CapXon

CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED
凱普松國際電子有限公司

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2008

Stock Code : 469

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lin Chin Tsun *(Chairman and President)*
Ms. Chou Chiu Yueh *(Vice President)*
Mr. Lin Yuan Yu *(Chief Executive Officer)*

Non-Executive Directors

Ms. Lin I Chu
Ms. Liu Fang Chun

Independent Non-Executive Directors

Mr. Lai Chung Ching
Mr. Lu Hong Te
Mr. Tung Chin Chuan

Audit Committee

Mr. Lai Chung Ching *(Chairman)*
Mr. Lu Hong Te
Mr. Tung Chin Chuan

Remuneration Committee

Mr. Lin Chin Tsun *(Chairman)*
Ms. Chou Chiu Yueh
Mr. Lai Chung Ching
Mr. Lu Hong Te
Mr. Tung Chin Chuan

Chief Financial Officer

Ms. Hu Szu Jung, Carol

Qualified Accountant and Company Secretary

Ms. Chan Yin Fung

Auditors

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Legal Adviser

Jones Day
29th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Compliance Adviser

Mega Capital (Asia) Company Limited
Units 2213-2214, 22nd Floor
Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Principal Bankers

Hua Nan Commercial Bank
Mega International Commercial Bank Co., Ltd
Bank of Communications Co., Ltd
China Construction Bank Corporation
Agricultural Bank of China
Nanyang Commercial Bank Ltd
China Merchants Bank
Taishin International Bank
The Hongkong and Shanghai Banking Corporation Limited
Bank of China Limited

Registered Office

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Grand Cayman
Cayman Islands

Head Office in Taiwan

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No. 165, Sec. 2, Datong Road
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Taipei County
Taiwan
R.O.C.

Head Office and Principal Place of Business in Hong Kong

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Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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Stock Code

00469

CHAIRMAN'S STATEMENT

Dear Shareholders,

The diverse application and development of information products has been driving the continuous growth of the electronic components market. However, with the onset of a low profit margin era, the electronics industry has transformed from a low volume, diversified and high margin professional market to a high volume and low margin consumer market. Meanwhile, the continuous increase in global raw material prices has led to a reassessment of production costs by the electronic components and other industries and relocation of their operations away from home. Relocating productions to Mainland China has become an inevitable trend to facilitate on-site supply by the downstream suppliers and the search for cheaper workforce and land resources.

For Taiwanese manufacturers, Mainland China is strategically located with an edge in production costs and a consumer market with immense growth potential; Hong Kong is a platform to tap into the international investment markets and a wide scope is offered in the utilization of the capital raised. In consideration of these various factors, the Company has formulated its three-pronged strategy of conducting research and development in Taiwan, production in Mainland China and fund raising in Hong Kong.

However, there have been significant changes to the aforementioned competitive edge since 2008, which include:

1. The sub-prime crisis in the U.S.A. deepened the unease as to whether the global economy will be able to grow continuously;

2. The devaluation of U.S. dollars caused the world to be concerned about inflation;

3. The price increases of oil, mass materials and production assets also hampered the slowdown of inflation;

4. Natural disasters (such as the earthquake in Sichuan) led to a huge demand for resources, which in turn resulted in price increases; and

5. The implementation of the policy on new labour contract law in the Mainland China resulted in the increase of production costs.

In response to the above changes, the Group continues to adhere to its operating strategies in respect of production research and development: vertical integration of its upstream and downstream production chains for anode foils and electrolytic capacitors. Capxon Electronic Technology (Yichang Sanxia) Co. Ltd., a subsidiary of the Company in Hubei, is engaged in the production and sale of etched foils and formed foils. Capxon Electronic Technology (Baotou) Co. Ltd., located in Baotou of Inner Mongolia, focuses on the production and sale of anode formed foils and completed the installation of production lines in June 2008. Production of anode foils is more than sufficient to satisfy in-house demand. At the same time, the Group has made gradual inroads by extending its sales channels in the massive market of Mainland China. Sales of anode foils accounted for 28.85% of the Group's total sales in the first half of 2008. In respect of improvements in the research and development of electrolytic capacitors, production and sale of V-chips and solid-state polymers are viewed by the Group as a benchmark in gauging its success in the development of the aluminum electrolytic capacitor market.

Looking forward, the Group's business objective is to become a high quality anode foils manufacturer and supplier, while continuously enhancing its leading position in both the domestic and overseas aluminum electrolytic capacitor markets. The Group will capitalize on the collective wisdom of its management team more effectively to leverage on its strengths and at the same time expand into new horizons in order to consolidate its business foundation and competitive edge. Meanwhile, the Group will also try its best to push ahead to become an international market supplier by combining the competitive edges of Mainland China, Hong Kong and Taiwan so as to create maximum returns for its shareholders as a whole.

LIN Chin Tsun
Chairman

Hong Kong, 9 September 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Results Highlights

The results of the Group for the six months ended 30 June 2008 (the "Period"), as compared with the same period in 2007, were as follows:

- Revenue rose 6.56% to RMB511,619,000.
- Gross profit decreased 26.96% to RMB87,497,000.
- Loss for the Period amounted to RMB3,409,000 (2007: profit RMB35,207,000).

Financial Results

Upon a review of the financial results of the Group for the Period, the Group's revenue was RMB511,619,000, representing an increase of 6.56% over the same period last year. The increase was mainly attributable to the increase in the sales of anode foils by 123.34% over the same period last year being offset by the decrease in the sales of aluminum electrolytic capacitors by 12.08% against the same period last year. Both anode foils and aluminum electrolytic capacitors are major products of the Group. The Group's gross profit margin declined from 24.95% for the corresponding period last year to 17.10% for the Period. The decrease was mainly attributable to the continuous increase of raw material prices and labour costs, as well as the change in the exchange rate of Renminbi and U.S. dollar, which resulted in rise of production costs. The slip in gross profit, increase in finance costs caused by the raising interest rates in the People's Republic of China, and the continuous appreciation of Renminbi reversed the results of the Group from a profit in the last corresponding period to a loss for the Period.

Business Review

- *Manufacturing and sales of aluminum foils*

  During the Period, after satisfying intra-group demands, external sales of aluminum foils amounted to RMB147,602,000, and its share of the Group's total external sales increased from 13.77% for the same period last year to 28.85% for the Period or an increase of 123.34% compared to the amount of externally sold aluminum foils of RMB66,088,000 during the same period last year.

Manufacturing and sale of high quality anode foils is one of the major businesses of the Group. The Group has increased the capacitance on standard middle-voltage anode foils and standard high-voltage anode foils it produces to 2.2μF/cm^2 and 0.8μF/cm^2 respectively, whilst the capacitance on low-voltage anode foils has reached the market standard capacitance of 85μF/cm^2. The Group possesses excellent technology for the production and processing of anode foils as well as stable production capacity.

Aluminum foils are the major raw materials of electrolytic capacitors. Given the considerable gross profit margin of aluminum foils, huge demand from both the domestic and overseas markets, and the high quality demanded, the Group has positioned high quality anode foils as a major product in its sales strategy to provide adequate supply of quality raw materials for the Group's own production of electrolytic capacitors, thereby lowering the production costs and enhancing quality control. Besides, the anode foils can be sold to domestic and overseas electrolytic capacitors manufacturers so as to enhance the Group's revenues and gross profits.

- *Manufacturing and sales of capacitors*

  External sales of aluminum electrolytic capacitors during the Period reached RMB364,017,000, representing approximately 71.15% of the Group's total external sales during the Period and a decrease of 12.08% from RMB414,015,000 during the same period last year.

  At present, the Group's production technology for aluminum electrolytic capacitor is pretty mature. In response to the demands arising from diversed application of electronic products, the Group's aluminum electrolytic capacitors feature a comprehensive range of sizes, and are characterized by long duration, high capacitance, low resistance, high tolerance to heat and high voltage. A number of the Group's major products all shared these attributes. For example, the new DV series launched for the SMD electrolytic capacitors during the Period; the new PE series launched for the solid-state conductive polymers during the Period, as well as the WF, MF, LF and HF series recently introduced into the market after research and development and they are flame retardant and with safety vent construction design. In addition, the Group has also successfully developed products which meet the requirements of the automotive industry in terms of heat resistance, shock-proof, high ripple rejection and low resistance. The Group has obtained the ISO/TS 16949 certification for such products and became a qualified supplier of related electronic devices for the automobile industry.

- *Green production system*

  Restriction of Hazardous Substances Directive 2002/95/EC ("RoHS") is an environmental protection directive enacted by the European Union in 2003 and came into effect from July 2006. It is principally concerned with the compliance of the standards for raw materials used in, and the production and processing techniques applied for electronic products. In terms of the examination of the ingredients of the raw materials and the overall production process, the Group has installed related equipment and apparatuses in aid of quality control so as to ensure compliance with the requirements of the RoHS. By complying with the RoHS directive, the Group is taking up responsibilities in environmental protection, thereby winning the trust of its customers and creating green business opportunities.

Liquidity and Financial Resources

The Group's cash outflow is primarily accounted for by the acquisition of property, plant and equipment, the costs and expenses related to operating activities, as well as bank loan interest and repayment of borrowings. During the Period, the Group obtained its cash resources from bank borrowings and operating activities.

During the Period, the Group had net cash outflow of RMB32,978,000 from operating, investing and financing activities before exchange realignment, the details of which are set out below:

Net cash inflows from operating activities were RMB70,238,000, mainly accounted for by the profit before tax of RMB5,124,000 for the Period together with the flow of funds as a result of the adjustments for finance costs and depreciation, movements in stocks, accounts receivable and accounts payable.

Net cash outflows from investing activities were RMB58,934,000, mainly accounted for by the payment of RMB27,967,000 for the acquisition of plant and equipment in Shenzhen, Yichang and Baotou for the construction of new production plants or expansion of existing production capacity, and the increase of pledged bank deposits of RMB36,647,000.

Net cash outflows from financing activities were RMB44,282,000, mainly accounted for by the addition of RMB275,420,000 in bank finance, repayment of bank loans of RMB293,872,000 and payment of loan interest of RMB25,830,000.

As at 30 June 2008, the Group had cash and cash equivalents of RMB75,701,000 (31 December 2007: RMB115,164,000), which were mainly denominated in Renminbi and US dollars.

Borrowings

As at 30 June 2008, the Group had total interest-bearing bank borrowings of RMB644,768,000 (31 December 2007: RMB670,381,000), which were mainly denominated in Renminbi and US dollars. Such borrowings were mainly subject to fixed interest rates. Set out below is an analysis of the repayment profile of the interest-bearing bank borrowings:

	30 June 2008 ***RMB'000***	31 December 2007 *RMB'000*
Within one year or on demand	**452,677**	397,596
In the second year	**159,239**	26,993
In the third to fifth years (both years inclusive)	**31,418**	243,489
Beyond five years	**1,434**	2,303
	644,768	670,381

Charge on Assets

The following assets have been pledged as security for certain bank borrowings and bills payable of the Group:

	30 June 2008 ***RMB'000***	31 December 2007 *RMB'000*
Deposits	**113,943**	94,268
Bills receivable	**3,095**	5,072
Investment properties	**10,454**	10,462
Property, plant and equipment	**141,206**	195,098
	268,698	304,900

Financial Ratios

As at 30 June 2008, the Group's gearing ratio (net debts divided by equity attributable to equity holders of the parent plus net debts) amounted to 50.6%, substantially remained unchanged from 51.1% as at 31 December 2007.

Set out below is the turnover (days) of the inventories, bills and accounts payable, and bills and accounts receivable during the Period:

	Six months ended 30 June	
	2008	2007
Inventory turnover	**107 days**	94 days
Bills and accounts receivable turnover	**129 days**	117 days
Bills and accounts payable turnover	**64 days**	71 days

The Group's inventory, bills and accounts receivable turnover days were respectively 13 days and 12 days longer than the same period last year, whilst bills and accounts payable turnover days were 7 days shorter than the same period last year. The Group will continue to improve the management of its inventories, accounts receivable and accounts payable in order to better utilize the available funds.

Capital Commitments

As at 30 June 2008, the Group had capital commitments contracted but not provided for amounting to RMB3,606,000 (31 December 2007: RMB5,395,000).

Contingent Liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities (31 December 2007: nil).

Foreign Exchange Fluctuations

The Group derives its revenue principally in US dollars and New Taiwan dollars, whilst the expenses are mainly denominated in Japanese Yen, Renminbi, US dollars and New Taiwan dollars. As the revenue and expenses are denominated in different currencies, most of the exposure to exchange risks was managed through natural hedges. However, in the event that Renminbi further appreciates, the Group will still be affected indirectly.

At present, Renminbi is not a freely convertible currency. The PRC government may adopt measures that could result in a material difference between the exchange rate of Renminbi in future and that prevailing or in the past.

Employment and Remuneration Policy

As at 30 June 2008, the Group had 3,488 employees and its employee benefit expenses including Directors' remuneration were approximately RMB51,196,000. Salary, bonus and other benefits are determined with reference to prevailing market terms and individual performance, qualification and experience.

Future Plans and Prospects

The sluggish economic growth across the world, escalating prices and the crush of inflation, coupled with the implementation of labour policies in China, all contributed to rise in production costs. The key to maintaining the Group's competitiveness lies in establishing solid operations and refined supply chains, integration of the production process for anode foils and aluminum electrolytic capacitors, along with the support of research and development of production technology and effective cost control. In addition, active development of new markets and customer base, additional capital investments and strategic mergers are also crucial to the creation of overall profitability. In line with the above, the operating strategies will focus on the following:

1. *To research and develop for cost-saving measures, improve design and planning of the production facilities for aluminum foils and capacitors in order to attain stable production lines*

   The Group's research and development division will continue its efforts to develop technology, as well as being innovative, to constantly upgrade product quality and significantly reduce the overall production costs in order to maintain competitiveness in the industry.

2. *To develop new sales channels for anode foils and markets for new capacitor products*

   As the profitability of the high quality anode foils market is considerable and the adequate supply of anode foils internally also facilitates the control of the production costs of aluminum electrolytic capacitors, the Group will therefore enhance its research and development of the production technology for anode foils as well as product quality in order to stabilize the sales channels of high quality anode foils. This will boost its market share, thereby reaping the profits generated by the high added value created by aluminum foils. With respect to the Group's operation of the market for electrolytic capacitors, the research and development, production and sale of SMD electrolytic capacitors and solid-state conductive polymer capacitors is the Group's latest major direction in enhancing its operation of such business. In terms of research and development results, the Group successfully launched a smaller size SMD type solid-state conductive polymer capacitor in the Period. In respect of sales channels, the Group extended its reach to the Taiwanese market. It is expected that in 2008, the solid-state conductive polymer capacitors will deliver performing results.

Apart from those set out above, the details discussed and analyzed by management do not differ materially from those disclosed in the latest published annual report for 2007.

INDEPENDENT AUDITORS REVIEW REPORT

ERNST & YOUNG
安 永 會 計 師 事 務 所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the board of directors
Capxon International Electronic Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Capxon International Electronic Company Limited (the "Company") and its subsidiaries (collectively as the "Group") as set out on pages 15 to 34, comprising of the interim consolidated balance sheet as at 30 June 2008 and the related interim consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
9 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
REVENUE	4	**511,619**	480,103
Cost of sales		**(424,122)**	(360,313)
Gross profit		**87,497**	119,790
Other income	4	**3,206**	1,615
Selling and distribution costs		**(18,840)**	(17,736)
Administrative expenses		**(31,437)**	(38,336)
Other expenses		**(7,153)**	(3,899)
Finance revenue		**2,642**	2,884
Finance costs		**(25,830)**	(17,806)
Exchange loss, net		**(4,961)**	(4,083)
PROFIT BEFORE TAX	5	**5,124**	42,429
Tax	6	**(8,533)**	(7,222)
(LOSS)/PROFIT FOR THE PERIOD		**(3,409)**	35,207
Attributable to:			
Equity holders of the parent		**(3,483)**	32,903
Minority interests		**74**	2,304
		(3,409)	35,207
DIVIDEND			
Proposed interim dividend	7	**–**	24,748
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
– Basic (RMB cents)		**(0.41)**	4.72
– Diluted (RMB cents)		**N/A**	4.71

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Audited)
NON-CURRENT ASSETS			
Investment properties	*9*	**10,454**	10,462
Property, plant and equipment	*10*	**736,044**	743,163
Prepaid land lease payments		**27,036**	27,343
Intangible assets		**12,115**	12,942
		785,649	793,910
CURRENT ASSETS			
Inventories		**254,513**	246,500
Trade receivables	*11*	**329,645**	360,908
Bills receivable	*12*	**18,597**	21,410
Prepayments, deposits and other receivables		**50,937**	52,801
Due from related parties	*17*	**938**	3,417
Deferred tax assets		**909**	683
Pledged deposits	*13*	**113,943**	94,268
Cash and bank balances	*13*	**75,701**	98,784
		845,183	878,771
TOTAL ASSETS		**1,630,832**	1,672,681

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	14	**82,244**	82,244
Reserves		**673,677**	674,691
		755,921	756,935
Minority interests		**9,004**	9,227
Total equity		**764,925**	766,162
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**192,091**	272,785
Pension liability		**6,646**	6,471
Deferred tax liability		**2,206**	–
		200,943	279,256
CURRENT LIABILITIES			
Trade and bills payables	16	**138,405**	162,190
Other payables and accruals		**54,349**	42,508
Interest-bearing loans and borrowings		**452,677**	397,596
Due to related parties	17	**11,999**	15,113
Tax payables		**7,534**	9,856
		664,964	627,263
Total liabilities		**865,907**	906,519
TOTAL EQUITY AND LIABILITIES		**1,630,832**	1,672,681
NET CURRENT ASSETS		**180,219**	251,508
TOTAL ASSETS LESS CURRENT LIABILITIES		**965,868**	1,045,418

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the parent										
	Issued capital *RMB'000* (Unaudited)	Share premium *RMB'000* (Unaudited)	Capital reserve *RMB'000* (Unaudited)	Share option reserve *RMB'000* (Unaudited)	Statutory reserve fund *RMB'000* (Unaudited)	Exchange translation reserve *RMB'000* (Unaudited)	Retained profits *RMB'000* (Unaudited)	Proposed interim dividend *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Minority interests *RMB'000* (Unaudited)	Total equity *RMB'000* (Unaudited)
As at 1 January 2007	–	–	252,413	–	49,666	17,717	149,444	–	469,240	73,648	542,888
Profit for the period	–	–	–	–	–	–	32,903	–	32,903	2,304	35,207
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	(66,909)	(66,909)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(299)	(299)
Issue of shares	82,244	447,776	–	–	–	–	–	–	530,020	–	530,020
Share issue expenses	–	(11,150)	–	–	–	–	–	–	(11,150)	–	(11,150)
Share-based payments	–	–	–	783	–	–	–	–	783	–	783
Reversal of paid-up capital of subsidiaries upon completion of share exchange	–	–	(282,702)	–	–	–	–	–	(282,702)	–	(282,702)
Proposed interim dividend *(note 7)*	–	–	–	–	–	–	(24,748)	24,748	–	–	–
Appropriations to statutory reserve	–	–	–	–	3,167	–	(3,167)	–	–	–	–
Foreign currency translation difference	–	–	–	–	–	12,272	–	–	12,272	–	12,272
As at 30 June 2007	82,244	436,626	(30,289)*	783	52,833	29,989	154,432	24,748	751,366	8,744	760,110

	Attributable to equity holders of the parent										
	Issued capital ***RMB'000*** **(Unaudited)**	**Share premium** ***RMB'000*** **(Unaudited)**	**Capital reserve** ***RMB'000*** **(Unaudited)**	**Share option reserve** ***RMB'000*** **(Unaudited)**	**Statutory reserve fund** ***RMB'000*** **(Unaudited)**	**Exchange translation reserve** ***RMB'000*** **(Unaudited)**	**Retained profits** ***RMB'000*** **(Unaudited)**	**Proposed interim dividend** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**	**Minority interests** ***RMB'000*** **(Unaudited)**	**Total equity** ***RMB'000*** **(Unaudited)**
As at 1 January 2008	**82,244**	**436,626**	**(30,289)**	**2,525**	**62,437**	**27,021**	**176,371**	**-**	**756,935**	**9,227**	**766,162**
(Loss)/Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(3,483)**	**-**	**(3,483)**	**74**	**(3,409)**
Dividends paid to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(251)**	**(251)**
Share-based payments	**-**	**-**	**-**	**1,371**	**-**	**-**	**-**	**-**	**1,371**	**-**	**1,371**
Strike-off of subsidiaries	**-**	**-**	**(464)**	**-**	**-**	**-**	**-**	**-**	**(464)**	**-**	**(464)**
Appropriations to statutory reserve	**-**	**-**	**-**	**-**	**4,028**	**-**	**(4,028)**	**-**	**-**	**-**	**-**
Foreign currency translation difference	**-**	**-**	**-**	**-**	**-**	**1,562**	**-**	**-**	**1,562**	**(46)**	**1,516**
At 30 June 2008	**82,244**	**436,626**	**(30,753)***	**3,896**	**66,465**	**28,583**	**168,860**	**-**	**755,921**	**9,004**	**764,925**

* The capital reserve represents the aggregate of the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's ordinary shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**70,238**	31,886
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(58,934)**	(74,548)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(44,282)**	173,032
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(32,978)**	130,370
Exchange realignment	**(6,485)**	5,846
Cash and cash equivalents at beginning of period	**115,164**	88,939
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**75,701**	225,155
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**75,701**	212,753
Pledged deposits with original maturity of less than three months when acquired	**–**	12,402
Cash and cash equivalents at end of period	**75,701**	225,155

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The registered office of the Company is located at Scotia Centre, 4th Floor, P.O.Box 2804, George Town, Grand Cayman, Cayman Islands.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the production of aluminum electrolytic capacitors and aluminum foils, the major raw materials for the manufacturing of electrolytic capacitors.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new standards and interpretations, noted as below:

Impact of new and revised International Financial Reporting Standards ("IFRSs")

The following new and revised IFRSs affect the Group and are adopted for the first time for the current period's condensed consolidated financial statements.

IFRIC-Int 11	*Group and Treasury Share Transactions*
IFRIC-Int 14	IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

IFRIC-Int 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. As the Group's defined benefit schemes are currently in deficit, the adoption of this interpretation had no impact on the financial position or performance of the Group.

Impact of issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate*[1]
IFRS 2 (Amended)	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
IFRS 3 (Revised)	*Business Combinations*[3]
IFRS 8	*Operating Segments*[1]
IAS 1 (Revised)	*Presentation of Financial Statements*[1]
IAS 23 (Revised)	*Borrowing Costs*[1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
IFRIC-Int 13	*Customer Loyalty Programmes*[2]
IFRIC-Int 15	*Agreements for the Construction of Real Estate*[1]
IFRIC-Int 16	*Hedges of a Net Investment in a foreign Operation*[4]

Apart from the above, the IASB has issued *Improvement to IFRSs** which sets out 35 amendments to 20 International Financial Reporting Standards resulting from its annual improvement project. Except for the amendment to IFRS 5 which is effective for annual periods beginning on or after 1 July 2009, these amendments are effective for annual periods beginning on or after 1 January 2009.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 October 2008

* The improvements to 20 IFRSs include amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS20, IAS23, IAS27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS40 and IAS 41.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

(i) the capacitors segment engages in the manufacture and sale of capacitors; and

(ii) the aluminum foils segment engages in the manufacture and sale of aluminum foils.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue and profit for the Group's business segments for the six months ended 30 June 2008 and 2007.

	Capacitors	Aluminum foils	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2008				
Segment revenue:				
Sales to external customers	**364,017**	**147,602**	**–**	**511,619**
Intersegment sales	**–**	**184,124**	**(184,124)**	**–**
Other income	**486**	**205**	**–**	**691**
Total	**364,503**	**331,931**	**(184,124)**	**512,310**
Segment results	**13,040**	**17,417**	**11,797**	**42,254**
Interest income and unallocated gains				**5,157**
Corporate and other unallocated expenses				**(11,496)**
Finance costs				**(25,830)**
Exchange loss, net				**(4,961)**
Profit before tax				**5,124**
Tax				**(8,533)**
Loss for the period				**(3,409)**
For the six months ended 30 June 2007				
Segment revenue:				
Sales to external customers	414,015	66,088	–	480,103
Intersegment sales	–	212,694	(212,694)	–
Other income	431	315	–	746
Total	414,446	279,097	(212,694)	480,849
Segment results	53,172	24,686	(661)	77,197
Interest income and unallocated gains				3,753
Corporate and other unallocated expenses				(16,632)
Finance costs				(17,806)
Exchange loss, net				(4,083)
Profit before tax				42,429
Tax				(7,222)
Profit for the period				35,207

3. SEGMENT INFORMATION *(continued)*

Geographical segments

The following table presents revenue information for the Group's geographical segments for the six months ended 30 June 2008 and 2007:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales to external customers:		
Mainland China	**346,018**	343,789
Taiwan	**78,438**	61,454
Other Asian countries	**68,076**	53,498
Europe	**14,365**	17,578
United States of America	**4,722**	3,784
	511,619	480,103

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the invoiced values of goods sold, net of value-added tax ("VAT"), after allowances for returns and discounts; and the value of services rendered, net of business taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**511,619**	480,103
Other income		
Income from sale of materials	**691**	746
Subsidy income	**500**	–
Gross rental income	**283**	320
Others	**1,732**	549
	3,206	1,615

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**424,122**	360,313
Depreciation of property, plant and equipment	**32,011**	26,419
Depreciation of items of investment properties	**41**	53
Amortisation of intangible assets	**900**	783
Amortisation of prepaid land lease payments	**306**	272
Minimum lease payments under operating leases:		
Land and buildings	**334**	300
Auditors' remuneration	**694**	999
Employee benefits expense (including directors' remuneration)	**51,196**	38,790
Foreign exchange loss, net	**4,961**	4,083
Impairment of trade receivables	**1,323**	1,609
Loss on disposal of items of property, plant and equipment	**11**	284
Bank interest income	**(2,642)**	(2,884)

6. TAX

The major components of income tax expense for the periods are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Taiwan	**4,581**	3,946
Current – Mainland China	**1,975**	3,579
Deferred	**1,977**	(303)
Total tax charge for the period	**8,533**	7,222

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the period. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit chargeable to Hong Kong profits tax during the periods.

Corporate income tax in Taiwan is charged at 25% (2007: 25%).

6. TAX *(continued)*

According to the relevant tax laws in Taiwan, the Company receives dividend income in Taiwan, and therefore, it should bear Taiwan income tax based on 20% of the dividend income received.

PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the tax rates applicable to the respective subsidiaries. Certain subsidiaries of the Company operating in Mainland China are eligible for certain tax holiday and concession, including tax holiday and concession normally in the form of two-year tax exemption starting from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and has become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), enterprises previously entitled to concession the new policies of tax rate reductions shall have a grace period of five years to comply with the new statutory tax rates, commencing 1 January 2008 after the implementation of the new tax law. Enterprises entitled to a 15% corporate income tax rate will be subject to a 18% tax rate in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The Group is subject to the transitional tax rate for the current period in the calculation of deferred taxation.

7. DIVIDEND

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Proposed interim dividend (2007: HK3 cents per ordinary share)	–	24,748

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share for the six months ended 30 June 2008 is based on the loss for the period attributable to equity holders of the parent of approximately RMB3,483,000 (2007: profit RMB32,903,000) and the weighted average number of 844,559,841 (2007: 696,369,786) shares in issue during the period.

No diluted loss per share is presented for the six months ended 30 June 2008 as all share options are anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2007 was based on the profit for the period attributable to equity holders of the parent. The weighted average number of shares used in the calculation was the number of shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential shares into ordinary shares.

9. INVESTMENT PROPERTIES

At 30 June 2008, the Group's investment properties with a value of RMB10,454,000 (31 December 2007: RMB10,462,000) were pledged to secure bank borrowings.

10. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2008, certain of the Group's bank loans were secured by certain of the Group's property, plant and equipment which had an aggregate carrying amount of RMB141,206,000 (31 December 2007: RMB195,098,000).

During the six months ended 30 June 2008, the Group acquired property, plant and equipment including construction in progress at an aggregate cost amounting to approximately RMB27,967,000 (30 June 2007: RMB72,420,000). Property, plant and equipment amounting to RMB3,678,000 was disposed of for the six months ended 30 June 2008 (30 June 2007: RMB363,000).

As at 30 June 2008, the Group had not obtained building ownership certificates for buildings located in Shenzhen and Baotou with net carrying amounts of approximately RMB85,153,000 (31 December 2007: RMB87,649,000) and RMB35,218,000 (31 December 2007: RMB36,054,000) respectively. The Directors expect to obtain building ownership certificates for the buildings to be obtained by the end of year 2008.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 180 days. Each customer has a maximum credit limit.

An aged analysis of trade receivables of the Group as at the balance sheet date, based on invoice date and net of provision for impairment of trade receivables, is as follows:

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Within 60 days	**171,688**	145,272
Over 60 days but within 90 days	**59,995**	88,395
Over 90 days but within 180 days	**73,862**	103,761
Over 180 days but within 270 days	**11,925**	19,360
Over 270 days but within 360 days	**4,824**	3,734
Over 360 days	**7,351**	386
	329,645	360,908

12. BILLS RECEIVABLE

At 30 June 2008, the Group's bills receivable of RMB3,095,000 (31 December 2007: RMB5,072,000) were pledged to secure bank borrowings.

The bills receivable of the Group all mature within six months.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 30 June 2008, the Group's pledged time deposits of RMB1,140,000 and RMB112,803,000 were deposited to banks for securing bills payable and bank borrowings of the Group respectively (31 December 2007: RMB16,380,000 and RMB77,888,000).

Cash and bank balances and pledged deposits of RMB128,402,000 and RMB123,539,000 were denominated in RMB as at 30 June 2008 and 31 December 2007, respectively. The RMB is not freely convertible into other currencies, however, under the Sale and Payment of Foreign Exchange Regulations promulgated by Foreign Exchange Control Regulations and Administration of Settlement in Mainland China, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

14. ISSUED CAPITAL

	Number of shares	Nominal value
		RMB'000
Authorised:		
Ordinary shares of HK$0.1 each		
Balance at 1 January 2008 and 30 June 2008	1,500,000,000	146,071
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
Balance at 1 January 2008 and 30 June 2008	844,559,841	82,244

15. SHARE-BASED PAYMENT

On 3 April 2007, the Company approved and adopted the Pre-IPO Share Option Scheme entitling the board of directors to grant share options at its discretion to any executive, director and/or employee of the Group who is in full time employment of the Group at the time when an option is granted before the listing of the shares. 14,900,000 options were granted to certain executives, employees and directors of the Group on 17 April 2007 (the "Date of Grant").

Under the Pre-IPO Share Option Scheme, the options granted shall vest to the relevant grantees in tranches, namely 20% of the options shall vest on the first anniversary of the Date of Grant at an exercise price of HK$0.465 per share (the "First Tranche"); 20% of the options shall vest on the second anniversary of the Date of Grant at an exercise price of HK$0.465 per share (the "Second Tranche"); and 60% of the options shall vest on the third anniversary of the Date of Grant at an exercise price of HK$0.465 per share. The board of directors may at its absolute discretion adjust the percentage of options to be vested in the First Tranche and the Second Tranche either upwards or downwards based on the performance of the relevant grantees in the year immediately preceding the vesting of the options in the relevant tranches as determined by the directors of the Company. The options may be exercised, in whole or in part, any time during the option period commencing from 17 April 2007 and expiring on 16 April 2012 except that no options may be exercised until the expiry of 12 months after the date of vesting. At the annual general meeting of the Company held on 5 June 2008, an ordinary resolution was passed by the shareholders of the Company approving the outstanding options granted under the Pre-IPO Share Option Scheme may be exercised by the holders at any time during the period commencing from 17 April 2007 and expiring on 16 April 2012 after the respective dates of vesting.

Share options were granted under a service condition.

15. SHARE-BASED PAYMENT *(continued)*

The fair value of the options at the Date of Grant is estimated using the binomial pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of options granted under the Pre-IPO Share Option Scheme on the Date of Grant was estimated using the following assumptions:

Dividend yield (%)	3.4
Volatility (%)	50.86
Interest rate (%)	4.103
Maturity (years)	4.948
Strike price (HK$)	0.465
Suboptimal exercise factor	3

On 3 April 2007, the Company also approved and adopted a share option scheme (the "Share Option Scheme") entitling the board of directors to grant share options at its discretion to any executive, employee, director (including non-executive directors and independent non-executive directors), consultant, adviser and/or agent of the Company or any subsidiary at the time when an option is granted to such a person. No options have been granted under the Share Option Scheme since its adoption.

16. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled within 30 to 60 days.

An aged analysis of trade and bills payables of the Group as at the balance sheet date, based on invoice dates, is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**61,424**	98,983
Over 60 days but within 90 days	**24,038**	18,976
Over 90 days but within 180 days	**26,237**	30,322
Over 180 days but within 270 days	**12,229**	4,960
Over 270 days but within 360 days	**1,822**	1,708
Over 360 days but within 450 days	**2,737**	1,524
Over 450 days	**9,918**	5,717
	138,405	162,190

17. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

(a) Recurring

Name of company	Nature of transactions	Six months ended 30 June	
		2008	2007
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Ele Con Co., Ltd. (i)	Purchase of raw materials (a)	**8,488**	16,616
Fung Yue Technology Limited (ii)	Sub-contracting fee (b)	**–**	8,985
Capxon Electronic Technology (Renhua) Co., Ltd. (iii)	Sub-contracting fee (b)	**–**	6,751

Notes:

(i) Ms. Liu Fang Chun is a common shareholder of Ele Con Co. Ltd and the Company.

(ii) The two directors of Fung Yue Technology Limited ("Fung Yue Technology") are the directors of the Company.

(iii) Capxon Electronic Technology (Renhua) Co., Ltd. is a wholly-owned subsidiary of Fung Yue Technology.

(a) In the opinion of the directors, the purchase prices for the raw materials were mutually agreed between the Group and the related party under normal commercial terms.

(b) The subcontracting fees charged by the related parties were based on mutually agreed terms.

17. RELATED PARTY TRANSACTIONS *(continued)*

(b) Non-recurring

Name of company	Nature of transactions	Six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Chinese Creator Limited (i)	Purchase return (b)	–	2,635
Asia Richly Limited (ii)	Sale of goods (c)	–	8,201
	Purchase of raw materials (a)	–	6,788

Notes:

(i) A shareholder of Chinese Creator Limited is a director of the Company.

(ii) A shareholder of Asia Richly Limited is also a director of the Company.

(a) In the opinion of the directors, the purchases of raw materials were made based on mutually agreed terms which approximated to the costs of raw materials plus a 3% to 5% mark-up.

(b) In the opinion of the directors, the purchases of raw materials and goods were made based on mutually agreed terms.

(c) In the opinion of the directors, the sales of goods to the related parties were mutually agreed between the parties under normal commercial terms.

(c) Guarantees provided by related parties of the Group

Certain directors of the Company have provided guarantees to banks in connection with the banking facilities granted by those banks to the Group as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Guarantees provided by:		
Lin Chin Tsun	**43,428**	60,447
Lin Chin Tsun, Chou Chiu Yueh	**91,646**	105,832
	135,074	166,279

The expiry dates of the above guarantees provided by the Company's directors vary from August 2008 to March 2015.

17. RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances due from/to related parties

	Due from related parties		Due to related parties	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Shenzhen Capxon Electronic Co., Ltd.	**167**	179	**–**	–
Asia Richly Limited	**–**	–	**–**	325
Better Chance Limited	**–**	–	**–**	1,001
Chou Chiu Yueh	**–**	–	**16**	16
Fung Yue Technology	**–**	–	**3,554**	4,890
Chinese Creator Limited	**–**	2,467	**–**	–
Hill Source Electron (Shenzhen) Co., Ltd.	**–**	–	**200**	200
Capxon Electronic Technology (Renhua) Co., Ltd.	**771**	771	**–**	–
Ele Con Co., Ltd.	**–**	–	**8,229**	8,681
	938	3,417	**11,999**	15,113

The balances due from and to the related parties at 30 June 2008 and 31 December 2007 were interest-free, unsecured and have no fixed repayment terms of repayment.

(e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**5,293**	3,562
Post-employment benefits	**102**	76
Share based payment	**1,198**	684
Total compensation paid to key management personnel	**6,593**	4,322

18. OPERATING LEASE ARRANGEMENTS

(a) As lessor

As at 30 June 2008 and 31 December 2007, the Group had no significant future minimum lease receivables under non-cancellable operating leases.

	30 June 2008 ***RMB'000*** **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Within one year	**599**	556
In the second to fifth years, inclusive	**1,498**	1,157
	2,097	1,713

(b) As lessee

	30 June 2008 ***RMB'000*** **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Within one year	**520**	385
In the second to fifth years, inclusive	**448**	52
	968	437

19. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments as at the balance sheet date:

	30 June 2008 ***RMB'000*** **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Contracted, but not provided for:		
Acquisition of land and buildings	**–**	1,260
Acquisition of plant and machinery	**3,606**	4,135
	3,606	5,395

20. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 9 September 2008.

OTHER INFORMATION

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

As at 30 June 2008, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive	Capacity and nature of interest	Number of issued shares held (a) and approximate percentage of shares in issue (b)[1] (a)	(b)	Interest in underlying shares[3]	Total interest (a) and approximate percentage of shares in issue (b)[1] (a)	(b)
Mr. Lin Chin Tsun	Beneficial owner	101,657,378	66.90	3,200,000	570,473,947	67.55
	Interest of controlled corporation	395,360,783[2]		–		
	Interest of spouse	67,955,786		2,300,000		
Ms. Chou Chiu Yueh	Beneficial owner	67,955,786	66.90	2,300,000	570,473,947	67.55
	Interest of controlled corporation	395,360,783[2]		–		
	Interest of spouse	101,657,378		3,200,000		
Mr. Lin Yuan Yu	Beneficial owner	13,161,622	2.38	1,900,000	22,890,615	2.71
	Interest of spouse	6,928,993		900,000		
Ms. Lin I Chu	Beneficial owner	9,429,777	1.12	900,000	10,329,777	1.22
Ms. Liu Fang Chun	Beneficial owner	6,928,993	2.38	900,000	22,890,615	2.71
	Interest of spouse	13,161,622		1,900,000		

Name of Director/ chief executive	Capacity and nature of interest	Number of issued shares held (a) and approximate percentage of shares in issue (b)[1] (a)	(b)	Interest in underlying shares[3]	Total interest (a) and approximate percentage of shares in issue (b)[1] (a)	(b)
Mr. Tung Chin Chuan	Beneficial owner	1,726,000	0.20	–	1,726,000	0.20
Ms. Hu Szu Jung, Carol	Beneficial owner	243,991	0.03	900,000	1,143,991	0.14

Notes:

(1) This percentage has been compiled based on the total number of shares (i.e. 844,559,841 shares) of the Company in issue as at 30 June 2008.

(2) Each of Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh is deemed to be interested in an aggregate of 395,360,783 shares which are held by Superior Skill International Limited, Union Glory Management Limited, Jet Link Group Limited and Hung Yu Investment Co., Ltd. Such corporations are controlled by Mr. Lin Chin Tsun and/or Ms. Chou Chiu Yueh.

(3) These represent interests in underlying shares in respect of share options granted by the Company, the details of which are set out in the section titled "Information on Pre-IPO Share Option Scheme and Share Option Scheme".

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executives of the Company and their associates had any personal, family, corporate and other 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 would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, as at 30 June 2008, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity and nature of interest	Number of issued shares held	Approximate percentage of shares in issue[1]
Superior Skill International Limited	Beneficial owner	296,495,623	35.11
Jet Link Group Limited	Beneficial owner	69,722,663	8.26
Geng Yang Investment Limited[2]	Interest of controlled corporation	69,722,663	8.26
Ci Peng Investment Limited[2]	Interest of controlled corporation	69,722,663	8.26

Notes:

(1) This percentage has been compiled based on the total number of shares (i.e. 844,559,841 shares) of the Company in issue as at 30 June 2008.

(2) Jet Link Group Limited is owned by Geng Yang Investment Limited and Ci Peng Investment Limited as to 60% and 40% respectively. Accordingly, each of Geng Yang Investment Limited and Ci Peng Investment Limited is deemed to be interested in 69,722,663 shares held by Jet Link Group Limited under the SFO.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 June 2008, had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

INFORMATION ON PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

On 3 April 2007, the Company approved and adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") entitling the Board to grant share options at its discretion to any executive, director and/or employee of the Group who is in full time employment of the Group at the time when an option is granted before the listing of the Company's shares. The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 15,500,000 shares. The Pre-IPO Share Option Scheme has expired at the close of business on 4 May 2007 and no further options may be granted thereunder.

On 3 April 2007, the Company also approved and adopted a share option scheme (the "Share Option Scheme") entitling the Board to grant share options at its discretion to any executive, employee, director (including non-executive director and independent non-executive director), consultant, adviser and/or agent of the Company or any subsidiary at the time when an option is granted to such person. No options have been granted under the Share Option Scheme since its adoption.

Under the Pre-IPO Share Option Scheme, the options granted shall vest in the relevant grantees in tranches, namely 20% of the options shall vest on the first anniversary of the date of grant at an exercise price of HK$0.465 per share (the "First Tranche"); 20% of the options shall vest on the second anniversary of the date of grant at an exercise price of HK$0.465 per share (the "Second Tranche"); and 60% of the options shall vest on the third anniversary of the date of grant at an exercise price of HK$0.465 per share. The Board may at its absolute discretion adjust the percentage of the options to be vested in the First Tranche and the Second Tranche either upwards or downwards based on the performance of the relevant grantees in the year immediately preceding the vesting of the options in the relevant tranches as determined by the Board.

Pursuant to the terms of the Pre-IPO Share Option Scheme, the options may be exercised, in whole or in part, at any time during the option period from 17 April 2007 to 16 April 2012 except that no options may be exercised until the expiry of 12 months after the date of vesting. At the annual general meeting of the Company held on 5 June 2008, the shareholders of the Company approved an amendment to the terms of the outstanding options granted under the Pre-IPO Share Option Scheme such that the holders may exercise such options at any time during the option period from 17 April 2007 to 16 April 2012 after the respective dates of vesting. Details of the share options granted to the Directors and chief executives under the Pre-IPO Share Option Scheme which remained outstanding as at 30 June 2008 are as follows:

Name of Director/ chief executive	Date of grant	Exercise price per share	Number of options outstanding as at 1 January 2008 and 30 June 2008
Mr. Lin Chin Tsun	17 April 2007	HK$0.465	3,200,000
Ms. Chou Chiu Yueh	17 April 2007	HK$0.465	2,300,000
Mr. Lin Yuan Yu	17 April 2007	HK$0.465	1,900,000
Ms. Lin I Chu	17 April 2007	HK$0.465	900,000
Ms. Liu Fang Chun	17 April 2007	HK$0.465	900,000
Ms. Hu Szu Jung, Carol	17 April 2007	HK$0.465	900,000
Other employees	17 April 2007	HK$0.465	4,200,000
			14,300,000

Apart from the share option schemes described above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: HK3 cents per share).

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Directors' securities transactions. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed with the management and the Company's auditors, Ernst & Young, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated accounts for the six months ended 30 June 2008 with the Directors.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 9 September 2008