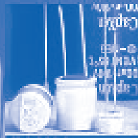


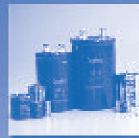

CapXon

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

(*Incorporated in the Cayman Islands with limited liability*)

Stock Code : 469

2009
Interim Report

CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Report on Review of Interim Financial Information	13
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21
Other Information	36

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

Company Secretary

Ms. CHAN Yin Fung

Auditors

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Legal Adviser

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

Principal Bankers

Agricultural Bank of China
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Merchants Bank
Hua Nan Commercial Bank
Mega International Commercial Bank Co., Ltd.
Nanyang Commercial Bank Ltd.
Ping An Bank Co., Ltd.

Registered Office

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Grand Cayman
Cayman Islands

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Taiwan
R.O.C.

Head Office and Principal Place of Business in Hong Kong

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Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

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Butterfield House
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Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai
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Fax : (852)2598 1808

Website

www.capxongroup.com

Stock Code

469

CHAIRMAN'S STATEMENT

Dear Shareholders,

The diverse application and development of information products has been driving the expansion 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. has transformed into the global financial tsunami;

2. The global market downturn since the fourth quarter of 2008;

3. The stagnant demand for major electronics products; and

4. The new generation products are yet to be launched.

In response to the above changes, the Group continues to adhere to its operating strategies. Apart from the vertical integration of its upstream and downstream production chains for anode foils and electrolytic capacitors, the Group also endeavors to expand its market share.

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. The Group's production of anode foils is more than sufficient to satisfy internal production demand. At the same time, the Group has made gradual inroads in the massive market of Mainland China.

With respect to the electrolytic capacitors, in addition to the development of the V-chip type capacitors and conductive polymers market, the Group also continues to invest more resources in the research and development of the low-voltage and long-life electrolytic capacitors with lower resistance and audio capacitance and has made successful research and development achievements so far. While continuously focusing on cost reduction in business operation, the Group is also prepared to cope with the recession of the electronics industry through expanding its sources of income and reducing costs so as to pave the way for the recovery of the industry in the future.

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, 16 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

A summary of the financial results of the Group for the six months ended 30 June 2009 (the "Period") is as follows:

- Revenue fell by approximately 34.71% to approximately RMB334,033,000.
- Gross profit decreased by approximately 31.16% to approximately RMB60,226,000.
- Loss for the period attributable to owners of the Company amounted to approximately RMB9,974,000 (for the six months ended 30 June 2008: RMB3,483,000).

Upon a review of the financial results for the Period, the Group's revenue was approximately RMB334,033,000, representing a decrease of approximately 34.71% over the same period last year. The decrease was mainly attributable to the deteriorating environment and stagnant demand as a result of the financial tsunami. The sales of aluminum electrolytic capacitors for the Period was approximately RMB253,712,000, representing a decrease of approximately 30.30% over RMB364,017,000 of the same period last year and the sales of aluminum foils for the Period was approximately RMB80,321,000, representing a decrease of approximately 45.58% over RMB147,602,000 of the same period last year. However, the Group's gross profit margin rose slightly from approximately 17.10% for the corresponding period last year to approximately 18.03% for the Period. The improvement in the gross profit margin was mainly due to the Group's stronger internal control over the sales unit price and gross profit.

Business Review

- *Manufacturing and sale of aluminum foils*

  During the Period, after satisfying internal production demand, external sales of aluminum foils amounted to approximately RMB80,321,000, representing a decrease of approximately 45.58% over RMB147,602,000 during the same period last year. Its share of the Group's total external sales decreased from approximately 28.85% for the same period last year to approximately 24.05% for the Period.

Manufacturing and sale of high quality anode foils is one of the major businesses of the Group. Currently, the Group has successfully completed the laboratory research and development of the super high-voltage anode foils and the trial run of the pilot production lines. 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 capacitors. Given the considerable gross profit margin of aluminum foils, huge demand from both 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 capacitors, thereby lowering the production costs and enhancing quality control. Besides, the anode foils can be sold to domestic and overseas capacitors manufacturers so as to enhance the Group's revenue and gross profits.

- *Manufacturing and sales of capacitors*

External sales of aluminum electrolytic capacitors during the Period reached approximately RMB253,712,000, representing approximately 75.95% of the Group's total external sales during the Period and a decrease of approximately 30.30% from RMB364,017,000 during the same period last year.

At present, the Group's production technique for aluminum electrolytic capacitor is rather mature. In response to the demand arising from diverse application of electronic products, the Group's aluminum electrolytic capacitors feature a comprehensive range of sizes and specifications, and are characterized by long life, high capacitance, low resistance, high tolerance to heat and high voltage. A number of the Group's major products are equipped with these features, such as the SMD electrolytic capacitors, the conductive polymers, as well as the MF, GH, HF, DV and LR 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 automotive 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 in July 2006. It principally specifies the standards for raw materials used in, and the production and processing techniques applied for electronic products for compliance. 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

- *Cash flows*

  The Group's cash demand is primarily derived from the acquisition of properties, plants 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 operating activities and bank borrowings.

  During the Period, the Group had net cash inflow of approximately RMB129,335,000 from operating, investing and financing activities before foreign exchange adjustment, the details of which are set out below:

  Net cash inflows from operating activities were approximately RMB20,612,000, mainly accounted for by the loss before tax of approximately RMB10,563,000 for the Period together with the flow of funds as a result of the adjustments for finance costs and depreciation, movements in inventory, accounts receivable and accounts payable.

  Net cash outflows from investing activities were approximately RMB136,745,000, mainly accounted for by the cash outflow of approximately RMB4,957,000 for the Group's acquisition of machinery and equipment for the production plants and the increase of pledged bank deposits of approximately RMB140,292,000.

  Net cash inflows from financing activities were approximately RMB245,468,000, mainly accounted for by the bank borrowings of approximately RMB727,476,000, repayment of bank loans of approximately RMB466,680,000 and payment of loan interest of approximately RMB15,328,000.

As at 30 June 2009, the Group had cash and cash equivalents of approximately RMB184,148,000 (31 December 2008: RMB56,090,000), which were mainly denominated in Renminbi and US dollars.

- *Borrowings*

As at 30 June 2009, the Group had total bank borrowings of approximately RMB749,008,000 (31 December 2008: RMB487,981,000), which were mainly denominated in Renminbi and US dollars. Such borrowings were mainly subject to floating interest rates. Set out below is an analysis of the repayment profile of the bank borrowings:

	30 June 2009 ***RMB'000***	31 December 2008 *RMB'000*
Within one year or on demand	**526,368**	447,653
In the second year	**209,658**	11,615
In the third to fifth years (both years inclusive)	**12,402**	27,673
More than five years	**580**	1,040
	749,008	487,981

Charge on Assets

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

	30 June 2009 ***RMB'000***	31 December 2008 *RMB'000*
Pledged deposits	**211,399**	71,107
Bills receivables	**1,158**	–
Investment properties	**9,688**	9,591
Prepaid lease payments	**26,450**	–
Property, plant and equipment	**395,935**	325,247
	644,630	405,945

Financial Ratios

As at 30 June 2009, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 50.2%, representing an increase of approximately 5.7% as compared to 44.5% as at 31 December 2008. The increase was mainly attributable to the increase in the Group's bank borrowings and its cash and cash equivalents of approximately RMB261,027,000 and approximately RMB128,058,000 respectively.

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

	For the six months ended 30 June	
	2009	2008
Inventory turnover	**151 days**	107 days
Bills and accounts receivable turnover	**137 days**	129 days
Bills and accounts payable turnover	**69 days**	64 days

The Group's turnover days for inventory, bills and accounts receivable and bills and accounts payable were 44 days, 8 days and 5 days longer 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 2009, the Group had capital commitments contracted but not provided for amounting to approximately RMB6,225,000 (31 December 2008: RMB2,750,000).

Contingent Liabilities

As at 30 June 2009, the Group did not have any material contingent liabilities (31 December 2008: 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, the exposure to exchange risks was mostly 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 2009, the Group had approximately 3,132 employees. Salary, bonus and 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 and shrinking demand for information technology products, communications products and consumer electronics products has resulted since October 2008 in a sharp fall in the production orders, accumulation of inventories and rising labour costs among many electronic components manufacturers. As a result of the persistent global economic downturn, adjustments exhibited by the electronic components market demand and inventories are expected to continue and the market size of the global electronic components for 2009 is also expected to contract by approximately 2% as compared to 2008. In response to the above, the operating strategies of the Group will focus on the following:

1. *To research and develop for cost-saving measures, improve the 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. Meanwhile, the Group will simultaneously carry out the product development and formulation of specifications in line with the launch of new products to cater for the needs of the customers.

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 for internal production also facilitates the control of the production costs of aluminum electrolytic capacitors, the Group will be devoted to 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, boost its market share and reap 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 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 conductive polymer capacitor, flame retardant capacitor, low-voltage and long life capacitor, low resistance capacitor and capacitor for audio applications during the Period. It is expected that in 2009, the conductive polymer capacitors will deliver performing results.

Apart from those set out above, the information discussed and analyzed by the management of the Company do not differ materially from those disclosed in the latest published annual report of the Company for 2008.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

To The Board of Directors of
Capxon International Electronic Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 35, which comprises the condensed consolidated statement of financial position of Capxon International Electronic Company Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing 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 of the Company 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, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 September 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June **2009** ***RMB'000*** **(unaudited)**	 2008 *RMB'000* (unaudited)
Revenue	*3*	**334,033**	511,619
Cost of sales		**(273,807)**	(424,122)
Gross profit		**60,226**	87,497
Other income		**2,002**	5,848
Selling and distribution costs		**(11,619)**	(18,840)
Administrative expenses		**(32,455)**	(30,114)
Other expenses		**(13,389)**	(13,437)
Finance costs		**(15,328)**	(25,830)
(Loss) profit before taxation	*4*	**(10,563)**	5,124
Taxation	*5*	**784**	(8,533)
Loss for the period		**(9,779)**	(3,409)
Other comprehensive income (expense)			
Exchange difference arising from translation of foreign operations		**(1,095)**	1,516
Total comprehensive income (expense) for the period		**(10,874)**	(1,893)
Loss for the period attributable to:			
Owners of the Company		**(9,974)**	(3,483)
Minority interests		**195**	74
		(9,779)	(3,409)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(11,070)**	(1,921)
Minority interests		**196**	28
		(10,874)	(1,893)
Loss per share – Basic (RMB cents)	*7*	**(1.18)**	(0.41)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	30 June 2009 RMB'000 (unaudited)	31 December 2008 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**686,338**	724,328
Investment properties		**9,688**	9,591
Prepaid lease payments		**25,837**	26,144
Intangible assets		**11,391**	11,209
Deferred tax assets		**1,242**	1,755
		734,496	773,027
CURRENT ASSETS			
Inventories		**229,250**	227,399
Prepaid lease payments		**613**	613
Trade and other receivables	9	**285,192**	264,371
Amounts due from related parties		**169**	167
Pledged deposits		**211,399**	71,107
Bank balances and cash		**184,148**	56,090
		910,771	619,747
CURRENT LIABILITIES			
Trade and other payables	10	**155,182**	118,099
Bank borrowings	11	**526,368**	447,653
Amounts due to related parties		**6,030**	36,582
Tax payable		**368**	5,572
		687,948	607,906
NET CURRENT ASSETS		**222,823**	11,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**957,319**	784,868

	Notes	30 June 2009 RMB'000 (unaudited)	31 December 2008 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Bank borrowings	11	**222,640**	40,328
Defined benefit obligations		**5,587**	5,426
		228,227	45,754
		729,092	739,114
CAPITAL AND RESERVES			
Share capital	12	**82,244**	82,244
Reserves		**637,862**	648,080
Equity attributable to owners of the Company		**720,106**	730,324
Minority interests		**8,986**	8,790
		729,092	739,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000 (note 1)	**Share option reserve** RMB'000	**Statutory reserve** RMB'000 (note 2)	**Translation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
At 1 January 2008 (audited)	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)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,562	–	1,562	(46)	1,516
Total comprehensive income (expense)	–	–	–	–	–	1,562	(3,483)	(1,921)	28	(1,893)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(251)	(251)
Recognition of equity-settled share-based payments	–	–	–	1,371	–	–	–	1,371	–	1,371
Strike-off of subsidiaries	–	–	(464)	–	–	–	–	(464)	–	(464)
Appropriation	–	–	–	–	4,028	–	(4,028)	–	–	–
At 30 June 2008 (unaudited)	82,244	436,626	(30,753)	3,896	66,465	28,583	168,860	755,921	9,004	764,925
Loss for the period	–	–	–	–	–	–	(21,002)	(21,002)	(330)	(21,332)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(5,590)	–	(5,590)	109	(5,481)
Total comprehensive expense	–	–	–	–	–	(5,590)	(21,002)	(26,592)	(221)	(26,813)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	7	7
Recognition of equity-settled share-based payments	–	–	–	995	–	–	–	995	–	995
Appropriation	–	–	–	–	2,349	–	(2,349)	–	–	–
At 31 December 2008 (audited)	82,244	436,626	(30,753)	4,891	68,814	22,993	145,509	730,324	8,790	739,114
(Loss) profit for the period	–	–	–	–	–	–	(9,974)	(9,974)	195	(9,779)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(1,096)	–	(1,096)	1	(1,095)
Total comprehensive income (expense)	–	–	–	–	–	(1,096)	(9,974)	(11,070)	196	(10,874)
Recognition of equity-settled share-based payments	–	–	–	852	–	–	–	852	–	852
Appropriation	–	–	–	–	594	–	(594)	–	–	–
At 30 June 2009 (unaudited)	82,244	436,626	(30,753)	5,743	69,408	21,897	134,941	720,106	8,986	729,092

Notes:

(1) 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 a group reorganisation prior to the listing of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited.

(2) Under the relevant regulations, the Group is required to make appropriation to the statutory reserve fund at 10% of its profits after tax based on its statutory financial statements. The statutory reserve fund may only be used, upon approval by the relevant authority, to offset accumulated losses or to increase the capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**20,612**	70,238
Net cash used in investing activities		
Increase in pledged deposits	**(140,292)**	(36,647)
Purchase of property, plant and equipment	**(4,957)**	(27,967)
Other investing cash flows	**8,504**	5,680
	(136,745)	(58,934)
Net cash from (used in) financing activities		
Bank borrowings raised	**727,476**	275,420
Repayment of bank borrowings	**(466,680)**	(293,872)
Interest paid	**(15,328)**	(25,830)
	245,468	(44,282)
Net increase (decrease) in cash and cash equivalents	**129,335**	(32,978)
Cash and cash equivalents at 1 January	**56,090**	115,164
Effect of foreign exchange rate changes	**(1,277)**	(6,485)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**184,148**	75,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the 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 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2009.

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendments to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

IAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see note 3). The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Amendment to IFRS 5 May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of other revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes, discounts and returns, for the period.

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, IAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's "system of internal financing reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss. The Group's reportable segments under IFRS 8 are therefore identical to the business segments under IAS 14, namely:

Capacitors	–	Manufacture and sale of capacitors
Aluminum foils	–	Manufacture and sale of aluminum foils

3. REVENUE AND SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating segment for the period under review.

For the six months ended 30 June 2009

	Capacitors *RMB'000*	Aluminum foils *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	253,712	80,321	–	334,033
Inter-segment sales	–	88,492	(88,492)	–
Segment sales	253,712	168,813	(88,492)	334,033
Segment profit	1,752	6,318	4,298	12,368
Interest income				112
Unallocated corporate expenses				(7,715)
Finance costs				(15,328)
Loss before taxation				(10,563)
Income tax credit				784
Loss for the period				(9,779)

3. REVENUE AND SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2008

	Capacitors	Aluminum foils	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External sales	364,017	147,602	–	511,619
Inter-segment sales	–	184,124	(184,124)	–
Segment sales	364,017	331,726	(184,124)	511,619
Segment profit	13,040	17,417	11,797	42,254
Interest income				2,642
Unallocated corporate expenses				(13,942)
Finance costs				(25,830)
Profit before taxation				5,124
Income tax expense				(8,533)
Loss for the period				(3,409)

Segment profit represents the profit earned by each segment without allocation of interest income, corporate expenses and finance costs. This is the measure reporting to the Group's board of directors for the purposes of resource allocation and performance assessment.

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**33,765**	32,011
Depreciation of investment properties	**37**	41
Amortisation of intangible assets (included in administrative expenses)	**859**	900
Release of prepaid lease payments	**306**	306
Impairment loss on trade receivables (included in other expenses)	**7,925**	1,323
Exchange loss, net (included in other expenses)	**2,022**	4,961
Loss on disposal of property, plant and equipment	**28**	11
Interest income	**(112)**	(2,642)

5. TAXATION

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
The (credit) charge comprises:		
Current tax		
– Taiwan Corporate Income Tax	**–**	4,581
– PRC Enterprise Income Tax	**–**	1,975
	–	6,556
Overprovision in prior years		
– Taiwan Corporate Income Tax	**(1,297)**	–
Deferred tax	**513**	1,977
	(784)	8,533

5. TAXATION *(continued)*

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong.

Corporate income tax in Taiwan is charged at 25% (Six months ended 30 June 2008: 25%).

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For companies that were qualified for incentive tax rate of 15% under old law or regulations, their tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were granted exemption and reliefs ("Tax Benefit") for PRC income tax, the New Law and Implementation Regulations allowed them to continue to enjoy the Tax Benefit until their respective expiry dates. For companies that were previously subject to tax rate of 33%, the New Law and Implementation Regulations have changed the tax rate from 33% to 25% from 1 January 2008.

6. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company for the six months ended 30 June 2009 is based on loss for the period attributable to owners of the Company of approximately RMB9,974,000 (Six months ended 30 June 2008: RMB3,483,000) and on 844,559,841 shares in issue.

No diluted loss per share is presented for the six months ended 30 June 2009 and 2008 because the exercise prices of the Company's outstanding share options were higher than the average market price per share.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment, including construction in progress of approximately RMB4,957,000 (Six months ended 30 June 2008: RMB27,967,000) for the purpose of expanding the Group's business.

As at 30 June 2009, the Group had not obtained building ownership certificates for its buildings located in Baotou in the PRC with a total net carrying amount of approximately RMB33,490,000 (31 December 2008: RMB34,362,000). The directors of the Company expect to obtain the building ownership certificates for the buildings before the end of 2009.

9. TRADE AND OTHER RECEIVABLES

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Trade receivables	**265,313**	254,468
Bills receivables	**13,147**	12,564
Less: allowance for doubtful debts	**(23,701)**	(15,776)
Total trade and bills receivables	**254,759**	251,256
Advances to suppliers	**6,140**	2,699
Value added tax recoverable	**7,758**	1,669
Others	**16,535**	8,747
	285,192	264,371

The Group generally allows credit periods ranging from 30 to 180 days to its trade customers.

An aged analysis of trade and bills receivables as at the reporting date, presented based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
0 – 60 days	**100,040**	98,726
61 – 90 days	**66,227**	54,930
91 – 180 days	**61,648**	75,831
181 – 270 days	**12,065**	11,453
271 – 360 days	**8,083**	1,797
Over 360 days	**6,696**	8,519
	254,759	251,256

10. TRADE AND OTHER PAYABLES

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade payables	69,256	67,999
Bills payables	57,552	14,283
Total trade and bills payables	126,808	82,282
Advances from customers	3,387	4,913
Accruals	5,161	5,897
Payroll payables	6,440	6,807
Others	13,386	18,200
	155,182	118,099

An aged analysis of trade and bills payables as at the reporting date, presented based on the invoice date, is as follows:

	30 June 2009 RMB'000	31 December 2008 RMB'000
0 – 60 days	64,312	12,706
61 – 90 days	39,985	16,096
91 – 180 days	10,898	30,422
181 – 270 days	767	7,189
271 – 360 days	1,176	2,367
Over 360 days	9,670	13,502
	126,808	82,282

11. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB727,476,000 (Six months ended 30 June 2008: RMB275,420,000). The borrowings bear interest at market rates and are repayable within 1 to 2 years. The Group also repaid borrowings of approximately RMB466,680,000 (Six months ended 30 June 2008: RMB293,872,000) during the period.

12. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	1,500,000,000	150,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	844,559,841	84,456
Shown in the financial statements as (RMB'000)		82,244

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
Within one year	**544**	582
In the second to fifth years, inclusive	**317**	631
	861	1,213

(b) As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
Within one year	**2,443**	1,224
In the second to fifth years, inclusive	**6,575**	1,185
	9,018	2,409

14. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of:		
– Plant and machinery	**6,225**	1,831
– Land and buildings	**–**	919
	6,225	2,750

15. PLEDGE OF ASSETS

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Property, plant and equipment	**395,935**	325,247
Investment properties	**9,688**	9,591
Prepaid lease payments	**26,450**	–
Pledged deposits	**211,399**	71,107
Bills receivables	**1,158**	–
	644,630	405,945

16. RELATED PARTY DISCLOSURES

(a) Related party transactions

Name of related party	Nature of transaction	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Ele Con Co., Ltd. *(note i)*	Purchase of raw materials	**2,851**	8,488
Lin I Chu *(note ii)*	Interest expense	**27**	–

Notes:

(i) A director of Ele Con Co., Ltd. is also a director of the Company.

(ii) Lin I Chu is a director of the Company.

(b) Related party balances

	Due from related parties		Due to related parties	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Shenzhen Capxon Electronic Co., Ltd. (i)	**169**	167	**–**	–
Fung Yue Technology Limited (ii)	**–**	–	**3,713**	3,664
Ele Con Co., Ltd. (iii)	**–**	–	**2,102**	7,763
Hill Source Electronic (Shenzhen) Co., Ltd. (iv)	**–**	–	**200**	200
Chou Chiu Yueh (v)	**–**	–	**15**	14,278
Capxon Electronic Technology (Renhua) Co., Ltd. (vi)	**–**	–	**–**	7,677
Lin I Chu	**–**	–	**–**	3,000
	169	167	**6,030**	36,582

16. RELATED PARTY DISCLOSURES *(continued)*

(b) Related party balances *(continued)*

Notes:

(i) Shenzhen Capxon Electronic Co., Ltd., was wholly owned by an employee of the Group and under the significant influence of Lin Chin Tsun, a director of the Company.

(ii) Two directors of Fung Yue Technology Limited are directors of the Company.

(iii) A director of Ele Con Co., Ltd. is also a director of the Company.

(iv) Hill Source Electronic (Shenzhen) Co. Ltd. is under the significant influence of Lin Chin Tsun, a director of the Company.

(v) Chou Chiu Yueh is a director of the Company.

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

Except for the one-month unsecured loan from Lin I Chu which carried interest at 4.04% per annum and which expired on 3 January 2009, the balances due from and to related parties at 30 June 2009 and 31 December 2008 were interest-free, unsecured and had no fixed repayment terms.

16. RELATED PARTY DISCLOSURES *(continued)*

(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 2009	31 December 2008
	RMB'000	*RMB'000*
Guarantees provided by:		
Lin Chin Tsun	**142,000**	39,643
Lin Chin Tsun, Chou Chiu Yueh	**28,331**	70,412
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun, Lin I Chu	**31,992**	30,000
Lin Chin Tsun, Lin Yuan Yu	**103,510**	6,194
Lin Yuan Yu	**–**	41,557
	305,833	187,806

The expiry dates of the above guarantees provided by the Company's directors vary between August 2009 to August 2012.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Short term employee benefits	**4,881**	5,293
Post-employment benefits	**181**	102
Share-based payments	**745**	1,198
	5,807	6,593

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

OTHER INFORMATION

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

As at 30 June 2009, 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 interests	Number of issued shares held (a) and approximate percentage of shareholding (b)[1]		Interest in underlying shares[3]	Total interest (a) and approximate percentage of shareholding (b)[1]	
		(a)	(b)		(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		
Mr. TUNG Chin Chuan	Beneficial owner	3,386,000	0.40	–	3,386,000	0.40
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 issued shares (i.e. 844,559,841 shares) of the Company as at 30 June 2009.

(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 2009, 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 2009, 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 shareholder	Capacity and nature of interests	Number of issued shares held directly or indirectly	Approximate percentage of shareholding(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 issued shares (i.e. 844,559,841 shares) of the Company as at 30 June 2009.

(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 2009, 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. 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 respective dates 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 period commencing from 17 April 2007 and expiring on 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 2009 are as follows:

Name of Director/ chief executive	Date of grant	Exercise price per share	Number of options outstanding as at 1 January 2009 and 30 June 2009
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.

DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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 2009.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2009, 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 2009.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009 with the management of the Company and the Company's auditors, Deloitte Touche Tohmatsu, including the accounting principles and practices, internal controls and financial reporting matters.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 16 September 2009