Interim Report 2010

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

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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

Company Secretary

Ms. CHAN Yin Fung

Auditor

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 Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank
China Merchants Bank Co., Ltd.
Hua Nan Commercial Bank
Industrial and Commercial Bank of China
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

Head Office in Taiwan

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Sijhih City
Taipei County
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

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
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P.O. Box 705
Grand Cayman KY1-1107
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Branch Share Registrar and Transfer Office

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Website

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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. Relocating productions to Mainland China or other low production cost regions 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.

In the wake of the global financial tsunami and the industry's structural adjustments, the Group will continue its efforts in the following areas, amid the modest recovery of market sentiments in 2010 with the industry gradually regaining its fundamental momentum:

1. In terms of market expansion: leveraging on the advantages of the Group's upstream and downstream production chains, the Group offers a one-stop service to its customers to cater for their needs and strives to secure more orders by different means;

2. In terms of customer relations: apart from maintaining the relationship with existing customers, the Group actively explores new products and engages in joint development to meet the design needs of the customers' new products so as to secure more new orders.

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 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 continuous 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 fire resistant capacitors, low-voltage and long-life capacitors, high temperature, long-life and energy-saving lamp capacitors, high ripple current, lower resistance and screw-type capacitors and audio capacitors and has attained remarkable research and development results so far. While continuously focusing on cost reduction in business operation, the Group is also prepared to cope with the volatility 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, 31 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

A summary of the financial results of the Group for the six months ended 30 June 2010 (the "Period") is as follows:

- Revenue grew by approximately 50.99% to approximately RMB504,377,000.
- Gross profit increased by approximately 71.69% to approximately RMB103,403,000.
- Profit for the Period attributable to owners of the Company amounted to approximately RMB13,936,000 (for the six months ended 30 June 2009: loss of RMB9,974,000).

Upon a review of the financial results for the Period, the Group's revenue was approximately RMB504,377,000, representing an increase of approximately 50.99% over the same period last year. The increase was mainly attributable to the lower base figure resulting from the slowdown in market demand and supply experienced during the global financial crisis in the first half of year 2009, the gradual recovery of market sentiments in the last quarter of 2009, the strong market demand for passive components in 2010 and the growing imbalance between the demand and supply of aluminum electrolytic capacitors. The sales of aluminum electrolytic capacitors for the Period was approximately RMB365,207,000, representing an increase of approximately 43.95% over RMB253,712,000 in the same period last year. The sales of aluminum foils for the Period was approximately RMB139,170,000, representing an increase of approximately 73.27% over RMB80,321,000 in the same period last year. The Group's gross profit margin rose from approximately 18.03% for the corresponding period last year to approximately 20.50% for the Period. The improvement in the gross profit margin was mainly due to the Group's tightened internal control over the sales unit price and gross profit.

Business Review

- *Manufacture and sale of aluminum foils*

  During the Period, after satisfying internal production demand, external sales of aluminum foils amounted to approximately RMB139,170,000, representing an increase of approximately 73.27% over RMB80,321,000 during the same period last year. Its share of the Group's total external sales increased from approximately 24.05% for the same period last year to approximately 27.59% 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 technology for the production and processing of quality 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.

On 16 August 2010, the Group entered into a project investment agreement with the Administration Committee of East-River Industrial Park, Xining (State Level) Economic Technology Development Zone, Qinghai, the PRC in relation to the investment by the Group of RMB50,000,000 for the construction of production plants and ancillary infrastructure and the production lines and ancillary facilities for the operation of a total of 40 production lines with an aggregate annual production capacity of 6,500,000 square meters of aluminum foils located in East-River Industrial Park, Xining (State Level) Economic Technology Development Zone, Qinghai, the PRC. The said investment is expected to reduce the Group's overall production cost of aluminum foils.

- *Manufacture and sale of capacitors*

  External sales of aluminum electrolytic capacitors during the Period reached approximately RMB365,207,000, representing approximately 72.41% of the Group's total external sales during the Period and an increase of approximately 43.95% from the external sales of RMB253,712,000 during the same period last year.

At present, the Group's production technique for aluminum electrolytic capacitors 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, energy-saving, 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 and conductive polymers 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 become 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, investing activities and bank borrowings.

  During the Period, the Group had net cash inflow of approximately RMB34,246,000 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 RMB5,505,000, mainly accounted for by the profit before tax of approximately RMB16,434,000 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 inflows from investing activities were approximately RMB71,975,000, mainly accounted for by the cash inflow of approximately RMB13,675,000 from the Group's disposal of investment properties and the decrease of pledged bank deposits of approximately RMB79,998,000.

Net cash outflows from financing activities were approximately RMB43,234,000, mainly accounted for by the bank borrowings of approximately RMB448,701,000, repayment of bank loans of approximately RMB482,089,000 and payment of loan interest of approximately RMB15,732,000.

As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB105,708,000 (31 December 2009: RMB70,663,000), which were mainly denominated in Renminbi and US dollars.

- *Borrowings*

As at 30 June 2010, the Group had total bank borrowings of approximately RMB657,853,000 (31 December 2009: RMB692,492,000), 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 2010	31 December 2009
	RMB'000	*RMB'000*
Within one year or on demand	**624,622**	475,873
In the second year	**30,884**	201,674
In the third to fifth years (both years inclusive)	**2,347**	14,945
More than five years	**–**	–
	657,853	692,492

Charge on Assets

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

	30 June 2010 **RMB'000**	31 December 2009 RMB'000
Bank deposits	**129,757**	209,755
Trade receivable	**45,422**	–
Bills receivable	**2,536**	1,573
Investment properties	**–**	9,863
Prepaid lease payments	**30,255**	26,144
Property, plant and equipment	**364,885**	361,869
	572,855	609,204

Financial Ratios

As at 30 June 2010, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 49.92%, representing a decrease of approximately 1.90% as compared to 51.82% as at 31 December 2009. The decrease was mainly attributable to the increase in cash and cash equivalents of approximately RMB35,045,000.

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

	For the six months ended 30 June	
	2010	2009
Inventory turnover	**107 days**	151 days
Bills and accounts receivable turnover	**117 days**	137 days
Bills and accounts payable turnover	**63 days**	69 days

The Group's turnover days for inventory, bills and accounts receivable and bills and accounts payable were 44 days, 20 days and 6 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 2010, the Group had capital commitments contracted but not provided for amounting to approximately RMB10,162,000 (31 December 2009: RMB14,465,000).

Contingent Liabilities

During the year ended 31 December 2009, a customer filed a civil complaint in the People's Court of Baoan District in the PRC (the "Court") against a subsidiary of the Company, Capxon Electronic (Shenzhen) Co. Ltd. ("Capxon Shenzhen"), claiming product defect compensation of RMB29,144,000. Capxon Shenzhen placed a deposit of RMB7,000,000 with the Court in respect of such claim. The claim was rejected at first instance by the Court. In December 2009, the customer filed an appeal which was heard in May 2010 and the Court's decision for the hearing is pending. The directors of the Company, having sought legal advice, considered that the possibility of the outflow in settlement is not probable, accordingly, no provision for any potential liability has been made in the consolidated financial statements.

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 2010, the Group had approximately 3,804 employees. Salary, bonus and benefits are determined with reference to prevailing market terms and individual performance, qualification and experience.

Future Plans and Prospects

While the global environment gradually improves in 2010, the Group remains prudent in planning its future strategies under such optimistic sentiments:

1. *To continue to invest in research and development and improve production and manufacturing procedures*

   The Group's research and development division will continue its efforts to develop technology, to stay innovative and constantly upgrade product quality and improve production and manufacturing procedures in order to attain significant reduction in the overall production costs so as to remain competitive in the industry. Meanwhile in order to meet the needs of the Group's customers, before the launch of new products the Group will work simultaneously with its customers in the research and development of aluminum electrolytic capacitor products and the formulation of product specifications.

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 endeavor 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 electrolytic capacitors market, 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 has successfully launched in the prior period 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, and has readjusted the features specifications of the ultra-low resistance and long-life FH series in response to the Japanese line of capacitor products applications. Recent research and development achievements are as follows:

   – For small and long series electrolytic capacitors used in ultra-thin POWER, LED-TV, the development of 5K~10K hours products has been completed and some products have commenced mass production;

– Medium-to-high pressure products with a wide temperature range from -40˚C~150˚C have commenced trial runs;

– Ultra-low resistance with a temperature range from -40˚C~105˚C (125˚C) water series 8K~10K hours high frequency application products have commenced verification;

– 100V solid capacitor research and development; and

– 125˚C solid capacitor research and development.

In addition, in terms of sales, the Group will actively increase its marketing efforts in different parts of Taiwan and Japan in the hope of securing more market orders during the current brewing period amid the effect of order transfers so as to achieve promising results for the capacitors.

3. *To assess the current production scale and adjust the model for taking business orders*

In May 2010, the PRC government announced that the preferential tariff treatment provided to high energy consumption enterprises would be removed in order to achieve the energy conservation and emission reduction targets. The Group's aluminum business will be severely affected and the future production costs of aluminum anode foils will definitely increase. In view of that, the Group is carefully considering the existing production scale and facilities and is striving to strengthen its cost control in order to maintain the gross profit of the aluminum foils. With respect to the way orders are being taken, the Group will adjust its target to focus on mass procurement, mass production as well as raising profit margin of the orders with a view to maximizing the returns of our shareholders.

Save as set out above, the information discussed and analyzed by the management of the Company does not differ materially from that disclosed in the latest published annual report of the Company for 2009.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED
凱普松國際電子有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 33, which comprises the condensed consolidated statement of financial position of Capxon International Electronic Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 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 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
31 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** ***RMB'000*** **(unaudited)**	 2009 *RMB'000* (unaudited)
Revenue	*3*	**504,377**	334,033
Cost of sales		**(400,974)**	(273,807)
Gross profit		**103,403**	60,226
Other income		**7,016**	2,002
Selling and distribution costs		**(24,059)**	(11,619)
Administrative expenses		**(35,557)**	(32,455)
Other expenses		**(18,637)**	(13,389)
Finance costs		**(15,732)**	(15,328)
Profit (loss) before taxation	*4*	**16,434**	(10,563)
Taxation	*5*	**(1,887)**	784
Profit (loss) for the period		**14,547**	(9,779)
Other comprehensive income (expense)			
Exchange differences arising on translation		**1,464**	(1,095)
Total comprehensive income (expense) for the period		**16,011**	(10,874)
Profit (loss) for the period attributable to:			
Owners of the Company		**13,936**	(9,974)
Non-controlling interests		**611**	195
		14,547	(9,779)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**15,395**	(11,070)
Non-controlling interests		**616**	196
		16,011	(10,874)
Earnings (loss) per share			
– Basic *(RMB cents)*	*7*	**1.65**	(1.18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**659,297**	678,616
Investment properties	9	**–**	9,863
Prepaid lease payments		**29,544**	25,531
Intangible assets		**9,578**	10,562
Deferred tax assets		**1,084**	1,284
Pledged bank deposits		**4,500**	4,500
		704,003	730,356
CURRENT ASSETS			
Inventories		**249,489**	226,693
Prepaid lease payments		**711**	613
Trade and other receivables	10	**421,432**	358,505
Pledged bank deposits		**125,257**	205,255
Bank balances and cash		**105,708**	70,663
		902,597	861,729
CURRENT LIABILITIES			
Trade and other payables	11	**175,107**	151,058
Bank borrowings – due within one year	12	**624,622**	475,873
Amounts due to related parties	15	**14,791**	6,686
Tax payables		**2,909**	2,265
		817,429	635,882
NET CURRENT ASSETS		**85,168**	225,847
TOTAL ASSETS LESS CURRENT LIABILITIES		**789,171**	956,203

	Notes	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Bank borrowings – due over one year	*12*	**33,231**	216,619
Defined benefit obligations		**5,752**	5,763
		38,983	222,382
		750,188	733,821
CAPITAL AND RESERVES			
Share capital		**82,244**	82,244
Share premium and reserves		**658,258**	642,507
Equity attributable to owners of the Company		**740,502**	724,751
Non-controlling interests		**9,686**	9,070
		750,188	733,821

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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*	Attributable to non-controlling interests-share of net assets of subsidiaries *RMB'000*	Total equity *RMB'000*
At 1 January 2009 (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 differences 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 payment	–	–	–	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
Profit for the period	–	–	–	–	–	–	3,536	3,536	124	3,660
Exchange difference arising from translation of foreign operations	–	–	–	–	–	483	–	483	(40)	443
Total comprehensive income	–	–	–	–	–	483	3,536	4,019	84	4,103
Recognition of equity-settled share-based payments	–	–	–	626	–	–	–	626	–	626
Release upon forfeiture of vested share options	–	–	–	(354)	–	–	354	–	–	–
Appropriation	–	–	–	–	1,516	–	(1,516)	–	–	–

	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*	Attributable to non-controlling interests-share of net assets of subsidiaries *RMB'000*	Total equity *RMB'000*
At 31 December 2009 (audited)	82,244	436,626	(30,753)	6,015	70,924	22,380	137,315	724,751	9,070	733,821
Profit for the period	–	–	–	–	–	–	13,936	13,936	611	14,547
Exchange differences arising from translation of foreign operations	–	–	–	–	–	1,459	–	1,459	5	1,464
Total comprehensive income	–	–	–	–	–	1,459	13,936	15,395	616	16,011
Recognition of equity-settled share-based payments	–	–	–	356	–	–	–	356	–	356
Appropriation	–	–	–	–	1,402	–	(1,402)	–	–	–
At 30 June 2010 (unaudited)	**82,244**	**436,626**	**(30,753)**	**6,371**	**72,326**	**23,839**	**149,849**	**740,502**	**9,686**	**750,188**

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 in exchange 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 in the People's Republic of China (the "PRC"), certain subsidiaries of the Company which established in the PRC are required to make appropriation to the statutory reserve fund at 10% of their profit after tax based on their statutory financial statements. The statutory reserve fund may only be used, upon approval by the relevant authorities, to offset accumulated losses or to increase the capital of those subsidiaries.

   According to the laws and regulations of Taiwan, a subsidiary of the Company which incorporated in Taiwan is required to set aside 10% of its statutory net income each year for legal reserve, until the reserve balance has reached the paid-in share capital amount.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**5,505**	20,612
Net cash from (used in) investing activities		
Decrease (increase) in pledged deposits	**79,998**	(140,292)
Net proceeds from disposal of investment properties	**13,675**	–
Purchase of property, plant and equipment	**(21,649)**	(4,957)
Other investing cash flows	**(49)**	8,504
	71,975	(136,745)
Net cash (used in) from financing activities		
Bank borrowings raised	**448,701**	727,476
Repayment of bank borrowings	**(482,089)**	(466,680)
Interest paid	**(15,732)**	(15,328)
Other financing cash flows	**5,886**	–
	(43,234)	245,468
Net increase in cash and cash equivalents	**34,246**	129,335
Cash and cash equivalents at 1 January	**70,663**	56,090
Effect of foreign exchange rate changes	**799**	(1,277)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**105,708**	184,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months ended 30 June 2010

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 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee.

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

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations to which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As there was no transaction during the current interim period to which IFRS 3 (Revised) and IAS 27 (Revised) was applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendment to IAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters3
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the 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's operating segments, based on the information reported to the chief operating decision maker (i.e. the executive directors of the Company) for the purposes of resources allocation and performance assessment are as follows:

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

Information regarding the above segments is reported below.

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

For the six months ended 30 June 2010

	Capacitors	Aluminum foils	Segment total	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	**365,207**	**139,170**	**504,377**	**–**	**504,377**
Inter-segment sales	**–**	**150,214**	**150,214**	**(150,214)**	**–**
Segment sales	**365,207**	**289,384**	**654,591**	**(150,214)**	**504,377**
Segment profit	**19,347**	**17,516**	**36,863**	**(282)**	**36,581**
Interest income					**1,065**
Unallocated corporate expenses					**(5,480)**
Finance costs					**(15,732)**
Profit before taxation					**16,434**

3. REVENUE AND SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2009

	Capacitors	Aluminum foils	Segment total	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	253,712	80,321	334,033	–	334,033
Inter-segment sales	–	88,492	88,492	(88,492)	–
Segment sales	253,712	168,813	422,525	(88,492)	334,033
Segment profit	1,752	6,318	8,070	4,298	12,368
Interest income					112
Unallocated corporate expenses					(7,715)
Finance costs					(15,328)
Loss before taxation					(10,563)

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 chief decision makers for the purposes of resource allocation and performance assessment.

4. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**34,629**	33,765
Depreciation of investment properties	**32**	37
Amortisation of intangible assets (included in administrative expenses)	**970**	859
Amortisation of prepaid lease payments	**339**	306
Impairment loss on trade receivables (included in other expenses)	**3,976**	7,925
Net foreign exchange losses (included in other expenses)	**5,481**	2,022
Loss on disposal of property, plant and equipment	**2,691**	28
Gain on disposal of investment properties	**(4,104)**	–
Interest income	**(1,065)**	(112)

5. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
The charge (credit) represents:		
Current tax		
– Taiwan Corporate Income Tax	**602**	–
– PRC Enterprise Income Tax	**1,926**	–
	2,528	–
Overprovision in prior years		
– Taiwan Corporate Income Tax	**(841)**	(1,297)
Deferred tax		
– Attributable to a change in tax rate	**192**	–
– Current period	**8**	513
	200	513
	1,887	(784)

5. TAXATION *(continued)*

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

Corporate Income Tax in Taiwan is charged at 20% (six months ended 30 June 2009: 25%). The reduction of the Corporate Income Tax in Taiwan to 17% was approved on 15 June 2010. The new rate will be effective from 1 January 2011 onwards.

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 rates 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 did not recommend the payment of any interim dividend in respect of both periods.

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company for the six months ended 30 June 2010 is based on the profit for the period attributable to owners of the Company of approximately RMB13,936,000 (six months ended 30 June 2009: loss of RMB9,974,000) and on 844,559,841 ordinary shares in issue.

No diluted loss per share is presented for the six months ended 30 June 2010 and 2009 as the exercise price of the outstanding share options was higher than the average share price of the Company's shares.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment, including construction in progress of approximately RMB21,649,000 (six months ended 30 June 2009: RMB4,957,000) for the purposes of expanding the Group's business.

As at 31 December 2009, the Group did not obtain building ownership certificates for buildings located in Baotou City, Inner Mongolia Autonomous Region, the PRC, with a carrying value of approximately RMB32,619,000. The building ownership certificates were obtained for these buildings during the six months ended 30 June 2010.

9. MOVEMENTS IN INVESTMENT PROPERTIES

During the period, the Group disposed of its investment properties located in Taiwan with a carrying amount of approximately RMB9,571,000 for a cash consideration net of transaction costs of approximately NTD64,963,000 (equivalent to approximately RMB13,675,000), resulting in a gain on disposal of approximately RMB4,104,000.

10. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period of 30 days to 180 days.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
0 – 60 days	**185,386**	145,835
61 – 90 days	**69,550**	73,911
91 – 180 days	**75,261**	74,059
181 – 270 days	**11,773**	10,791
271 – 360 days	**1,039**	3,041
Over 360 days	**994**	2,981
	344,003	310,618

11. TRADE AND OTHER PAYABLES

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
0 – 60 days	**95,674**	58,649
61 – 90 days	**14,425**	21,083
91 – 180 days	**25,126**	30,968
181 – 270 days	**1,807**	1,907
271 – 360 days	**1,010**	801
Over 360 days	**12,446**	13,397
	150,488	126,805

12. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB448,701,000 (six months ended 30 June 2009: RMB727,476,000). The new borrowings are variable-rate borrowings with effective interest rates ranging from 1.8% to 5.84% per annum and are repayable within 1 to 2 years. The Group also repaid borrowings of approximately RMB482,089,000 (six months ended 30 June 2009: RMB466,680,000) during the period.

13. CAPITAL COMMITMENTS

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**10,162**	14,465

14. 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 2010	31 December 2009
	RMB'000	*RMB'000*
Property, plant and equipment	**364,885**	361,869
Investment properties	**–**	9,863
Prepaid lease payments	**30,255**	26,144
Bank deposits	**129,757**	209,755
Bills receivable	**2,536**	1,573
Trade receivable	**45,422**	–
	572,855	609,204

15. RELATED PARTY DISCLOSURES

(a) Related party transactions

Name of related parties	Nature of transaction	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Ele Con Co., Ltd. ("Ele Con") *(Note i)*	Purchase of raw materials	**5,014**	2,851
Hill Source Electron (Shenzhen) Co., Ltd. ("Hill Source") *(Note ii)*	Purchase of raw materials	**81**	–
Lin I Chu *(Note iii)*	Interest expense	**–**	27

Notes:

(i) It is owned as to 30% by Ms. Liu Fang Chun who is a non-executive director and a shareholder of the Company.

(ii) Mr. Lin Chin Tsun, an executive director and a shareholder of the Company, can exercise significant influence over Hill Source.

(iii) Ms. Lin I Chu is a non-executive director and a shareholder of the Company.

(b) Related party balances

Name of related party	Relationship	30 June 2010 RMB'000	31 December 2009 RMB'000
Amounts due to related parties			
Fung Yue Technology Limited ("Fung Yue")	*Note*	**3,630**	3,700
Ele Con	*Note 15(a)(i)*	**5,073**	2,784
Hill Source	*Note 15(a)(ii)*	**801**	197
Chou Chiu Yueh	Director and shareholder	**5**	5
Lin I Chu	Director and shareholder	**3,934**	–
Lin Yuan Yu	Director and shareholder	**1,348**	–
		14,791	6,686

15. RELATED PARTY DISCLOSURES *(continued)*

(b) Related party balances *(continued)*

Note: Fung Yue is wholly owned by Mr. Lin Chin Tsun, an executive director and a shareholder of the Company.

The balances due to related parties at 30 June 2010 and 31 December 2009 were interest-free and unsecured. Except for the amount due to Ms. Lin I Chu of approximately RMB3,934,000 which will be due on 24 May 2011, the balances of amounts due to related parties had no fixed repayment terms.

(c) Guarantees provided by related parties of the Group

Certain directors and shareholders of the Company have provided guarantees to banks to support facilities granted by those banks to the Group as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Guarantees provided by:		
Lin Chin Tsun	**173,117**	136,000
Lin Chin Tsun and Chou Chiu Yueh	**56,994**	48,080
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun and Lin I Chu	**33,000**	36,427
Lin Chin Tsun and Lin Yuan Yu	**66,388**	80,046
	329,499	300,553

The expiry dates of the above guarantees fall within the period from September 2011 to March 2015 (2009: March 2010 to March 2015).

In addition, Mr. Lin Yuan Yu, has pledged a property to a bank to support banking facilities of USD1,000,000 (equivalent to approximately RMB6,793,000) granted to the Group.

15. RELATED PARTY DISCLOSURES *(continued)*

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Short term employee benefits	**4,704**	4,881
Post-employment benefits	**114**	181
Share-based payments	**315**	745
	5,133	5,807

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

16. EVENTS AFTER THE END OF REPORTING PERIOD

On 16 August 2010, a wholly-owned subsidiary of the Company, Capxon Electronic Technology (Yichang Sanxia) Co., Ltd. ("Capxon (Yichang Sanxia)"), entered into an agreement with the Administration Committee of East-River Industrial Park, Xining (State Level) Economic Technology Development Zone, Qinghai, the PRC (the "East-River Industrial Park"), pursuant to which Capxon (Yichang Sanxia) shall make an investment of RMB50 million in East-River Industrial Park to undertake the proposed construction of production plants and ancillary infrastructure in Qinghai.

OTHER INFORMATION

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

As at 30 June 2010, 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[4]	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	46.73	1,900,000	397,475,621	47.06
	Interest of controlled corporation	374,585,006[3]		–		
	Interest of spouse	6,928,993		900,000		
Ms. LIN I Chu	Beneficial owner	9,429,777	45.47	900,000	384,914,783	45.58
	Interest of controlled corporation	374,585,006[3]		–		

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[4]	Total interest (a) and approximate percentage of shareholding (b)[1]	
		(a)	(b)		(a)	(b)
Ms. LIU Fang Chun	Beneficial owner	6,928,993	46.73	900,000	397,475,621	47.06
	Interest of spouse	387,746,628		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 2010.

(2) Value Management Holding Limited ("VMHL"), of which Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh are directors, owns 374,585,006 shares. Pursuant to the SFO, VMHL is deemed to be controlled by Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh who accordingly are taken to be interested in the 374,585,006 shares held by VMHL.

In accordance with the SFO, each of Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh is deemed to be interested in 20,775,777 shares held by Hung Yu Investment Co., Ltd., a company controlled by both of them.

(3) Each of Mr. Lin Yuan Yu and Ms. Lin I Chu is deemed to be interested in the 374,585,006 shares held by VMHL under the SFO.

(4) 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 tilted "Information on Pre-IPO Share Option Scheme and Share Option Scheme".

Save as disclosed above, as at 30 June 2010, 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 2010, 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	Approximate percentage of shareholding*
Value Management Holding Limited	Beneficial owner	374,585,006	44.35

* 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 2010.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 June 2010, 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 2010 are as follows:

Name of Director/ chief executive	**Date of grant**	**Exercise price per share**	**Number of options outstanding as at 1 January 2010 and 30 June 2010**
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	3,300,000
			13,400,000

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 2010 (six months ended 30 June 2009: 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 2010.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2010, 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 2010.

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 2010 (including the accounting principles and practices), internal controls and financial reporting matters with the management of the Company.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 31 August 2010