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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2299)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Revenue for the year ended 31 December 2011 amounted to RMB6,053.6 million, representing an increase of 40.5% compared to 2010.
- Profit for the year ended 31 December 2011 amounted to RMB903.5 million, representing an increase of 102.6% compared to 2010.
- Earnings per share for the year ended 31 December 2011 amounted to RMB0.43, representing an increase of 65.4% compared to 2010.
- A final dividend of HK cents 12.2 per share is proposed for 2011, full year dividend amounted to HK cents 24.19.

The board of directors (the "Board") of Billion Industrial Holdings Limited (the "Company") is pleased to announce the consolidated results for the year ended 31 December 2011 of the Company and its subsidiaries (collectively, the "Group"), together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Note	**2011** **RMB'000**	2010 RMB'000
Revenue	*2*	**6,053,645**	4,309,731
Cost of sales		**(4,729,557)**	(3,678,783)
Gross profit		**1,324,088**	630,948
Other revenue	*3*	**58,149**	35,073
Other net gain	*4*	**33,577**	21,287
Selling and distribution expenses		**(31,412)**	(26,580)
Administrative expenses		**(267,818)**	(91,049)
Profit from operations		**1,116,584**	569,679
Finance costs	*5(a)*	**(34,854)**	(32,227)
Profit before taxation	*5*	**1,081,730**	537,452
Income tax	*6*	**(178,223)**	(91,493)
Profit for the year		**903,507**	445,959
Earnings per share			
Basic and diluted (RMB)	*8*	**0.43**	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**2,548,810**	2,286,023
– Construction in progress		**547,703**	28,235
– Interests in leasehold land held for own use under operating leases		**193,575**	171,632
		3,290,088	2,485,890
Deposits and prepayments		**452,340**	12,587
Deferred tax assets		**49**	–
		3,742,477	2,498,477
Current assets			
Inventories		**595,501**	404,834
Trade and other receivables	9	**1,120,575**	953,897
Restricted bank deposits		**698,968**	527,403
Cash and cash equivalents		**1,093,282**	151,392
		3,508,326	2,037,526
Current liabilities			
Trade and other payables	10	**1,274,472**	1,472,982
Bank loans		**484,043**	383,161
Current taxation		**60,541**	27,531
		1,819,056	1,883,674
Net current assets		**1,689,270**	153,852
Total assets less current liabilities		**5,431,747**	2,652,329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2011

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the combined financial statements of the Group for the year ended 31 December 2010, except for the new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods beginning on or after 1 January 2011.

The application of these new standards, amendments and interpretations have no material impact on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2 REVENUE

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

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

	2011	2010
	RMB'000	*RMB'000*
Domestic sales	**5,463,552**	3,893,166
Export sales	**590,093**	416,565
	6,053,645	4,309,731

3 OTHER REVENUE

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

During the year, government grants of RMB15,129,000 (2010: RMB3,355,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and at the discretion of the relevant authorities.

4 OTHER NET GAIN

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2011	2010
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank advances and other borrowings	**29,683**	17,940
Other interest expense	**5,171**	14,287
	34,854	32,227
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating lease	**3,138**	3,134
Depreciation	**148,217**	132,882
Auditors' remuneration	**2,374**	2,859
Operating lease charges in respect of properties	**995**	360
Research and development costs	**195,902**	51,755
Cost of inventories	**4,729,557**	3,678,783

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

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

7 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK11.99 cents per ordinary share	**226,061**	–
Final dividend proposed after the end of the reporting period of HK12.2 cents per ordinary share	**280,478**	–
	506,539	–

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.

8 EARNINGS PER SHARE

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

Weighted average number of ordinary shares

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

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

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

9 TRADE AND OTHER RECEIVABLES

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

9 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Aging analysis

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

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

Trade debtors are due within 90 days from the date of billing, except for those due from related parties which were repayable on demand.

10 TRADE AND OTHER PAYABLES

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

10 TRADE AND OTHER PAYABLES *(Continued)*

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

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

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

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

11 COMMITMENTS

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

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

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**360**	360
After 1 year but within 5 years	**1,440**	1,440
Over 5 years	**2,610**	2,970
	4,410	4,770

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN GLOBAL AND CHINA'S ECONOMY

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

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

INDUSTRY REVIEW

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

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

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

BUSINESS REVIEW

Average Selling Price Stabilized on Higher Differentiated Rate

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

Capacity Expansion on Schedule

As of 31 December 2011, our designed capacity of Fully Drawn Yarn (FDY) and Partially Oriental Yarn (POY) had been increased to approximately 475,000 tons per year (TPY) and our designed capacity of Drawn Textured Yarn (DTY) had been increased to approximately 350,000 TPY.

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

In addition, the Board approved investments of RMB1,937 million to expand into polyester thin film business. The BOPET business will commence production in May 2012 with a capacity of approximately 36,500 tons. A management team and professionals with relevant background and years of experience in the business have been hired. Production facilities were completed on time. The sales force has also started to reach out to potential customers in Southern China. Our total production capacity will reach 255,000 tons by 2014, which will make us the largest BOPET producer in Southern China and possibly nationwide.

Research and Development

In November 2011, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd* (福建百宏聚纖科技實業有限公司) ("Billion Fujian"), our indirect wholly-owned subsidiary), was granted the status of "National Recognized Enterprise Technology Center (國家認定企業技術中心)".

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

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

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

** For identification purpose only*

FINANCIAL REVIEW

Operational Performance

1. *Revenue*

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

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

Revenue and Sales Volume by Products

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

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

Geographic Breakdown of Sales

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

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

FINANCIAL REVIEW *(Continued)*

Operational Performance *(Continued)*

2. *Cost of Sales*

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

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

The manufacturing cost per ton was RMB1,755 (2010: RMB1,837), accounting for 14.7% of total cost of sales and representing a decrease of RMB81 or 4.4% per ton compared to 2010. The decrease was mainly due to the direct labor cost per ton and water and electricity cost per ton decreased resulting from the increase in production efficiency and additional cost-saving advantages from economies of scale.

Analysis of Cost of Sales

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

Analysis of Cost of Sales per Ton

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

FINANCIAL REVIEW *(Continued)*

Operational Performance *(Continued)*

3. Gross Profit

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

Analysis of Gross Profit by Products

	2011		2010	
	RMB'000	**Percentage**	RMB'000	Percentage
DTY	**962,500**	**72.7%**	402,652	63.7%
FDY	**306,536**	**23.2%**	185,610	29.5%
POY	**12,810**	**1.0%**	20,110	3.2%
Others	**42,242**	**3.1%**	22,576	3.6%
Total	**1,324,088**	**100%**	630,948	100%

Average Gross Profit to Product Per Ton

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

4. Other Revenue

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

FINANCIAL REVIEW *(Continued)*

Operational Performance *(Continued)*

5. Other Net Gain

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

6. Selling and Distribution Expenses

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

7. Administrative Expenses

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

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

8. Finance Costs

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

9. Income Tax

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

FINANCIAL REVIEW *(Continued)*

Operational Performance *(Continued)*

10. Profit for the year

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

Financial Position

1. Liquidity and Capital Resources

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

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

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

2. Capital Structure

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

Contingent Liabilities

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

FINANCIAL REVIEW *(Continued)*

Foreign Currency Risk

Substantially all of the Group's revenue and operating costs are denominated in Renminbi. Apart from bank deposits denominated in foreign currencies usually United States of America Dollars (as at 31 December 2011: RMB800,909,000 denominated in USD; and as at 31 December 2010: RMB659,115,000 denominated in USD) and bank loans denominated in Hong Kong dollars (as at 31 December 2011: RMB48,824,000 denominated in HKD and as at 31 December 2010: RMB3,000 denominated in HKD), the Group's cash flow from operation or liquidity is not directly exposed to any other material fluctuations in foreign exchange rate. The Group has no hedging arrangement in place with respect to the foreign exchange exposure during the year.

Employees and Remuneration

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

Material Investment

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

1. Initial Plan

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

2. Expansion Plan

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

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

** For identification purpose only*

Use of proceeds from Initial Public Offering

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

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

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

Business Outlook

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

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

Research and Development Plan

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

Increase Brand Awareness through Greater Marketing and Expansion in New Markets

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

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

2. Promote our new products through advertisements in industry publications

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

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

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

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

DIVIDEND

The Board has recommended the payment of a final dividend of HK cents 12.2 per share of the Company for the year ended 31 December 2011. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 10 April 2012, will be paid to the shareholders whose names appear on the register of members of the Company on 18 April 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 April 2012 to Wednesday, 18 April 2012, both days inclusive, during which period no transfer of shares of the Company will be effected.

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 Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Friday, 13 April 2012.

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is also published on the Company's website (www.baihong.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2011 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

By Order of the Board
Billion Industrial Holdings Limited
Sze Tin Yau
Chairman

Hong Kong, 28 February 2012

As at the date of this announcement, the Board comprises Mr. Sze Tin Yau, Mr. Wu Jinbiao, Mr. Wu Jianshe and Mr. He Wenyao as executive Directors, and Mr. Yeung Chi Tat, Ms. Zhu Meifang and Mr. Ma Yuliang as independent non-executive Directors.