip Textile Co., Ltd*（晉江龍湖恒隆拉鍊織造有限公司）. He was also the sales manager of Fujian Jinjiang City Hengxinglong Polyester Co. Ltd.（福建省晉江市恒興隆化纖絲綸有限公司）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 47, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He has approximately 24 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 2013, held 28.96% of the issued share capital of the Company.

Mr. Ye Jingping, aged 55, is a vice president of the Company and a senior engineer. He has approximately 30 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 36, is a vice president of the Company. He has approximately 16 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）.

Directors and Senior Management

Mr. Qiu Dahong, aged 49, 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 in Zhejiang Shaoxing Huamao Fiber Co., Ltd.*（浙江紹興華茂化纖有限公司）from January 2004 to February 2006. 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. Lai Wai Leuk, aged 37, joined the Group in October 2013 and is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Mr. Lai has more than thirteen years experience in auditing and accounting. Prior to joining the Group, he served as chief financial officer of Aujet Industry Limited from May 2012 to August 2013. He also served successively as accountant, assistant manager and manager of KPMG from January 2004 to October 2009. Mr. Lai was transferred to KPMG Advisory (China) Limited from November 2009 to May 2012 and was a senior manager at the time of leaving. From May 2000 to January 2004, Mr. Lai worked at Fung, Yu & Co., Certified Public Accountants. Mr. Lai received his bachelor's degree of Commerce major in Accountancy from the University of Wollongong in Australia in December 1999. Mr. Lai is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Lv Zhiwei, aged 33, 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 38, 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 2013.

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 of the Company dated 5 May 2011 (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 2013.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2013 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 2013, 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 65 to 127.

Transfer to reserves

Profits attributable to shareholders, before dividends, of RMB358,341,000 (2012: profit of RMB750,479,000) has been transferred to reserves.

An interim dividend of HK7.0 cents per share (2012: HK10.50 cents per share) was paid on 21 August 2013.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2013 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 2013, 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$1,276,727,000, of which approximately HK$68,913,000 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 2013, the Group held property, plant, equipment and other fixed assets of approximately RMB5,097,637,000. 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 2013, the aggregate sales attributable to the Group's five largest customers accounted for approximately 15.6% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 8.9% of the Group's total sales. During the year ended 31 December 2013, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 65.1% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 26.2% 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 2013 amounted to approximately RMB106,000 (2012: approximately RMB1,494,000).

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.

Report of the Directors

Purchase, sale or redemption of the Company's shares

During the year ended 31 December 2013, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
January 2013	76,000,000	5.70	5.10	321,975

Of the 76,000,000 repurchased shares, 75,428,500 and 571,500 were cancelled in January 2013 and February 2013 respectively, and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium and transaction costs paid on the repurchase of the shares of approximately HK$397,001,000 (equivalent to RMB321,336,228) were charged to the Company's share premium account.

Results and dividends

The results of the Group for the year ended 31 December 2013 are set out in the financial statements.

The Directors propose to recommend the payment of a final dividend of HK3.1 cents per share for the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company on 29 May 2014, and the payment of final dividends will be in cash.

The final dividend of HK3.1 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 a special 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 128 of this annual report. Such summary does not form part of the audited financial statements.

Report of the Directors

Directors

The Directors during the year ended 31 December 2013 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. Yu Heping
Mr. Xue Mangmang

Non-executive Directors

Mr. Yang Yihua *(Co-chairman)* (appointed on 19 March 2014)
Mr. Chen Jinen *(Co-chairman)* (resigned on 19 March 2014)
Mr. Wu Zhongqin (appointed on 19 March 2014)
Mr. Yang Donghui (resigned on 19 March 2014)
Mr. Yang Jun (resigned on 19 March 2014)
Mr. Ding Guoqiang (resigned on 19 March 2014)
Ms. Ma Yun (appointed on 31 March 2013 and resigned on 19 March 2014)
Mr. Chen Bo (appointed on 31 March 2013 and resigned on 19 March 2014)

Independent non-executive Directors

Mr. Yeung Chi Tat
Mr. Ma Yuliang
Ms. Zhu Meifang (resigned on 19 March 2014)
Mr. Li Zhi Xian (appointed on 31 March 2013 and resigned on 19 March 2014)
Mr. Lin Jian Ming (appointed on 31 March 2013)

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. Xue Mangmang 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. Yeung Chi Tat and Mr. Ma Yuliang commenced from 18 May 2011, the letter of appointment of Mr. Lin Jian Ming commenced from 31 March 2013 and the letters of appointment of Mr. Yang Yihua and Mr. Wu Zhongqin commenced from 19 March 2014. 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 forthcoming 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.

Report of the Directors

Remuneration of Directors and Senior Management

The remuneration committee of the Company considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The remuneration of all the Directors and the senior management is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2013 is set out below:

Remuneration bands	Number of persons
HK$nil to HK$500,000	8
HK$500,000 to HK$1,000,000	2

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 2013 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 2013 were there 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 there 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 2013, 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**	Notes	**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	28.96%
Mr. Wu Jinbiao	Interest in controlled corporation	2	356,820,000	16.05%

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 356,820,000 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 2013, 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).

Report of the Directors

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

As at 31 December 2013, 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		Beneficial owner	666,710,000	29.99%
CECEP Chongqing	(a)	Through controlled corporation	666,710,000	29.99%
CECEP	(b)	Through controlled corporation	666,710,000	29.99%
Kingom Power Limited		Beneficial owner	643,720,000	28.96%
Winwett Investments Limited		Beneficial owner	356,820,000	16.05%

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 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 2013, 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 2013.

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$25,000. Contributions made to the scheme are vested immediately.

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

For the year ended 31 December 2013, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB3,185,000 (2012: RMB2,233,000). Details of the Group's pension scheme are set out in note 6(b) to the financial statements.

Report of the Directors

Connected transactions and related party transactions

(A) Connected transactions – continuing connected transactions

During the year ended 31 December 2013, 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 and FDY by Billion Fujian to Fujian Baikai Elastic Weaving Co., Ltd.（福建省百凱彈性織造有限公司）("Baikai Elastic Weaving")*

During the year ended 31 December 2013, pursuant to a sales agreement entered into between Billion Fujian and Baikai Elastic Weaving on 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.

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 2013, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB172,290,000, which is within the approved cap of RMB172,900,000 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 Fujian Baikai Wrap Knitting Industry Co., Ltd.*（福建省百凱經編實業有限公司）("Baikai Wrap Knitting")*

During the year ended 31 December 2013, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Wrap Knitting on 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.

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 2013, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB217,902,000, which is within the approved cap of RMB218,700,000 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 Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.*（福建百凱紡織化纖實業有限公司）("Baikai Textile")*

During the year ended 31 December 2013, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Textile on 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.

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 2013, sales to Baikai Textile by Billion Fujian amounted to approximately RMB153,185,000, which is within the approved cap of RMB216,400,000 million as disclosed in the Company's announcement dated 13 February 2012 and circular dated 5 March 2012.

Report of the Directors

(d) *Sales of DTY by Billion Fujian to Fujian Baikai Zipper Dress Co., Ltd.*（福建省百凱拉鏈服飾有限公司）(“Baikai Zipper”)*

During the year ended 31 December 2013, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Zipper on 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.

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 2013, sales to Baikai Zipper by Billion Fujian amounted to approximately RMB8,804,000, which is within the approved cap of RMB9,600,000 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 Fujian Baikai Paper Co., Ltd.*（福建百凱紙品有限公司）(“Baikai Paper”) to Billion Fujian and Billion High-tech*

During the year ended 31 December 2013, pursuant to a revised purchase agreement entered into between Billion Fujian and Baikai Paper on 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.

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 2013, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB198,096,000 and RMB676,000 respectively, which are within the approved cap of RMB395,000,000 and RMB26,900,000 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 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 Group") and purchase of non-woven materials by Billion Fujian from the Subsidiaries of CECEP COSTIN Group

On 5 July 2013, Billion Fujian entered into a framework agreement with the Subsidiaries of CECEP COSTIN Group with respect to the sales of polyester filament yarns and waste polyester filament yarns by Billion Fujian to CECEP COSTIN Group and purchase of non-woven materials by Billion Fujian from the Subsidiaries of CECEP COSTIN Group. The framework agreement is valid with retrospective effect from 1 January 2013 to 31 December 2015. The product price shall be determined based on the then market price.

CECEP Chongqing is a substantial shareholder of the Company interested in 29.99% of its issued share capital, thus also 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 Group and own its 67.72% interests, which in turn owns 100% of the shares of each of the Subsidiaries of CECEP COSTIN Group, thus each of the Subsidiaries of CECEP COSTIN Group is an associate of CECEP Chongqing, and therefore a connected person of the Company pursuant to the Listing Rules.

For the year ended 31 December 2013, aggregate sales to and aggregate purchases from the Subsidiaries of CECEP COSTIN Group by Billion Fujian pursuant to the framework agreement amounted to approximately RMB32,951,000 and RMB39,000, which are within the approved cap of RMB69,500,000 million and RMB500,000 as disclosed in the Company's announcement dated 5 July 2013.

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.

Report of the Directors

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 2013.

(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 2013.

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 2013.

Sufficiency of public float

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. On 13 January 2014, an unconditional mandatory cash offer was made by CBB International Capital Limited for and on behalf of Hong Kong Rong An to acquire all the issued shares of the Company (other than those already owned by Hong Kong Rong An and parties acting in concert with it) (the "Share Offer"). The Share Offer was available for acceptance from 29 January 2014 to 26 February 2014. Upon the close of the Share Offer, there were 417,447,192 shares of the Company, representing approximately 18.78% of the total issued share capital of the Company held by the public. Accordingly, following the close of the Share Offer, the Company does not satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of four months from 26 February 2014. As at the date of this report, which is within the wavier period, the Company has not restored the prescribed minimum public float of not less than 25% of the Company's issued shares under the Listing Rules. Save as disclosed above, 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 for the year ended 31 December 2013 and the subsequent period ended the date of this report.

Bank loans

Details of bank loans of the Company and the Group as at 31 December 2013 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 2013. The financial statements had been agreed with external auditors of the Company.

Report of the Directors

Auditors

The consolidated financial statements for the year ended 31 December 2013 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 HK3.1 cents per share of the Company for the year ended 31 December 2013. 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 29 May 2014.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014, 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 Monday, 26 May 2014.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on Thursday, 5 June 2014, to shareholders whose names appear on the register of members of the Company on Thursday, 29 May 2014.

On behalf of the Board

Sze Tin Yau
Co-chairman

Hong Kong, 31 March 2014

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

Independent Auditor's Report

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 65 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

Independent Auditor's Report

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 2013 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

31 March 2014

Consolidated Income Statement

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Revenue	3	**6,152,700**	6,091,703
Cost of sales		**(5,425,918)**	(4,984,052)
Gross profit		**726,782**	1,107,651
Other revenue	4	**92,160**	104,455
Other net gain	5	**16,878**	7,839
Selling and distribution expenses		**(47,438)**	(38,659)
Administrative expenses		**(308,939)**	(273,917)
Profit from operations		**479,443**	907,369
Finance costs	6(a)	**(44,939)**	(54,183)
Profit before taxation	6	**434,504**	853,186
Income tax	7	**(76,163)**	(102,707)
Profit for the year		**358,341**	750,479
Earnings per share			
Basic and diluted (RMB)	11	**0.16**	0.33

The notes on pages 72 to 127 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 2013
(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000
Profit for the year	**358,341**	750,479
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside mainland China	**12,505**	(12,820)
Total comprehensive income for the year	**370,846**	737,659

The notes on pages 72 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		**4,110,624**	3,117,951
– Construction in progress		**614,305**	1,180,302
– Interests in leasehold land held for own use under operating leases		**372,708**	276,882
		5,097,637	4,575,135
Deposits and prepayments	15	**497,087**	441,542
Deferred tax assets	20(b)	**–**	1,091
		5,594,724	5,017,768
Current assets			
Inventories	14	**675,755**	444,942
Trade and other receivables	15	**839,335**	935,113
Restricted bank deposits	16	**1,270,816**	788,491
Cash and cash equivalents	17	**219,846**	644,049
		3,005,752	2,812,595
Current liabilities			
Trade and other payables	18	**1,308,901**	1,147,770
Bank loans	19	**1,972,514**	1,119,422
Current taxation	20(a)	**42,565**	51,589
		3,323,980	2,318,781
Net current (liabilities)/assets		**(318,228)**	493,814
Total assets less current liabilities		**5,276,496**	5,511,582

Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	**2013** **RMB'000**	2012 RMB'000
Non-current liabilities			
Bank loans	19	**18,362**	20,542
Deferred tax liabilities	20(b)	**82,760**	63,119
		101,122	83,661
NET ASSETS		**5,175,374**	5,427,921
CAPITAL AND RESERVES	21		
Capital		**18,694**	19,333
Reserves		**5,156,680**	5,408,588
TOTAL EQUITY		**5,175,374**	5,427,921

Approved and authorised for issue by the Board of Directors on 31 March 2014.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 72 to 127 form part of these financial statements.

Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	13	**–**	–
Current assets			
Trade and other receivables	15	**1,023,809**	1,691,727
Cash and cash equivalents	17	**89**	79
		1,023,898	1,691,806
Current liabilities			
Trade and other payables	18	**1,110**	1,401
		1,110	1,401
Total assets less current liabilities		**1,022,788**	1,690,405
NET ASSETS		**1,022,788**	1,690,405
CAPITAL AND RESERVES	21(a)		
Capital		**18,694**	19,333
Reserves		**1,004,094**	1,671,072
TOTAL EQUITY		**1,022,788**	1,690,405

Approved and authorised for issue by the Board of Directors on 31 March 2014.

Sze Tin Yau
Director

Wu Jinbiao
Director

The notes on pages 72 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	Share capital note 21(c)(i) RMB'000	Share premium note 21(d)(i) RMB'000	Capital redemption reserve note 21(d)(ii) RMB'000	Statutory reserve note 21(d)(iii) RMB'000	Capital reserve note 21(d)(iv) RMB'000	Exchange reserve note 21(d)(v) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2012		19,333	2,206,245	–	163,237	1,805,631	(44,440)	965,609	5,115,615
Changes in equity for 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 previous 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 and 1 January 2013		**19,333**	**1,780,892**	**–**	**239,402**	**1,805,631**	**(57,260)**	**1,639,923**	**5,427,921**
Changes in equity for 2013:									
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**358,341**	**358,341**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**12,505**	**–**	**12,505**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**12,505**	**358,341**	**370,846**
Dividends approved in respect of the previous year	21(b)	**–**	**(177,658)**	**–**	**–**	**–**	**–**	**–**	**(177,658)**
Purchase of own shares	21(c)(ii)								
– par value paid		**(639)**	**–**	**–**	**–**	**–**	**–**	**–**	**(639)**
– premium paid		**–**	**(321,336)**	**–**	**–**	**–**	**–**	**–**	**(321,336)**
– transfer between reserves		**–**	**(639)**	**639**	**–**	**–**	**–**	**–**	**–**
Dividends declared in respect of the current year	21(b)	**–**	**(123,760)**	**–**	**–**	**–**	**–**	**–**	**(123,760)**
Appropriation to statutory reserve		**–**	**–**	**–**	**37,114**	**–**	**–**	**(37,114)**	**–**
Balance at 31 December 2013		**18,694**	**1,157,499**	**639**	**276,516**	**1,805,631**	**(44,755)**	**1,961,150**	**5,175,374**

The notes on pages 72 to 127 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Cash generated from operations	17(b)	**675,677**	1,224,633
Income tax paid		**(64,455)**	(130,218)
Net cash generated from operating activities		**611,222**	1,094,415
Investing activities			
Payment for purchase of property, plant and equipment		**(25,737)**	(11,920)
Expenditure on construction in progress		**(690,159)**	(1,297,703)
Payment for interests in leasehold land held for own use under operating lease		**(74,513)**	(112,837)
Interest received		**33,692**	39,399
Increase in pledged bank deposits		**(492,545)**	(89,501)
Net cash used in investing activities		**(1,249,262)**	(1,472,562)
Financing activities			
Payments of repurchase of shares	21(c)(ii)	**(321,975)**	–
Proceeds from new bank loans		**2,468,662**	1,137,798
Repayment of bank loans		**(1,610,127)**	(720,847)
Interest paid		**(50,648)**	(51,869)
Dividend paid to equity shareholders of the Company		**(301,418)**	(425,353)
Net cash generated from/(used in) financing activities		**184,494**	(60,271)
Net decrease in cash and cash equivalents		**(453,546)**	(438,418)
Cash and cash equivalents at 1 January		**644,049**	1,093,282
Effect of foreign exchange rate changes		**29,343**	(10,815)
Cash and cash equivalents at 31 December	17(a)	**219,846**	644,049

The notes on pages 72 to 127 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 2013 comprise the Company and its subsidiaries (together referred to as "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.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to use the undrawn banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the reporting date of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the amendment titled "HKFRS 13, Fair value measurement" is relevant to the Group's consolidated financial statements. HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, The Group has provided those disclosures in note 22(e). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 of disposal 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 of disposal (if measurable), 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.

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to recognise in the consolidated statement of financial position.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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, having been within three months of maturity at acquisition.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 ("VAT") 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 income 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 measured.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process under development is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(t)). Capitalised development costs, if any, are stated at cost less accumulated amortisation and impairment losses (see note 1(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(v) 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.

1 Significant accounting policies (Continued)

(v) Related parties (Continued)

(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).

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.

(w) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

(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 VAT, other sales tax and discounts). The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2013 **RMB'000**	2012 RMB'000
Polyester filament yarns products	**5,908,983**	6,085,473
Polyester thin films products	**243,717**	6,230
	6,152,700	6,091,703

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's revenue during the years ended 31 December 2013 and 2012.

4 Other revenue

	2013 **RMB'000**	2012 RMB'000
Bank interest income	**44,971**	40,880
Government grants	**38,572**	55,748
Sales of raw materials	**8,530**	7,827
Others	**87**	–
	92,160	104,455

During the year, government grants of RMB38,572,000 (2012: RMB55,748,000) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 Other net gain

	2013 **RMB'000**	2012 RMB'000
Donation	**(106)**	(1,494)
Net exchange gain/(loss)	**9,932**	(3,241)
Net gain on financial assets and liabilities at fair value through profit or loss	**4,758**	12,321
Others	**2,294**	253
	16,878	7,839

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2013 **RMB'000**	2012 RMB'000
(a) Finance costs:		
Interest on bank advances and other borrowings	**37,463**	36,970
Other interest expenses	**7,476**	17,708
	44,939	54,678
Less: interest expense capitalised into construction in progress*	**–**	495
	44,939	54,183

* No borrowing costs have been capitalised in 2013 (2012: 6.7% per annum).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 Profit before taxation (Continued)

	2013	2012
	RMB'000	RMB'000
(b) Staff costs (including directors' remuneration in note 8):		
Contributions to defined contribution retirement plan	**3,185**	2,233
Salaries, wages and other benefits	**151,034**	131,915
	154,219	134,148

	2013	2012
	RMB'000	RMB'000
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**4,559**	3,658
Depreciation	**219,213**	161,165
Auditors' remuneration	**2,693**	2,932
Operating lease charges in respect of properties	**360**	360
Research and development costs*	**197,830**	209,823
Cost of inventories**	**5,425,918**	4,984,052

* Research and development costs include RMB47,761,000 (2012: RMB42,973,000) 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 RMB267,066,000 (2012: RMB216,497,000) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 Income tax in the consolidated income statement

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

	2013 RMB'000	2012 RMB'000
Current tax – PRC Income Tax		
Provision for the year	55,431	121,266
Deferred tax (note 20(b))		
Origination and reversal of temporary differences	20,732	13,695
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	(32,254)
	20,732	(18,559)
	76,163	102,707

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	434,504	853,186
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	109,992	213,296
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	(32,254)
Tax effect of non-deductible expenses	8,476	10,010
Tax effect of non-taxable income	(951)	(2,312)
Tax effect of unused tax losses not recognised	2,172	1,574
Under-provision in prior year	99	–
Tax concessions (note (iii))	(43,625)	(87,607)
Actual tax expenses	76,163	102,707

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 2013 and 2012.

(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.

(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%.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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	2013 Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,197	–	12	1,209
Mr. Wu Jinbiao	–	1,101	–	12	1,113
Mr. Yu Heping	239	–	–	–	239
Mr. Xue Mangmang	239	–	–	–	239
Non-executive directors					
Mr. Chen Jinen	957	–	–	–	957
Mr. Yang Donghui	73	–	–	–	73
Mr. Yang Jun	73	–	–	–	73
Mr. Ding Guoqiang	73	–	–	–	73
Ms. Ma Yun*	54	–	–	–	54
Mr. Chen Bo*	54	–	–	–	54
Independent non-executive directors					
Mr. Yeung Chi Tat	153	–	–	–	153
Ms. Zhu Meifang	73	–	–	–	73
Mr. Ma Yuliang	73	–	–	–	73
Mr. Li Zhi Xian*	54	–	–	–	54
Mr. Lin Jian Ming*	54	–	–	–	54
Total	2,169	2,298	–	24	4,491

8 Directors' remuneration (Continued)

	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

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* Ms. Ma Yun and Mr. Chen Bo have been appointed as non-executive directors, and Mr. Li Zhi Xian and Mr. Lin Jian Ming have been appointed as Independent non-executive directors, for a term of three years, with effect from 31 March 2013.

** 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2012: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2012: one) individuals are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other emoluments	**1,078**	846
Retirement scheme contributions	**10**	11
	1,088	857

The emoluments of the two (2012: one) individuals with the highest emoluments are with the following bands:

	2013 **Number of** **individuals**	2012 Number of individuals
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	1

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB7,464,000 (2012: RMB10,211,000) 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).

(Expressed in Renminbi unless otherwise indicated)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB358,341,000 (2012: RMB750,479,000) and the weighted average of 2,225,298,521 ordinary shares (2012: 2,299,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**2,299,000,000**	2,299,000,000
Effect of shares repurchased (note 21(c)(ii))	**(73,701,479)**	–
Weighted average number of ordinary shares	**2,225,298,521**	2,299,000,000

There were no dilutive potential ordinary shares during the years ended 31 December 2013 and 2012, and therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 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

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 2013	1,279,885	2,268,700	284,622	58,569	3,891,776	1,180,302	300,064	5,372,142
Exchange adjustments	(1,504)	–	(24)	(43)	(1,571)	–	–	(1,571)
Additions	–	12,407	8,289	6,718	27,414	619,950	100,385	747,749
Transfers	546,392	621,573	16,401	1,581	1,185,947	(1,185,947)	–	–
At 31 December 2013	1,824,773	2,902,680	309,288	66,825	5,103,566	614,305	400,449	6,118,320
Accumulated depreciation and amortisation:								
At 1 January 2013	(144,686)	(510,001)	(92,489)	(26,649)	(773,825)	–	(23,182)	(797,007)
Exchange adjustments	65	–	11	20	96	–	–	96
Charge for the year	(52,732)	(137,294)	(19,130)	(10,057)	(219,213)	–	(4,559)	(223,772)
At 31 December 2013	(197,353)	(647,295)	(111,608)	(36,686)	(992,942)	–	(27,741)	(1,020,683)
Net book value:								
At 31 December 2013	1,627,420	2,255,385	197,680	30,139	4,110,624	614,305	372,708	5,097,637

(a) Interests in leasehold land held for own use under operating leases represent land use right in the PRC. As at 31 December 2013, the remaining period of the land use rights ranged from 43 to 50 years.

(b) As at 31 December 2013, the Group was applying for interests in leasehold land held for own use under operating leases, with net book value of RMB152,678,000 (2012: RMB73,601,000) from the relevant PRC government authorities.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 Fixed Assets (Continued)

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

	The Group	
	2013	2012
	RMB'000	RMB'000
In Hong Kong		
– medium-term leases (note 19)	**46,783**	49,364
Outside Hong Kong		
– medium-term leases	**1,953,345**	1,362,717
	2,000,128	1,412,081
Representing:		
Buildings held for own use	**1,627,420**	1,135,199
Interests in leasehold land held for own use under operating leases	**372,708**	276,882
	2,000,128	1,412,081

13 Investments in subsidiaries

	The Company	
	2013	2012
	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 and sales of raw materials
Billion Fujian (note (i))	PRC	US$481,508,000	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$37,457,000	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.

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(Expressed in Renminbi unless otherwise indicated)

14 Inventories

	The Group	
	2013 RMB'000	2012 RMB'000
Raw materials	**139,282**	126,809
Work in progress	**24,764**	43,268
Finished goods	**511,709**	274,865
	675,755	444,942

15 Trade and other receivables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade debtors	**216,919**	472,074	**–**	–
Bills receivable	**246,974**	203,301	**–**	–
Deposits, prepayments and other receivables				
– Subsidiary	**–**	–	**1,023,517**	1,691,696
– Others	**858,676**	691,225	**292**	31
	1,322,569	1,366,600	**1,023,809**	1,691,727
Less: Non-current portion of deposits and prepayments	**(497,087)**	(441,542)	**–**	–
	825,482	925,058	**1,023,809**	1,691,727
Derivative financial assets – forward exchange contracts	**13,853**	10,055	**–**	–
	839,335	935,113	**1,023,809**	1,691,727

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

As at 31 December 2013, the Group had discounted bank acceptance bills totalling RMB245,553,000 (2012: RMB253,680,000) and endorsed bank acceptance bills totalling RMB534,397,000 (2012: RMB297,594,000), 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, 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	
	2013	2012
	RMB'000	RMB'000
Current	**463,639**	675,368
Less than 1 month past due	**247**	2
More than 1 month but less than 3 months past due	**2**	1
More than 3 months but less than 1 year past due	**5**	2
More than 1 year	**–**	2
	254	7
	463,893	675,375

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 2013 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 Restricted bank deposits

The restricted bank deposits of RMB1,270,816,000 (2012: RMB788,491,000) 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	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Deposits with banks and other financial institutions	**–**	129,931	**–**	–
Cash at bank and in hand	**219,846**	514,118	**89**	79
Cash and cash equivalents in the statement of financial position	**219,846**	644,049	**89**	79

At 31 December 2013, cash at bank balances were placed with banks in the PRC amounted to RMB130,876,000 (2012: RMB470,902,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

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(Expressed in Renminbi unless otherwise indicated)

17 Cash and cash equivalents (Continued)

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

	Note	2013 RMB'000	2012 RMB'000
Profit before taxation		**434,504**	853,186
Adjustments for:			
– Bank interest income	4	**(44,971)**	(40,880)
– Net gain on financial assets and liabilities at fair value through profit or loss	5	**(4,758)**	(12,321)
– Finance costs	6(a)	**44,939**	54,183
– Amortisation of interests in leasehold land held for own use under operating lease	6(c)	**4,559**	3,658
– Depreciation	6(c)	**219,213**	161,165
– Net exchange (gain)/loss	5	**(9,932)**	3,241
		643,554	1,022,232
(Increase)/decrease in inventories		**(230,813)**	150,559
Decrease in trade and other receivables		**113,895**	197,088
Increase/(decrease) in trade and other payables		**149,041**	(145,246)
Cash generated from operations		**675,677**	1,224,633

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(Expressed in Renminbi unless otherwise indicated)

18 Trade and other payables

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade creditors and bills payable	**974,802**	835,149	**–**	–
Other payables and accrued charges	**156,789**	107,220	**1,110**	1,401
Equipment payables	**42,166**	45,793	**–**	–
Construction payables	**532**	9,788	**–**	–
Receipts in advance	**134,162**	148,786	**–**	–
	1,308,451	1,146,736	**1,110**	1,401
Derivative financial liabilities				
– forward exchange contracts	**–**	940	**–**	–
– interest rate swaps	**450**	94	**–**	–
	450	1,034	**–**	–
	1,308,901	1,147,770	**1,110**	1,401

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	
	2013 RMB'000	2012 RMB'000
Within 3 months	**853,671**	742,840
More than 3 months but within 6 months	**118,805**	85,557
More than 6 months but within 1 year	**2,326**	280
More than 1 year	**–**	6,472
	974,802	835,149

19 Bank loans

At 31 December 2013, the bank loans were repayable as follows:

	The Group	
	2013 **RMB'000**	2012 RMB'000
Within 1 year or on demand	**1,972,514**	1,119,422
After 1 year but within 2 years	**1,574**	1,622
After 2 years but within 5 years	**4,721**	4,865
After 5 years	**12,067**	14,055
	18,362	20,542
	1,990,876	1,139,964

At 31 December 2013, the bank loans were secured as follows:

	2013 **RMB'000**	2012 RMB'000
Bank loans		
– secured	**799,228**	780,093
– unsecured	**1,191,648**	359,871
	1,990,876	1,139,964

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

	2013 **RMB'000**	2012 RMB'000
Properties (note 12)	**46,783**	49,364
Pledged trade receivables	**10,505**	18,962
Restricted bank deposits	**770,745**	740,571
	828,033	808,897

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).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 Income tax in the consolidated statement of financial position

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

	2013 RMB'000	2012 RMB'000
Provision for the year	**55,431**	121,266
Tax paid	**(64,455)**	(130,218)
	(9,024)	(8,952)
Balance of tax provision relating to prior years	**51,589**	60,541
	42,565	51,589

(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 2012	(49)	88,223	(7,587)	80,587
Charged/(credited) to profit or loss (note 7(a))	(1,042)	(20,552)	3,035	(18,559)
At 31 December 2012	(1,091)	67,671	(4,552)	62,028
At 1 January 2013	(1,091)	67,671	(4,552)	62,028
Charged/(credited) to profit or loss (note 7(a))	1,091	20,806	(1,165)	20,732
At 31 December 2013	–	88,477	(5,717)	82,760

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

	2013 RMB'000	2012 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	–	(1,091)
Deferred tax liabilities recognised in the consolidated statement of financial position	**82,760**	63,119
	82,760	62,028

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), certain subsidiaries of the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB50,558,000 (2012: RMB44,775,000) 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 2013, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in mainland China amounted to RMB2,002,820,000 (2012: RMB1,665,519,000). Deferred tax liabilities of RMB100,141,000 (2012: RMB83,276,000) 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.

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(Expressed in Renminbi unless otherwise indicated)

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	Capital redemption reserve note 21(d)(ii) RMB'000	Exchange reserve note 21(d)(v) RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 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 and 1 January 2013		**19,333**	**1,780,892**	**–**	**(70,733)**	**(39,087)**	**1,690,405**
Changes in equity for 2013:							
Total comprehensive income for the year		**–**	**–**	**–**	**(36,760)**	**(7,464)**	**(44,224)**
Dividends approved in respect of the previous year	21(b)	**–**	**(177,658)**	**–**	**–**	**–**	**(177,658)**
Purchase of own shares	21(c)(ii)						
– par value paid		**(639)**	**–**	**–**	**–**	**–**	**(639)**
– premium paid		**–**	**(321,336)**	**–**	**–**	**–**	**(321,336)**
– transfer between reserves		**–**	**(639)**	**639**	**–**	**–**	**–**
Dividends declared in respect of the current year	21(b)	**–**	**(123,760)**	**–**	**–**	**–**	**(123,760)**
Balance at 31 December 2013		**18,694**	**1,157,499**	**639**	**(107,493)**	**(46,551)**	**1,022,788**

21 Capital, reserves and dividends (Continued)

(b) Dividends

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

	2013 RMB'000	2012 RMB'000
Interim dividend declared and paid of HK7.0 cents per share (2012: HK10.5 cents per share)	**123,760**	197,560
Final dividend proposed after the end of the reporting period of HK3.1 cents per ordinary share (2012: HK10.0 cents per share)	**54,618**	179,419
	178,378	376,979

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

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

	2013 RMB'000	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per ordinary share (2012: HK12.2 cents per share)	**177,658**	227,793

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(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 2012 and 31 December 2013	0.01	10,000,000,000	100,000,000

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$		HK$	RMB
Issued and fully paid:					
At 31 December 2012 and 1 January 2013		0.01	2,299,000,000	22,990,000	19,333,268
Repurchase of shares	21(c)(ii)	0.01	(76,000,000)	(760,000)	(639,116)
At 31 December 2013		0.01	2,223,000,000	22,230,000	18,694,152

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	RMB'000
January 2013	76,000,000	5.70	5.10	321,975

The 75,428,500 and 571,500 repurchased shares were cancelled in January and February 2013 respectively and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB639,116 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$397,001,000 (equivalent to RMB321,336,228) was charged to share premium.

21 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves:

(i) Share premium and distributability of reserves

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

The aggregate amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2013 was HK$1,276,727,000 (2012: HK$2,061,741,000).

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(iii) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 Capital, reserves and dividends (Continued)

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

(iv) Capital reserve

The capital reserve in the consolidated statement of financial position at 31 December 2013 mainly represents premium received from capital injection which are required to be included in their reserves by the PRC regulations.

(v) Exchange reserve

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

(vi) 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 2013 and 2012, the Group's debt ratio, being the Group's total liabilities over its total assets, was 39.8% and 30.7% 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.

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, 42% and 60% (2012: 17% and 24%) 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.

Notes to the Financial Statements

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22 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

As set out in note 15, at 31 December 2013, the Group had discounted bank acceptance bills totalling RMB245,553,000 (2012: RMB253,680,000) and endorsed bank acceptance bills totalling RMB534,397,000 (2012: RMB297,594,000), 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 RMB779,950,000 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 the head office 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 2013 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	1,972,514	1,857	5,418	14,481	1,994,270	1,990,876
Trade creditors and bills payable	974,802	–	–	–	974,802	974,802
Other payables and accrued charges and receipts in advance	290,951	–	–	–	290,951	290,951
Equipment payables	42,166	–	–	–	42,166	42,166
Construction payables	532	–	–	–	532	532
Interest rate swaps (net settled)	450	–	–	–	450	450
	3,281,415	1,857	5,418	14,481	3,303,171	3,299,777
Derivatives settled gross						
– outflow	(560,557)	–	–	–	(560,557)	
– inflow	574,410	–	–	–	574,410	

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(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	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 and receipts in advance	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)

(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 2013 and 2012, the Group had interest rate swaps with a notional contract amount of US$58,500,000 (equivalent to RMB356,990,000) and US$19,400,000 (equivalent to RMB122,698,000) 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			
	2013		2012	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Net fixed rate borrowings/ (deposits):				
Bank loans	**0.78%-3.50%**	**568,760**	1.49%-6.48%	727,810
Pledged bank deposits	**0.39%-5.36%**	**(1,240,816)**	3.10%-7.84%	(788,491)
		(672,056)		(60,681)
Variable rate borrowings/ (deposits):				
Bank loans	**1.32%-2.74%**	**1,422,116**	1.90%-5.20%	412,154
Cash and cash equivalent	**0.005%-0.385%**	**(219,846)**	0.50%	(644,049)
Restricted bank deposits	**3.69%**	**(30,000)**	–	–
		1,172,270		(231,895)
Total net borrowings/ (deposits)		**500,214**		(292,576)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB4,252,000 (2012: increase/decrease the Group's profit after taxation and retained profits by approximately RMB2,487,000).

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 2012.

(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"), HK$, Euro ("EUR") and Canadian Dollars ("CAD"). 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 RMB which is the functional currency of Billion Fujian and Billion High-tech. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in Renminbi) As at 31 December								
	2013				2012				
	USD RMB'000	**HK$ RMB'000**	**EUR RMB'000**	**CAD RMB'000**	USD RMB'000	HK$ RMB'000	EUR RMB'000	AUD RMB'000	GBP RMB'000
Trade and other receivables	**82,282**	**1,796**	**5,432**	**1,659**	116,732	–	643	3,156	3,821
Restricted bank deposits	**525,217**	**82,949**	**–**	**66,333**	116,954	–	20,317	263,514	115,805
Cash and cash equivalents	**55,332**	**125**	**337**	**–**	6,077	129	19	1	–
Trade and other payables	**(278,961)**	**–**	**(10,257)**	**–**	(128,665)	–	(7,644)	(2,169)	–
Bank loans	**(1,436,942)**	**–**	**(65,888)**	**–**	(521,788)	–	(288,426)	(69,654)	–
Gross exposure arising from recognised assets and liabilities	**(1,053,072)**	**84,870**	**(70,376)**	**67,992**	(410,690)	129	(275,091)	194,848	119,626
Notional principal amounts of forward contracts	**(251,344)**	**(83,852)**	**66,907**	**(69,411)**	127,597	–	122,346	(208,802)	–
Net exposure arising from recognised assets and liabilities	**(1,304,416)**	**1,018**	**(3,469)**	**(1,419)**	(283,093)	129	(152,745)	(13,954)	119,626

In response to the foreign currency risk of loans denominated in USD, HK$, EUR and CAD, 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 2013 are from 9 January 2014 to 5 December 2014 respectively.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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			
	2013		2012	
	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%**	**(55,438)**	5%	(12,031)
	(5%)	**55,438**	(5%)	12,031
HK$	**5%**	**43**	5%	5
	(5%)	**(43)**	(5%)	(5)
EUR	**5%**	**(147)**	5%	(6,492)
	(5%)	**147**	(5%)	6,492
CAD	**5%**	**(60)**	5%	–
	(5%)	**60**	(5%)	–
AUD	**5%**	**–**	5%	(593)
	(5%)	**–**	(5%)	593
GBP	**5%**	**–**	5%	5,084
	(5%)	**–**	(5%)	(5,084)

Results of the analysis as presented in the above table represent the instantaneous effects on the Group's profit after taxation measured in RMB 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 2012.

(e) Fair values measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

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(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2013 using		
	Fair value at 31 December 2013 RMB'000	**Quoted prices in active market for identified assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	**13,853**	**–**	**13,853**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	**450**	**–**	**450**	**–**

		Fair value measurements as at 31 December 2012 using		
	Fair value at 31 December 2012 RMB'000	Quoted prices in active market for identified assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	10,055	–	10,055	–
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	94	–	94	–
– Forward exchange contracts	940	–	940	–

22 Financial risk management and fair values (Continued)

(e) Fair values measurement (Continued)

(i) Fair value hierarchy (Continued)

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

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.

23 Commitments

(a) Capital commitments in respect of fixed assets outstanding at 31 December 2013 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Authorised but not contracted for	**155,538**	293,167
Contracted for	**372,248**	818,190
	527,786	1,111,357

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 Commitments (Continued)

(b) At 31 December 2013, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2013 **RMB'000**	2012 RMB'000
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**1,890**	2,250
	3,690	4,050

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織綸有限公司	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 28.96% of the Company's issued share capital
Mr. Wu Jinbiao	Director of the Company and holding 16.05% 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
CECEP Costin New Materials Group Limited* ("CECEP Costin") 中國節能海東青新材料集團有限公司 and its subsidiaries ("CECEP Costin Group") (note (ii))	Associate

24 Material related party transactions (Continued)

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 2013.

(ii) The transactions and balances disclosed in notes 24(b) to (c) covers the transactions between the Group and CECEP Costin Group from 4 June 2013 to 31 December 2013 only during which CECEP Costin Group is the related party of the Group.

* 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 Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2013 **RMB'000**	2012 RMB'000
Short-term employee benefits	**6,914**	7,033
Post-employment benefits	**48**	66
	6,962	7,099

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 Material related party transactions (Continued)

(b) Transactions with related parties

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

	2013 RMB'000	2012 RMB'000
Sales of goods		
Hengxinglong Polyester	**–**	26
CECEP Costin Group	**11,096**	–
	11,096	26
Purchase of materials		
CECEP Costin Group	**26**	–

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

	2013 RMB'000	2012 RMB'000
Receipt in advance from CECEP Costin Group	**7,245**	–
Other payable to CECEP Costin Group	**12**	–

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25 Jointly controlling parties

At 31 December 2013, the directors consider the jointly controlling parents of the Group to be Hong Kong (Rong An) Investment Limited ("Rong An") incorporated in Hong Kong, Kingom Power Limited ("Kingom Power") incorporated in the BVI and Winwett Investment Limited incorporated in the BVI.

Upon execution of the Shareholders Deed in January 2014, Kingom Power and Mr. Sze Tin Yau became parties acting in concert with Rong An and jointly controlled the Group.

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation – offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 36*, Recoverable amount disclosures for non-financial assets*	1 January 2014
HK(IFRIC) 21, *Levies*	1 January 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 January 2014
Annual improvements to HKFRSs 2011-2013 cycle	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				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,152,700**	6,091,703	6,053,645	4,309,731	2,963,098
Cost of sales	**5,425,918**	4,984,052	(4,729,557)	(3,678,783)	(2,713,454)
Gross profit	**726,782**	1,107,651	1,324,088	630,948	249,644
Profit before taxation	**434,504**	853,186	1,081,730	537,452	128,374
Income tax	**(76,163)**	(102,707)	(178,223)	(91,493)	(26,978)
Profit for the year	**358,341**	750,479	903,507	445,959	101,396

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**3,005,752**	2,812,595	3,508,326	2,037,526	1,866,806
Non-current assets	**5,594,724**	5,017,768	3,742,477	2,498,477	2,490,325
Total assets	**8,600,476**	7,830,363	7,250,803	4,536,003	4,357,131
Current liabilities	**3,323,980**	2,318,781	1,819,056	1,883,674	2,243,272
Non-current liabilities	**101,122**	83,661	316,132	296,790	132,274
Total liabilities	**3,425,102**	2,402,442	2,135,188	2,180,464	2,375,546
Net assets	**5,175,374**	5,427,921	5,115,615	2,355,539	1,981,585
Share capital/paid-in capital	**18,694**	19,333	19,333	1,787,457	1,681,672
Reserves	**5,156,680**	5,408,588	5,096,282	568,082	299,913
Total equity	**5,175,374**	5,427,921	5,115,615	2,355,539	1,981,585

The financial information for each of the two years ended 31 December 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 two years ended 31 December 2009 and 2010, and the assets and liabilities as at 31 December 2009 and 2010 have been extracted from the Prospectus.