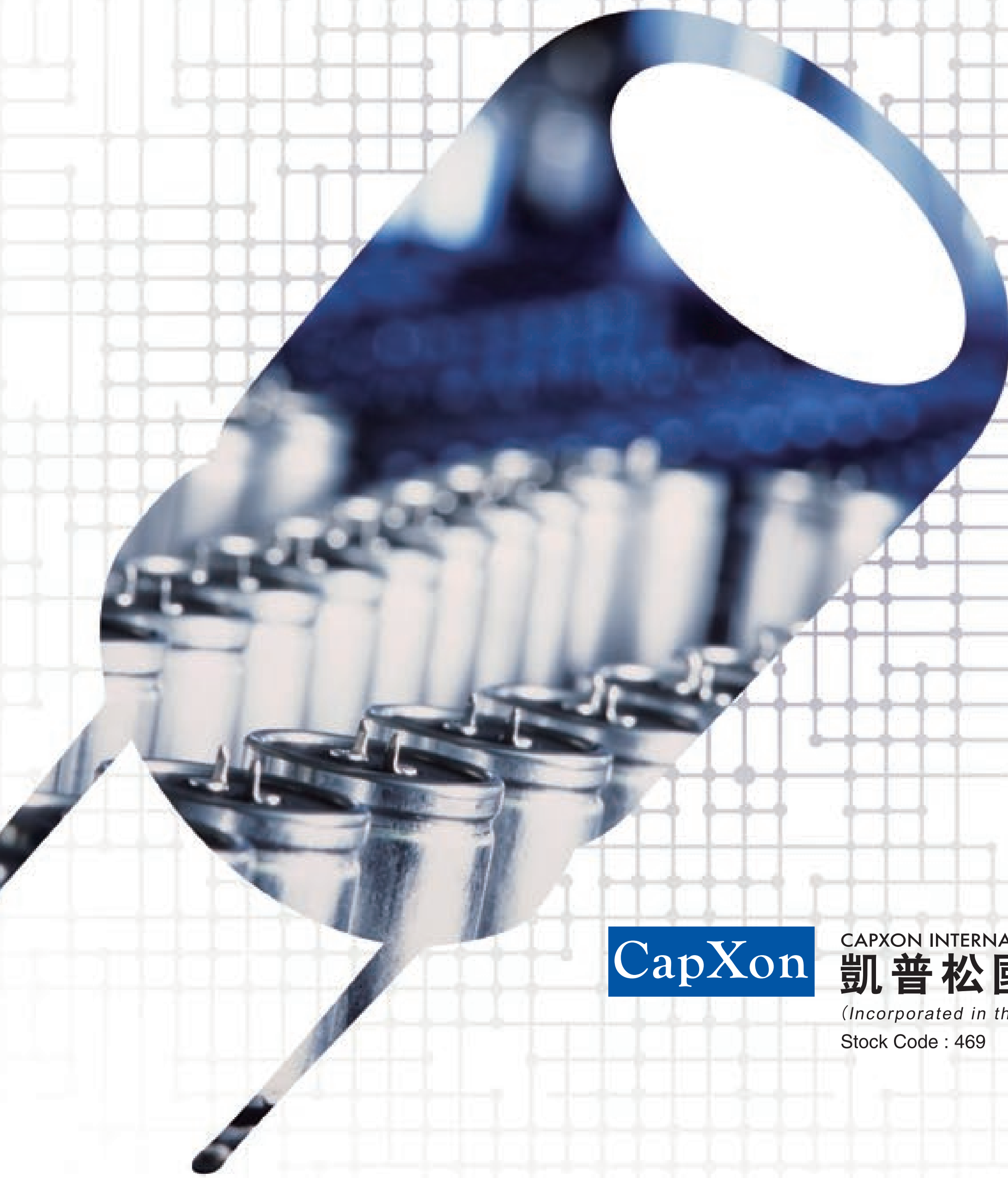
CAPXON ELECTRONIC TECHNOLOGY

Annual 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

Minter Ellison
15/F Hutchison House
10 Harcourt 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

Scotia Centre
4th Floor
P. O. Box 2804
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE IN TAIWAN

5th Floor
No. 165, Sec. 2, Datong Road
Xizhi District
New Taipei City 221
Taiwan
R.O.C.

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1702, 17th Floor
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No. 303 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
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183 Queen's Road East
Wanchai
Hong Kong

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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. Relocating production systems to Mainland China or other places with low costs of production 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 2010, with the efforts of the various governments, the global economy had gradually recovered from recession and was reviving steadily. Depending on the recovery momentum of various industries, the Group offered a one-stop service to its customers to cater for their needs and strived to secure more orders by different means fully capitalizing on the advantages of vertical integration of the upstream and downstream production chains in terms of market expansion. In terms of customer relations, apart from maintaining the relationship with existing customers, the Group actively explored new products and engaged in joint research & development to meet the design needs of the customers' new products so as to secure more new orders.

During the year, the strategic and operating results of the Group's two major products are as follows:

1. Operation of aluminum foil market

Capxon Electronic Technology (Yichang Sanxia) Co. Ltd., a subsidiary of the Company engaging in the production and sale of etched foils and formed foils, has performed well in recent years. Another subsidiary of the Company, Capxon Electronic Technology (Baotou) Co. Ltd., located in Baotou of Inner Mongolia, has expanded the production and sale of anode formed foils. In addition, part of the aluminum foil production had been relocated to Qinghai during the second half of 2010 taking into account of the power supply conditions. Currently, the Group not only fully satisfies the internal demand for anode foils but also has made gradual inroads in the massive market of Mainland China.

2. Operation of electrolytic capacitor market

- Production of SMD electrolytic capacitors in all sizes has been completed. In response to the recent surging demand from Mainland China, large-size SMD has become the major sales target.

- In view of the expanding consumption market of LED TV, NB and game players, the Company has stepped up the production of solid capacitors depending on its market demand and supply and actively marketed such to system and brand manufacturers to benefit the business expansion of the upstream and downstream OEM factories.

- Expansion of production of high-pressure and elongated LY and KY capacitors newly developed at the beginning of the year has been completed. For the Period, the marketing of LED TV and networking products has been actively expanded to the Taiwan market and Japan market.

- Due to the rapid expansion of the small-size charger market, the supply of high-pressure small electrolytic capacitors is insufficient to meet its demand. The Company has therefore actively introduced the fully-automated operating system to enhance productivity. Currently, the expansion of production lines has been completed and the production capacity is expected to increase significantly.

Looking forward, the Group's business objective is to gradually grow into a high quality anode foils manufacturer and supplier, while continuously enhancing its scale 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 make every endeavor to push ahead to become an international market supplier by combining the competitive edges of Mainland China, Hong Kong and Taiwan with a view to maximizing the investment returns for its shareholders as a whole.

LIN Chin Tsun
Chairman
Hong Kong, 25 March 2011

Management Discussion
and Analysis

FINANCIAL REVIEW

A summary of the financial results of the Group for the year ended 31 December 2010 (the "Year") is as follows:

- Revenue rose by approximately 34.93% to approximately RMB1,045,812,000.
- Gross profit increased by approximately 33.69% to approximately RMB201,815,000.
- Profit for the year attributable to owners of the Company amounted to approximately RMB18,060,000 (2009: loss of approximately RMB6,438,000).

During the Year under review, the Group's revenue was approximately RMB1,045,812,000, representing an increase of approximately 34.93% over the same period last year. The increase was mainly attributable to the lower base figure due to slowdown in market demand and supply experienced during the global financial crisis during the first half of 2009, and the widening gap between demand and supply of aluminum electrolytic capacitors driven by strong demand for passive components in 2010 as the economy began to pick up since the fourth quarter of 2009. The sales of aluminum electrolytic capacitors for the Year was approximately RMB758,413,000, representing an increase of approximately 33.87% over RMB566,526,000 of the same period last year and the sales of aluminum foils for the Year was approximately RMB287,399,000, representing an increase of approximately 37.82% over RMB208,527,000 of the same period last year. In addition, the Group's gross profit margin was approximately 19.30% for the Year, which was substantially the same as compared to approximately 19.48% for the corresponding period last year.

BUSINESS REVIEW

Manufacturing and sale of aluminum foils

During the Year, after satisfying internal production demand, external sales of aluminum foils amounted to approximately RMB287,399,000, representing an increase of approximately 37.82% over RMB208,527,000 of last year. Its share of the Group's total external sales increased from approximately 26.90% in the previous year to approximately 27.48% for the Year.

Manufacturing and sale of high quality anode foils is one of the major businesses of the Group. Currently, the Group has successfully introduced the production lines of Baotou factory for its high-voltage anode foils. At the same time, the Group has made breakthroughs in the research and development of the high-voltage anode foils in terms of physical properties such as specific capacitance, voltage resistance and malleability and ductility. In maintaining the standard of quality, the Group can minimize wear and tear and therefore enhance 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 capacitor manufacturers so as to enhance the Group's revenue and gross profits. In view of the demand for green production, the Group is gaining market share for its high quality anode foils and has become one of the major suppliers of raw materials for aluminum foils in the electrolytic capacitor industry.

Manufacturing and sale of capacitors

External sales of aluminum electrolytic capacitors during the Year reached approximately RMB758,413,000, representing approximately 72.52% of the Group's total external sales during the Year and a decrease of approximately 0.58% as compared to 73.10% of the Group's total external sales in the previous 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, energy-saving and heat and high voltage tolerance properties. A number of the Group's major products are equipped with these features, such as the SMD electrolytic capacitors, the conductive polymers and the products that have been recently introduced into the market after research and development featuring the flame retardant and safety vent construction design. In addition, the Group has also developed related 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 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 and all environmental regulations such as Substances of Very High Concern ("SVHC") and halogen free requirements, 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 Year, the Group obtained its cash resources from operating activities and investing activities.

During the Year, the Group had net cash inflows before foreign exchange adjustment of approximately RMB62,689,000 from operating, investing and financing activities, the details of which are set out below:

Net cash inflows from operating activities were approximately RMB76,671,000, mainly accounted for by the profit before taxation of approximately RMB27,142,000 for the Year together with the flow of funds as a result of the adjustments to finance costs and depreciation, movements in inventory, accounts receivable and accounts payable as well as various adjustments.

Net cash inflows from investing activities were approximately RMB66,928,000, mainly accounted for by the cash inflows from the proceeds on disposal of investment properties of the Group of approximately RMB13,675,000 and the decrease in pledged bank deposits of approximately RMB100,438,000, as well as by the cash outflows for the acquisition of machinery and equipment of approximately RMB43,982,000.

Net cash outflows from financing activities were approximately RMB80,910,000, mainly accounted for by the bank borrowings of approximately RMB730,913,000, repayment of bank loans of approximately RMB792,515,000 and payment of loan interest of approximately RMB32,011,000.

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB133,546,000 (31 December 2009: RMB70,663,000), which were mainly denominated in Renminbi and US dollars.

Borrowings

As at 31 December 2010, the Group had total bank borrowings of approximately RMB632,196,000 (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:

	31 December 2010	31 December 2009
	RMB'000	RMB'000
Within one year	**629,179**	475,873
In the second year	**956**	201,674
In the third to fifth year, inclusive	**2,061**	14,945
	632,196	692,492

Included in the above bank borrowings due within one year are bank loans with carrying amounts of approximately RMB34,322,000 (31 December 2009: Nil) that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause.

CHARGE ON ASSETS

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

	31 December 2010	31 December 2009
	RMB'000	RMB'000
Bank deposits	**109,317**	209,755
Bills receivable	**2,440**	1,573
Investment properties	**–**	9,863
Prepaid lease payments	**29,900**	26,144
Property, plant and equipment	**331,684**	361,869
	473,341	609,204

FINANCIAL RATIOS

As at 31 December 2010, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 48.41%, representing a decrease of approximately 3.41% as compared to 51.82% as at 31 December 2009. The decrease was mainly attributable to the decrease in the Group's bank borrowings of approximately RMB60,296,000 and the increase in cash and cash equivalents of approximately RMB62,883,000 respectively.

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

	For the year ended 31 December	
	2010	2009
Inventory turnover	**101 days**	133 days
Trade and bills receivable turnover	**115 days**	132 days
Trade and bills payable turnover	**60 days**	61 days

The Group's turnover days for inventory, trade and bills receivable and trade and bills payable were 32 days, 17 days and 1 day shorter than those in the previous year. The Group will continue to improve the management of its inventories, trade receivable and trade payable in order to better utilize the available funds.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitments contracted but not provided for and capital commitments authorised but not contracted for amounting to approximately RMB19,125,000 and RMB13,049,000 respectively (31 December 2009: RMB14,465,000 and nil respectively).

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 People's Republic of China ("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 to the Court in respect of such claim. The claim was rejected at first instance by the Court. The customer filed an appeal which is still under the process of hearing up to the date of this report. The directors of the Company, having sought legal advice, considered that the possibility of the outflow of resources relating to 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.

DISCLOSEABLE TRANSACTIONS

On 8 June 2010, Capxon Electronic Industrial Company Limited ("Capxon Taiwan"), a subsidiary of the Company, entered into the deed for the sale and purchase of immovable property with the purchaser pursuant to which Capxon Taiwan agrees to sell and the purchaser agrees to purchase certain properties located in Taiwan for NT$66,300,000 (equivalent to approximately RMB13,963,000). The said disposal resulted in a gain on disposal of approximately RMB4,104,000 for the Year.

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.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 3,111 employees. Salary, bonus and benefits are determined with reference to prevailing market terms and individual performance, qualification and experience.

FUTURE PLANS AND PROSPECTS

In 2011, the global economy is expected to grow steadily. The Group prudently plans its strategies for the future under such optimistic environment:

1. To continue its R&D of cost-saving measures, improve the planning of the assembling and production facilities for aluminum foils and capacitors in order to attain stable production

The Group's research and development division will strive to be innovative and continue its efforts to develop technology, constantly upgrade quality and reduce the overall production costs in order to maintain competitiveness in the industry. Meanwhile, in order to meet the needs of the customers, the Group will engage in the development of aluminum electrolytic capacitors products and formulation of specifications simultaneously with the launch of new products.

2. To develop new sales channels for anode foils

In view of the rising costs of raw materials and insufficient supply of aluminum worldwide, high quality anode foil manufacturers that possess their own aluminum foil production facilities and obtain stable supply of raw materials are much wanted by various electrolytic capacitor customers. Leverage on its comprehensive production technique for anode foils and abundant production capacity, the Group's strategy is to expand the sale of electrolytic capacitors to Japanese and Korean manufacturers in addition to the Taiwanese and PRC manufacturers who are currently their major customers with a view to enhancing market share and maximizing the profitability of aluminum foils.

3. Market of new electrolytic capacitor products

Operation of electrolytic capacitor market: Production of SMD electrolytic capacitors in all sizes has been completed. In response to the recent surging demand from Mainland China, large-size SMD has become the major sales target.

In view of the expanding consumption market of LED TV, NB and game players, the Group has stepped up the production of solid capacitors and actively marketed such to system and brand manufacturers to benefit the business expansion of the upstream and downstream OEM factories.

Expansion of production of high-pressure and elongated LY and KY capacitors has been completed. For the Period, the marketing of LED TV and networking products has been actively expanded to the Taiwan market and Japan market.

Due to the rapid expansion of the small-size charger market, the supply of high-pressure small electrolytic capacitors is insufficient to meet its demand. The expansion of production lines, which utilize fully-automated operating system to enhance productivity, has been completed and the production capacity has increased significantly compared with the past.

4. To expand existing production scale and adjust the mode of accepting business orders

The Group will expand the existing production scale depending on market demand and supply. Apart from integrating with the existing and old equipment, the Group will also develop new machineries and re-allocated production line capacity to achieve the objective of management and control as planned. As to the mode of accepting business orders, the Group will mainly target at bulk orders from loyal customers and high margin products with a view to delivering returns to the shareholders in the new year.

Directors and
Senior Management Profiles

DIRECTORS

Executive Directors

Mr. LIN Chin Tsun (林金村), aged 62, is the chairman and president of the Group and is responsible for the strategic planning and major decision-making of the Group. Mr. Lin is also a director of various subsidiaries of the Company. Mr. Lin is the spouse of Ms. Chou Chiu Yueh, father of Mr. Lin Yuan Yu and Ms. Lin I Chu, and father-in-law of Ms. Liu Fang Chun. Mr. Lin established Capxon Electronic Industrial Company Limited ("Capxon Taiwan"), a subsidiary of the Company, in June 1980 and has been the chairman since then. Mr. Lin possesses extensive technical and management experience in the aluminum electrolytic capacitors industry and was appointed as an executive director of the Company on 15 April 2007.

Ms. CHOU Chiu Yueh (周秋月), aged 58, is an executive director of the Company and the vice-president of the Group and is responsible for the management, strategic planning and major decision making of Capxon Taiwan. Ms. Chou is also a director of various subsidiaries of the Company. Ms. Chou is the spouse of Mr. Lin Chin Tsun. She joined Capxon Taiwan in June 1980 and has been the executive director of Capxon Taiwan since then. Ms. Chou was appointed as an executive director of the Company on 15 April 2007.

Mr. LIN Yuan Yu (林元瑜), aged 34, is an executive director of the Company and chief executive officer of the Group and is responsible for the overall management and strategic planning of the Group's anode foils business. Mr. Lin is also a director of various subsidiaries of the Company. Mr. Lin Yuan Yu is the son of Mr. Lin Chin Tsun. He obtained a bachelor's degree in chemical engineering from the National Taiwan University (國立台灣大學) in 1999 and joined Capxon Taiwan as an engineer in May 2001. Mr. Lin joined Capxon Electronic Technology (Yichang Sanxia) Co. Ltd. ("Capxon Yichang"), a subsidiary of the Company, in April 2003 and has been the chairman of Capxon Yichang since then. Mr. Lin was appointed as an executive director of the Company on 15 April 2007.

Non-executive Directors

Ms. LIN I Chu (林薏竹), aged 31, is a non-executive director of the Company and is a director of various subsidiaries of the Company. Ms. Lin is the daughter of Mr. Lin Chin Tsun. She obtained a bachelor's degree in international trading from Soochow University (東吳大學) and a master's degree in business administration from Meiji University (日本明治大學) in Japan. She joined the Group in April 2006 as the Japanese operations executive and has been promoted as the head of the sales department of the Company's subsidiary Capxon Electronic (Shenzhen) Company Limited ("Capxon Shenzhen") in January 2009. Ms. Lin was appointed as a non-executive director of the Company on 15 April 2007.

Ms. LIU Fang Chun (劉芳均), aged 31, is a non-executive director of the Company. Ms. Liu is the spouse of Mr. Lin Yuan Yu. Ms. Liu graduated from the National Taipei Teachers College (國立台北師範學院). She joined the Group in July 2005 as the chairman's assistant at Capxon Yichang. She was appointed as a non-executive director of the Company on 15 April 2007.

Directors and
Senior Management Profiles

Independent Non-executive Directors

Mr. LAI Chung Ching (賴崇慶), aged 75, obtained his bachelor's degree in accounting from the National Taipei University (國立台北大學) (formerly known as National Chung Hsing University (國立中興大學)) and has extensive experience in accounting, auditing, taxation, finance and corporate governance. Since 1967, Mr. Lai has been the member of the executive committee of the Taipei CPA Association (台北市會計師公會). From 1977 to 1980, he was the vice-president and in 1983, Mr. Lai was elected as the president of the Taipei CPA Association (台北市會計師公會) and the president of the National Federal CPA Association (中華民國會計師公會全國聯合會) in 1991 and was awarded an outstanding alumnus corporate management award by National Taipei University. In addition, Mr. Lai was awarded the Golden Peak Award of Outstanding Corporation Leaders in R.O.C. (傑出企業領導人金峰獎) in 2001. In 2002, he was appointed as the chairman of the Education Foundation of Deloitte Touche Tohmatsu (財團法人台北市眾信教育基金會). Mr. Lai is currently the chairman of 科園育樂事業股份有限公司. Mr. Lai was appointed as an independent non-executive director of the Company on 15 April 2007.

Mr. LU Hong Te (呂鴻德), aged 50, obtained his doctorate degree in business from the National Taiwan University (國立台灣大學) and is currently the professor of Chung Yuan Christian University. He was appointed as Secretary General of the Chinese Society for Training and Development (中華民國訓練協會) in 1990; as consultant of Taiwan Institute of Economic Research (台灣經濟研究院) and Taiwan Entrepreneurs Society Taipei/Toronto (多倫多台商會) respectively in 2001; as expert consultant of Chinese Association for Industrial Technology Advancement (中華民國產業科技發展協進會) in 2003; as member of the appraisal committee of the Chinese Management Association (社團法人中華民國管理科學學會) in 2003 and as consultant of the China Trading Committee (大陸經貿委員會) of the Taiwan Electrical and Electronic Manufacturers Association (台灣區電機電子工業同業公會) in 2004. In addition, Mr. Lu is an independent director of four companies including Everlight Chemical Industrial Corporation (1711) (台灣永光化學工業股份有限公司), AIPTEK International Inc. (6225) (天瀚科技股份有限公司), Firich Enterprise Co., Ltd. (8076) (伍豐科技股份有限公司) and Lanner Electronics Inc. (6245) (立端科技股份有限公司), all of which are listed in Taiwan; Mr. Lu is also currently an independent non-executive director of ANTA Sports Products Limited (2020), China Lilang Limited (1234) and China SCE Property Holdings Limited (1966), all of whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lu was an independent non-executive director of China Green (Holdings) Limited (904), which is listed on the Stock Exchange, from November 2008 to March 2009. Mr. Lu was appointed as an independent non-executive director of the Company on 15 April 2007.

Mr. TUNG Chin Chuan (董清銓), aged 58, obtained his bachelor's degree in electrical engineering from the National Taiwan University (國立台灣大學) and his master's degree in business administration from the National Chiao Tung University (國立交通大學). Mr. Tung was the manager of Hewlett-Packard Development Company, L.P. (惠普科技股份有限公司), and was also the vice-general manager and a supervisor of Behavior Tech Computer Corporation (英群企業股份有限公司). He was once the general manager and director of Walton Chaintech Corporation (華東承啟科技股份有限公司), as well as the general manager and consultant of Premier Capital Management Corporation (首席財務管理顧問股份有限公司). In addition, Mr. Tung is an independent director of Tai Tien Electronics Co., Ltd. (泰藝電子股份有限公司), and is a supervisor of Ruby Tech Corporation (德勝科技股份有限公司). Mr. Tung was appointed as an independent non-executive director of the Company on 15 April 2007.

Directors and
Senior Management Profiles

SENIOR MANAGEMENT

Ms. LEE Feng Mei (李鳳美), aged 38, is the chief of Capxon Taiwan's overall operations. Ms. Lee obtained her international business degree from the Chungyu Institute of Technology (崇佑技術學院) and joined Capxon Taiwan in September 1992 as an operations engineer and was appointed as the head of the sales department in June 2002.

Ms. HU Szu Jung, Carol (胡思蓉), aged 50, is the chief financial officer of the Group and the chief of Capxon Taiwan's finance operations. Ms. Hu obtained her bachelor's degree in corporate management from the Private Chinese Culture University (中國文化大學). She worked at Soyo Computer Inc. (梅捷企業股份有限公司) as the assistant vice president of the administration department from 1991 to 2001 and joined Capxon Taiwan in July 2003. She is principally responsible for the financial advisory and overall financial operations of Capxon Taiwan.

Mr. LU Yen Chen, Denson (呂晏丞), aged 41, is the chief of Capxon Taiwan's research and development. Mr. Lu obtained his bachelor's degree in chemical engineering from the National Chung Hsing University (國立中興大學). He joined Capxon Taiwan in July 2000 and is responsible for the research and development of Capxon Taiwan.

Mr. LIN Jen Te, Matt (林仁德), aged 42, is the chief of the finance operations of the Capxon Shenzhen. Mr. Lin obtained his bachelor's degree in accounting at Shih Chien University (實踐大學). Prior to joining the Group, Mr. Lin was the vice president of Sunrise CPA Limited (日正聯合會計師事務所). He joined Capxon Shenzhen in November 2002 and is responsible for the overall financial operations of Capxon Shenzhen.

Mr. LONG Chung Hsin, Andrew (龍中興), aged 52, is the chief of Capxon Yichang's finance operations. Mr. Long obtained his bachelor's degree in accounting at Fu Jen Catholic University (輔仁大學). Prior to joining the Group, Mr. Long was the vice president of 深圳市聯動技術科技有限公司 and the financial controller of Shanghai Metersbonwe Fashion & Accessories Co., Ltd. He joined, left and rejoined Capxon Yichang in August 2005, August 2007 and January 2009 respectively, and is responsible for the operations of Capxon Yichang.

Ms. CHAN Yin Fung (陳燕鳳), aged 39, is the financial controller and company secretary of the Company. Ms. Chan holds a master's degree in corporate governance and a bachelor's degree in business administration majoring in accounting. Ms. Chan is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She has extensive experience in the field of accounting, auditing, finance and corporate compliance. She joined the Group in July 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company treasure the confidence and trust of the shareholders of the Company in the ability and vision of the management team and have pledged to maintain an open and responsive attitude in shareholders' communications that are on a par with other leading corporations in the industry. The Board has been adamant in upholding best practice in corporate governance to ensure the timeliness, transparency and fairness of disclosure to maximize the Group's corporate values and will continue to enhance its disclosure practices to display an exemplary corporate governance practice.

It is the Board's belief that a sound corporate governance system has been and will remain as an instrumental element to the healthy growth of the Group.

Compliance with the CG Code

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") and the rules on the Corporate Governance Report (the "CG Rules") as set out respectively in Appendices 14 and 23 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2010.

The following outlines how the Company has adopted and complied with the CG Code and the CG Rules to achieve good corporate governance.

A. DIRECTORS' SECURITIES TRANSACTIONS

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

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31 December 2010.

B. BOARD OF DIRECTORS

The Board comprises three executive directors who are the Chairman and President, Vice-President and Chief Executive Officer respectively, two non-executive directors and three independent non-executive directors. One of the independent non-executive directors possesses appropriate accounting and related financial management expertise as required by the Listing Rules. The following sets out the composition of the Board, by category 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

The Board, led by the Chairman, sets the overall directions, strategies and policies of the Group. The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. The executive directors have extensive management experience in the aluminum electrolytic capacitor and aluminum foil manufacturing industry. The Board has the required knowledge, experience and capabilities to operate and develop the Group's business and implement its business strategies. The biographical details and experience of the directors and senior management are set out on pages 12 to 14.

Each director has a duty to act in good faith and in the best interests of the Company. The directors, individually and collectively, are aware of their responsibilities and accountability to shareholders for the manner in which the affairs of the Company are managed and operated.

Directors can attend Board meetings either in person or by electronic means of communication. Four Board meetings were held during the year ended 31 December 2010. Details of attendance of Board meetings of each of the members of the Board are set out in "Attendance of Individual Directors at Meetings" below.

Directors have timely access to relevant information prior to each Board meeting to enable them to make an informed decision and to discharge their duties and responsibilities.

Apart from the family relationships among the members of the Board as set out below, there are no other financial, business, family or other material/relevant relationships among members of the Board:

- Ms. Chou Chiu Yueh *(Vice-President)* is the spouse of Mr. Lin Chin Tsun *(Chairman and President)*;

- Mr. Lin Yuan Yu *(Chief Executive Officer)* is the son of Mr. Lin Chin Tsun *(Chairman and President)* and Ms. Chou Chiu Yueh *(Vice-President)*;

- Ms. Liu Fang Chun *(non-executive director)* is the spouse of Mr. Lin Yuan Yu *(Chief Executive Officer)*; and

- Ms. Lin I Chu *(non-executive director)* is the daughter of Mr. Lin Chin Tsun *(Chairman and President)* and Ms. Chou Chiu Yueh *(Vice-President)*.

Under the leadership of the Chief Executive Officer, the management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Group. The Board delegates appropriate aspects of its management and administration functions to the management who shall report to the Board. The Board reviews on a periodic basis such delegations to ensure that they remain appropriate.

Chairman and Chief Executive Officer

The role of the Chairman is separate from that of the Chief Executive Officer so as to delineate their respective areas of responsibility. They receive significant support from the directors and the senior management team.

The Chairman is responsible for the strategic planning and major decision-making of the Group as well as for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The Chief Executive Officer is responsible for the overall management and strategic planning of the Group's anode foils business.

Non-Executive Directors

The independent non-executive directors of the Company have diversified backgrounds and experience in different industries, and one of them has an appropriate accounting qualification as required by the Listing Rules. With their expertise, they offer experience, independent judgement and advice on the overall management of the Group. Their responsibilities include maintaining a balance between the interests of all shareholders of the Company as a whole. They are also members of the audit and remuneration committees.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and considers them to be independent.

The term of appointment of all the non-executive directors of the Company is three years. Under the Company's Articles of Association, one-third of all directors (whether executive or non-executive) is subject to retirement by rotation and re-election at each annual general meeting provided that every director shall be subject to retirement at least once every three years.

C. REMUNERATION OF DIRECTORS

The Board established the remuneration committee on 15 April 2007 with specific written terms of reference which deal clearly with its authority and responsibilities. The committee is responsible for formulating and reviewing the remuneration policy and specific remuneration packages of all executive directors of the Company and senior management. In formulating the remuneration policy, the committee takes into consideration factors such as salaries paid by comparable companies, employment conditions and responsibilities, and individual performance of the directors and senior management. The committee can seek independent professional advice to complement its own resources to discharge its duties.

The remuneration committee comprises Mr. Lin Chin Tsun, who is the chairman of the committee, Ms. Chou Chiu Yueh, an executive director, and all the independent non-executive directors.

During the year ended 31 December 2010, three meetings were held by the remuneration committee to discuss remuneration related matters including approval of the directors' service agreements/appointment letters and the bonus payments for the directors and senior management. Details of attendance of remuneration committee meetings of each of the members of the remuneration committee are set out in "Attendance of Individual Directors at Meetings" below.

Details of the emoluments and options of each director, on a named basis, are set out in note 12 to the consolidated financial statements and in the section headed "Share Options" in the directors' report respectively.

D. AUDIT COMMITTEE

The Board established the audit committee pursuant to a resolution of the Directors passed on 15 April 2007 with specific written terms of reference which deal clearly with its authority and responsibilities. The committee is primarily responsible for reviewing the financial reporting process and internal control procedures of the Group. The committee is also responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and considering any questions of resignation or dismissal of such auditors. The committee can seek independent professional advice to complement its own resources to discharge its duties.

The committee comprises all the independent non-executive directors. Mr. Lai Chung Ching is the chairman of the committee.

Three meetings were held by the audit committee during the year ended 31 December 2010. The committee reviewed, together with the management and the external auditors, the consolidated financial statements for the year ended 31 December 2009 and for the six months ended 30 June 2010, the accounting principles and practices adopted by the Group and statutory compliance. In addition to reviewing the Group's internal control system, the committee also reviewed the independence of the external auditors and approved the remuneration and terms of engagement of the external auditors. Details of attendance of audit committee meetings of each of the members of the audit committee are set out in "Attendance of Individual Directors at Meetings" below.

E. NOMINATION OF DIRECTORS

The Company does not have a nomination committee. Currently all new appointments and re-appointments to the Board are considered by the Board whose deliberations are based on the following criteria:

- independent mind and has integrity;
- possession of core competencies, including but not limited to financial literacy, that meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;
- ability to commit time and effort to carry out duties and responsibilities effectively; and
- possession of a good track record of experience at a senior level in corporations/organizations.

F. AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu, the external auditor of the Company, were responsible for providing services in connection with the review of the Group's financial statements for the six months ended 30 June 2010 and the audit of the financial statements of the Group for the year ended 31 December 2010.

For the year ended 31 December 2010, the total remuneration in respect of review and audit services provided by Deloitte Touche Tohmatsu for the Group amounted to approximately RMB1,220,000 and in respect of non-audit services provided by Deloitte Touche Tohmatsu amounted to approximately RMB21,000.

The audit committee recommended to the Board (which endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditor of the Company for 2011.

G. ATTENDANCE OF INDIVIDUAL DIRECTORS AT MEETINGS

The attendance of individual directors at meetings of the Board, the remuneration committee and the audit committee is set out in the table below:

	Meetings attended/Meetings held in 2010		
Name of director	**Board**	**Remuneration Committee**	**Audit Committee**
Mr. LIN Chin Tsun	4/4	3/3	N/A
Ms. CHOU Chiu Yueh	4/4	3/3	N/A
Mr. LIN Yuan Yu	3/4	N/A	N/A
Ms. LIN I Chu	4/4	N/A	N/A
Ms. LIU Fang Chun	1/4	N/A	N/A
Mr. LAI Chung Ching	4/4	3/3	3/3
Mr. LU Hong Te	3/4	2/3	2/3
Mr. TUNG Chin Chuan	4/4	3/3	3/3

H. FINANCIAL REPORTING

The Board aims at presenting a comprehensive, balanced and understandable assessment of the Group's performance, position and prospects. Management provides such explanation and information to enable the Board to make an informed assessment of the matters put before the Board for approval.

The directors acknowledge their responsibilities for preparing the financial statements of the Group.

The statement of the external auditor of the Company regarding their responsibilities for the financial statements of the Group is set out in the report of the auditor on pages 32 and 33.

Corporate Governance
Report

I. INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

During the year, the Board appointed an external consultant Grant Thornton Specialist Services Limited to conduct a review of the corporate governance and internal control system of the Group and the results of the corporate governance and internal control reviews were submitted to the audit committee for consideration after the year end. The audit committee has reviewed the results of the corporate governance and internal control reviews and is satisfied with the adequacy of the corporate governance and the system of internal control of the Group.

Directors' Report

The directors of the Company (the "Directors") are pleased to present their annual report together with the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Principal activities and particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

An analysis of the Group's sales and operating results for the year by principal activities is set out in note 7 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for less than 30% of the sales of the Group for the year.

The percentages of purchases for the year attributable to the Group's largest supplier and the Group's five largest suppliers were 21.25% and 55.43%, respectively.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) has a beneficial interest in the Group's five largest suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 34.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2010.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties during the year are set out in note 16 to the consolidated financial statements.

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long term borrowings are set out in note 25 to the consolidated financial statements.

PENSION SCHEMES

Details of the pension schemes are set out in note 27 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 37 and 38.

As at 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB427,408,000.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 93.

DIRECTORS

The Directors during the year and up to the date of this report were:

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

In accordance with Article no. 87 of the Company's Articles of Association, Mr. Lin Chin Tsun, Ms. Chou Chiu Yueh and Ms. Liu Fang Chun will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes of information of a Director are as follows:

Mr. Tung Chin Chuan resigned and appointed as supervisor of Behavior Tech Computer Corporation and Ruby Tech Corporation respectively. Both companies are listed in Taiwan.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received independence confirmation from each of the independent non-executive Directors and considers them to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" and in note 32 to the consolidated financial statements, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2010 and up to the date of this report, none of the Directors and their respective associates were interested in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Company and/or its subsidiaries.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDER

There was no contract of significance between the Company and/or its subsidiaries with the controlling shareholder and/or its subsidiaries subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the following connected transaction requires disclosure in the annual report of the Company. The connected transaction which also constitutes related party transactions is set out in note 32 to the consolidated financial statements.

Non-exempt continuing connected transaction subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement

Purchase of raw materials from Ele Con Co., Ltd. ("Ele Con")

Ele Con supplies cathode foils to the Group. On 30 December 2009, the Company (on behalf of the Group) and Ele Con (on behalf of the Ele Con Group) entered into a renewed purchase agreement pursuant to which the Group agreed to purchase cathode foils from the Ele Con Group (the "Ele Con Transaction") for a term of three years from 1 January 2010 to 31 December 2012.

Ele Con is owned as to 30% by Ms. Liu Fang Chun who is a non-executive Director and therefore, the Ele Con Transaction constitutes a continuing connected transaction of the Company under Chapter 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

The amount of purchase prices payable by the Group to Ele Con for supplying cathode foils to the Group shall be determined by the parties after arm's length negotiation and by reference to the market rate and therefore, shall be no less favourable than those obtainable from third parties.

Since 1 July 2010, Ele Con had ceased to supply cathode foils to the Group and the Ele Con Transaction had discontinued. Ele Con applied for deregistration from the register of the Hong Kong Companies Registry in September 2010 and was deregistered on 28 January 2011. For the year ended 31 December 2010, the total purchases of raw materials from Ele Con by the Group amounted to approximately RMB5,014,000 which have not exceeded the maximum aggregate annual amounts for the Ele Con Transaction in respect of the year ended 31 December 2010 as disclosed in the announcement of the Company dated 30 December 2009.

The independent non-executive Directors have reviewed the Ele Con Transaction and were of the opinion that the Ele Con Transaction had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and

(iii) in accordance with the terms of the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on pages 23 and 24 of the annual report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of all continuing connected transaction and connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

During the year, certain mechanisms were in place to ensure that the terms of the Group's existing and future connected transactions are in the best interests of the Company and the shareholders as a whole. Such mechanisms included review of the transactions entered into or proposed to be entered into between the Group and Ele Con and any related parties by the independent non-executive Directors, and all executive and non-executive Directors were not counted in the quorum and abstained from voting at the meetings at which resolutions on any connected transactions were decided.

SHARE OPTIONS

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 3 April 2007. No options have been granted under the Share Option Scheme since its adoption.

A summary of the Share Option Scheme is set below:

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to recognize and acknowledge the contributions of the participants to the Group by granting options to them as incentives or rewards.

2. *Participants of the Share Option Scheme*

(i) any executive and employee of the Group; or

(ii) any director (including non-executive directors and independent non-executive directors) of the Group; or

(iii) any consultant, adviser and/or agent of the Group.

3. *Total number of shares available for issue under the Share Option Scheme and % of issued share capital at 25 March 2011*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Group must not in aggregate exceed 84,455,984 shares (approximately 10% of the issued share capital of the Company).

4. *Maximum entitlement of each participant under the Share Option Scheme*

The maximum entitlement for each participant is that the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Share Option Scheme.

5. *The period within which the shares must be taken up under an option*

The period commencing from the date of grant and expiring at 5:00 p.m. on the business day (being a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day")) (i) preceding the fifth anniversary of the date of grant or (ii) preceding the expiry of the Share Option Scheme, whichever is the earlier.

6. *The minimum period for which an option must be held before it can be exercised*

No option may be exercised until the expiry of 12 months after the date of grant.

7. *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid*

Nil.

8. *The basis of determining the exercise price*

The exercise price is determined by the Board and shall at least be the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a Business Day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer.

Or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

9. *The remaining life of the Share Option Scheme*

The Share Option Scheme is valid and effective for a period of 10 years commencing on 3 April 2007 and will expire at 5:00 p.m. on the Business Day preceding the tenth anniversary thereof.

Pre-IPO Share Option Scheme

On 3 April 2007, the Company also approved and adopted a share option scheme entitling the Board to grant share options at its discretion before the listing of the shares (the "Pre-IPO Share Option Scheme"). A summary of the Pre-IPO Share Option Scheme is set out below:

1. *Purpose of the Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to recognize and acknowledge the contributions of the participants to the growth of the Group by granting options to them as incentives or rewards.

2. *Participants of the Pre-IPO Share Option Scheme*

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.

3. *Total number of shares available for issue under the Pre-IPO Share Option Scheme and % of issued shared capital at 25 March 2011*

15,500,000 shares being the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme and 14,900,000 of which have been granted (representing respectively 1.84% and 1.76% of the issued share capital of the Company).

4. *Maximum entitlement of each participant under the Pre-IPO Share Option Scheme*

There is no restriction on the number of shares of the Company issued and to be issued upon exercise of the options granted to each participant in any 12-month period.

5. *The period within which the shares must be taken up under an option*

The period commencing from the date of grant and ending on such date as determined by the Board but in any event not exceeding 5 years from the date of grant.

6. *The minimum period for which an option must be held before it can be exercised and the exercise price*

Pursuant to the terms of the Pre-IPO Share Option Scheme, no option may be exercised until the expiry of 12 months after the date of vesting.

(i) 20% of the options shall vest on each of the first and second anniversary of the date of grant at a price of HK$0.465 per share representing 50% of HK$0.93 being the price of the Company's shares offered under the Prospectus (the "Offer Price"); and

(ii) 60% of the options shall vest on the third anniversary of the date of grant at a price of HK$0.465 per share representing 50% of the Offer Price.

At the annual general meeting of the Company held on 5 June 2008, the shareholders of the Company approved an amendment to the terms of the outstanding options granted under the Pre-IPO Share Option Scheme such that the holders may exercise such options at any time during the option period from 17 April 2007 to 16 April 2012 after the respective dates of vesting.

7. *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid*

Nil.

8. *The remaining life of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme was valid and effective for the period commencing on 3 April 2007 and expired on the Business Day preceding the Listing Date.

Details of the share options granted on 17 April 2007 pursuant to the Pre-IPO Share Option Scheme which remained outstanding as at 31 December 2010 are as follows:

	Date of grant	**Exercise price per share**	**Number of options outstanding as at 1 January 2010 and 31 December 2010**
Employees	17 April 2007	HK$0.465	3,300,000
Directors			
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. LIU Fang Chun	17 April 2007	HK$0.465	900,000
Ms. LIN I Chu	17 April 2007	HK$0.465	900,000
Chief Financial Officer			
Ms. HU Szu Jung, Carol	17 April 2007	HK$0.465	900,000
			13,400,000

Notes:

1. Pursuant to the rules of the Pre-IPO Share Option Scheme, 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 (the "Second Tranche") at an exercise price of HK$0.465 per share, and 60% of the options shall vest on the third anniversary of the date of grant at an option price of HK$0.465 per share. The Board may at its absolute discretion adjust the number 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 Directors.

2. Following an amendment to the terms of the outstanding options granted under the Pre-IPO Share Option Scheme on 5 June 2008, options may be exercised by a participant, in whole or in part, at any time during the period commencing from 17 April 2007 to 16 April 2012 after the respective dates of vesting in accordance with note 1 above.

3. No option granted under the Pre-IPO Share Option Scheme was exercised, cancelled or lapsed during the year ended 31 December 2010.

4. 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.

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

As at 31 December 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 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]		–		
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 31 December 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 paragraph headed "Share Options" in this report.

Save as disclosed above, as at 31 December 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.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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.

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 31 December 2010, according to the register of interests kept by the Company under section 336 of the SFO, the following entity 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 31 December 2010.

Save as disclosed above, the Directors are not aware of any other persons who, as at 31 December 2010, had interests or short positions in the shares and underlying shares of the Company (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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is formulated by the remuneration committee which takes into account individual performance, qualifications and competence.

The remuneration packages of the Directors are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme to provide incentive to the directors and eligible employees of the Group, details of the said schemes are set out in the paragraph headed "Share Options" above.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Company's Articles of Association or in the Companies Law of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2010 (including the accounting principles and practices), internal controls and financial reporting matters with the management of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2010 the amount of public float as required under the Listing Rules.

AUDITOR

A resolution for the reappointment of Deloitte Touche Tohmatsu as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 25 March 2011

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Capxon International Electronic Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 92, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	7	**1,045,812**	775,053
Cost of sales		**(843,997)**	(624,094)
Gross profit		**201,815**	150,959
Other income	8a	**13,440**	6,470
Selling and distribution costs		**(48,598)**	(30,933)
Administrative expenses		**(70,269)**	(64,203)
Other expenses	8b	**(37,235)**	(33,770)
Finance costs	9	**(32,011)**	(32,105)
Profit (loss) before taxation		**27,142**	(3,582)
Taxation	10	**(8,369)**	(2,537)
Profit (loss) for the year	11	**18,773**	(6,119)
Other comprehensive expense			
Exchange differences arising on translation		**(513)**	(652)
Total comprehensive income (expense) for the year		**18,260**	(6,771)
Profit (loss) for the year attributable to:			
Owners of the Company		**18,060**	(6,438)
Non-controlling interests		**713**	319
		18,773	(6,119)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**17,680**	(7,051)
Non-controlling interests		**580**	280
		18,260	(6,771)
Earnings (loss) per share – Basic and diluted (RMB cents)	14	**2.14**	(0.76)

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**648,862**	678,616
Investment properties	16	**–**	9,863
Prepaid lease payments	17	**29,189**	25,531
Intangible assets	18	**10,959**	10,562
Deferred tax assets	19	**1,076**	1,284
Pledged bank deposits	20	**–**	4,500
		690,086	730,356
CURRENT ASSETS			
Inventories	21	**240,132**	226,693
Prepaid lease payments	17	**711**	613
Trade and other receivables	22	**421,181**	358,505
Pledged bank deposits	20	**109,317**	205,255
Bank balances and cash	23	**133,546**	70,663
		904,887	861,729
CURRENT LIABILITIES			
Trade and other payables	24	**181,827**	151,058
Bank borrowings – due within one year	25	**629,179**	475,873
Amounts due to related parties	26	**16,440**	6,686
Tax payables		**5,708**	2,265
		833,154	635,882
NET CURRENT ASSETS		**71,733**	225,847
TOTAL ASSETS LESS CURRENT LIABILITIES		**761,819**	956,203

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	25	**3,017**	216,619
Defined benefit obligations	27	**6,365**	5,763
		9,382	222,382
		752,437	733,821
CAPITAL AND RESERVES			
Share capital	28	**82,244**	82,244
Share premium and reserves		**660,543**	642,507
Equity attributable to owners of the Company		**742,787**	724,751
Non-controlling interests		**9,650**	9,070
		752,437	733,821

The consolidated financial statements on pages 34 to 92 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on its behalf by:

LIN Chin Tsun
DIRECTOR

CHOU Chiu Yueh
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000* *(Note i)*	Share option reserve *RMB'000*	Statutory reserve *RMB'000* *(Note ii)*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2009	82,244	436,626	(30,753)	4,891	68,814	22,993	145,509	730,324	8,790	739,114
(Loss) profit for the year	–	–	–	–	–	–	(6,438)	(6,438)	319	(6,119)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(613)	–	(613)	(39)	(652)
Total comprehensive (expense) income	–	–	–	–	–	(613)	(6,438)	(7,051)	280	(6,771)
Recognition of equity-settled share-based payments	–	–	–	1,478	–	–	–	1,478	–	1,478
Release upon forfeiture of vested share options	–	–	–	(354)	–	–	354	–	–	–
Appropriation	–	–	–	–	2,110	–	(2,110)	–	–	–
At 31 December 2009	82,244	436,626	(30,753)	6,015	70,924	22,380	137,315	724,751	9,070	733,821
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**18,060**	**18,060**	**713**	**18,773**
Exchange differences arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(380)**	**–**	**(380)**	**(133)**	**(513)**
Total comprehensive (expense) income	**–**	**–**	**–**	**–**	**–**	**(380)**	**18,060**	**17,680**	**580**	**18,260**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**356**	**–**	**–**	**–**	**356**	**–**	**356**
Appropriation	**–**	**–**	**–**	**–**	**8,302**	**–**	**(8,302)**	**–**	**–**	**–**
At 31 December 2010	**82,244**	**436,626**	**(30,753)**	**6,371**	**79,226**	**22,000**	**147,073**	**742,787**	**9,650**	**752,437**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

Notes:

(i) 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 (the "Stock Exchange").

(ii) 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit (loss) before taxation	**27,142**	(3,582)
Adjustments for:		
Amortisation of intangible assets	**1,920**	1,769
Amortisation of prepaid lease payments	**694**	613
Bank interest income	**(3,253)**	(2,601)
Depreciation of investment properties	**32**	75
Depreciation of property, plant and equipment	**70,012**	68,208
Finance costs	**32,011**	32,105
Gain on disposal of investment properties	**(4,104)**	–
Impairment loss on trade receivables	**3,398**	16,833
Impairment loss (reversal of impairment loss) on inventories	**11,679**	(2,415)
Loss on disposal of property, plant and equipment	**4,274**	998
Share-based payment expenses	**356**	1,478
Operating cash flows before movements in working capital	**144,161**	113,481
(Increase) decrease in inventories	**(25,118)**	3,121
Increase in trade and other receivables	**(66,074)**	(110,967)
Increase in trade and other payables	**30,769**	32,959
Decrease in amounts due to related parties	**(2,949)**	(4,943)
Increase in defined benefit obligations	**602**	337
Decrease in amounts due from related parties	**–**	167
Cash generated from operations	**81,391**	34,155
Income tax paid	**(4,720)**	(5,373)
NET CASH FROM OPERATING ACTIVITIES	**76,671**	28,782

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Release (place) of pledged bank deposits	**100,438**	(138,648)
Proceeds on disposal of investment properties	**13,675**	–
Interest received	**3,253**	2,601
Proceeds on disposal of property, plant and equipment	**224**	134
Purchase of property, plant and equipment	**(43,982)**	(33,201)
Prepaid lease payments paid	**(4,450)**	–
Additions to intangible assets	**(2,230)**	(1,124)
Receipt of government grant	**–**	10,049
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**66,928**	(160,189)
FINANCING ACTIVITIES		
New bank borrowings raised	**730,913**	988,070
Advance from (repayment to) related parties	**12,703**	(24,953)
Repayment of bank borrowings	**(792,515)**	(785,608)
Interest paid	**(32,011)**	(32,105)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(80,910)**	145,404
NET INCREASE IN CASH AND CASH EQUIVALENTS	**62,689**	13,997
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**194**	576
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**70,663**	56,090
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**133,546**	70,663

Notes to The Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange. Its ultimate controlling parties are Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company is an investment holding company. Particulars and principal activities of its subsidiaries are set out in Note 36.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by International Accounting Standards Board and IFRS Interpretations Committee (formerly known as International Financial Reporting Interpretations Committee).

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

The application of IAS 27(as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and revised Standards and Interpretations applied in the current year *(continued)*

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. As there was no transaction during the current year to IAS 27 (Revised) was applicable, the application of IAS 27 (Revised) and the consequential amendments to other IFRSs has had no effect on the 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 IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of other new and revised standards and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and revised Standards and Interpretations applied in the current year *(continued)*

IFRS 9 "Financial Instruments (as issued in November 2009)" introduces new requirements for the classification and, measurement of financial assets. IFRS 9 "Financial Instruments (as revised in November 2010)" adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of the new standard is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The directors of the Company anticipate that the application of the other new and revised standards and interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments are measured at fair values at initial recognition, as explained in the accounting policies set out below. Historical cost generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods is recognised when the goods are delivered and title has been passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

No depreciation is provided in respect of freehold land.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis.

Investment properties

Investment properties are properties held for rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Loan and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimated during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Where the Group has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the possible obligation is disclosed as contingent liability.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management of the Group makes various estimates about the carrying amounts of assets and liabilities based on past experience, expectations of the future and other information. The key source of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements is disclosed below.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Allowances for bad and doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful debts requires the use of estimates. Where the expectation of future cash receipts is different from the original estimate, such difference will impact the carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed. As at 31 December 2010, the carrying amount of trade receivables is RMB350,158,000 (net of allowance for doubtful debts of RMB36,007,000) (2009: carrying amount of RMB310,618,000, net of allowance for doubtful debts of RMB32,609,000).

Allowance for inventories

Management exercises their estimates in making allowance for inventories. Management reviews the inventory listing at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in operation. As at 31 December 2010, the carrying amount of inventories is RMB240,132,000 (net of allowance for inventories of RMB17,505,000) (2009: carrying amount of RMB226,693,000, net of allowance for inventories of RMB5,826,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings and amounts due to related parties disclosed in Notes 25 and 26 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

Management of the Group reviews the capital structure regularly and taking into account of the cost and risk associated with the capital. Generally, the Group employs a conservative strategy regarding its risk management.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2010	2009
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**602,007**	596,151
Financial liabilities		
Amortised cost	**812,519**	838,328

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due to related parties, trade and other payables, pledged bank deposits, bank balances and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC with transactions substantially entered into in RMB, and the exposure to exchange rate risks mainly arises from the foreign currency sales and purchases and the bank balances and bank borrowings denominated in foreign currency. Approximately 70.64% (2009: 66.04%) of the Group's sales and 46.17% (2009: 48.94%) of the Group's purchase are denominated in currencies other than the functional currency of the respective group entities.

The carrying amount of the Group's monetary assets (representing trade and other receivables and bank balances) and monetary liabilities (representing trade and other payables, amounts due to related parties and bank borrowings) denominated in currencies other than the functional currency of the relevant group entities at the reporting dates are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong Dollars ("HKD")	**37,141**	24,249	**13,632**	17,222
United States Dollars ("USD")	**125,196**	100,734	**110,275**	151,522
New Taiwan Dollars ("NTD")	**33,870**	13,251	**3,623**	3,485
Euro ("EUR")	**–**	–	**1,556**	788
Japanese Yen ("JPY")	**9,684**	2,603	**51,839**	29,835

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need rises.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of HKD, USD, NTD, EUR and JPY against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The strengthening of RMB against the foreign currencies by 5% will give rise to the following profit (loss) after tax, and vice versa:

	2010	2009
	RMB'000	*RMB'000*
HKD impact	**(882)**	(264)
USD impact	**(560)**	1,905
NTD impact	**(1,134)**	(366)
EUR impact	**58**	30
JPY impact	**1,581**	1,021

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see Note 25 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, pledged bank deposits and bank balances. It is the Group's policy to keep its borrowings and pledged bank deposits and bank balances at floating rate of interest so as to minimise the fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider necessary action when significant interest rate exposure is anticipated.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings. Management considered the cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances is insignificant. Therefore, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB938,000 (2009: post-tax loss for the year increase/decrease by: RMB1,092,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit rating, the Group does not have any other significant concentration of credit risk on bank balances and trade receivables. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2010					
Non-derivative financial liabilities					
Trade and other payables	–	163,883	–	163,883	163,883
Bank borrowings					
– fixed rate	5.48	135,617	–	135,617	132,000
– variable rate	4.56	508,515	3,155	511,670	500,196
Amounts due to related parties	–	16,440	–	16,440	16,440
		824,455	3,155	827,610	812,519

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009					
Non-derivative financial liabilities					
Trade and other payables	–	139,150	–	139,150	139,150
Bank borrowings					
– fixed rate	5.31	112,921	–	112,921	110,000
– variable rate	3.8	379,776	233,082	612,858	582,492
Amounts due to related parties	–	6,686	–	6,686	6,686
		638,533	233,082	871,615	838,328

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2010, the aggregate principal amounts of these bank loans amounted to RMB34,322,000 (2009: nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB38,326,000 (2009: nil).

6c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENTAL INFORMATION

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

The Group's operating and reportable segments, based on the information reported to the chief operating decision maker (i.e. the executive directors of the Company) for the purpose of resources allocation and performance assessment are as follows:

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the year.

For the year ended 31 December 2010

	Capacitors	Aluminum foils	Segment total	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	758,413	287,399	1,045,812	–	1,045,812
Inter-segment sales	–	282,387	282,387	(282,387)	–
Segment sales	758,413	569,786	1,328,199	(282,387)	1,045,812
Segment profit	35,021	28,456	63,477	2,862	66,339
Interest income					3,253
Unallocated expense					(10,439)
Finance costs					(32,011)
Profit before taxation					27,142

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2009

	Capacitors *RMB'000*	Aluminum foils *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
External sales	566,526	208,527	775,053	–	775,053
Inter-segment sales	–	206,073	206,073	(206,073)	–
Segment sales	566,526	414,600	981,126	(206,073)	775,053
Segment profit	13,001	28,338	41,339	(4,487)	36,852
Interest income					2,601
Unallocated expense					(10,930)
Finance costs					(32,105)
Loss before taxation					(3,582)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of interest income, corporate expenses and finance costs. However, the related bank balances and cash and the bank borrowings of the reportable segment are reported to the Group's chief decision makers as part of segment assets and liabilities. In addition, taxation expenses are not allocated to segments while tax payables and deferred tax assets are allocated as part of segment liabilities and segment assets respectively. This is the measure reported to the Group's chief decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010	2009
	RMB'000	*RMB'000*
Segment assets		
Capacitors	**952,714**	1,006,612
Aluminum Foils	**744,982**	620,295
Total segment assets	**1,697,696**	1,626,907
Elimination – inter-segment balances	**(106,785)**	(36,310)
Unallocated assets	**4,062**	1,488
Consolidated assets	**1,594,973**	1,592,085
Segment liabilities		
Capacitors	**580,182**	639,514
Aluminum Foils	**367,880**	253,615
Total segment liabilities	**948,062**	893,129
Elimination – inter-segment balances	**(106,785)**	(36,310)
Unallocated liabilities	**1,259**	1,445
Consolidated liabilities	**842,536**	858,264

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets, other than deposits and prepayments and bank balances of the Company, are allocated to reportable segments; and

– all liabilities, other than the accruals of the Company, are allocated to reportable segments.

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

The geographical information about its non-current assets excluded financial instruments and deferred tax assets by geographical location of the assets are detailed below:

	2010	2009
	RMB'000	*RMB'000*
The PRC	**672,507**	701,275
Taiwan	**16,503**	23,297
	689,010	724,572

Revenue from external customers by geographical location of customers are as follows:

	2010	2009
	RMB'000	*RMB'000*
Revenue from external customers:		
The PRC	**776,600**	591,272
Taiwan	**67,447**	48,206
Other Asian countries *(Note)*	**183,937**	119,666
Europe *(Note)*	**15,383**	12,861
Americas *(Note)*	**2,445**	3,048
	1,045,812	775,053

Note: The countries of the external customers included in these categories included Japan, Malaysia, Germany, Italy, Brazil and others. No further analysis by countries of these categories is presented because the revenue from each individual country is insignificant to the total revenue.

During both years, none of the Group's individual customers contributed more than 10% of the Group's revenue.

7. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Other segment information

Amount included in the measure of segment profit or segment assets:

For the year ended 31 December 2010

	Capacitors *RMB'000*	**Aluminum foils** *RMB'000*	**Total** *RMB'000*
Depreciation and amortisation	**37,842**	**34,816**	**72,658**
Additions to non-current assets *(Note)*	**34,196**	**16,466**	**50,662**
Impairment loss on trade receivables	**1,284**	**2,114**	**3,398**

For the year ended 31 December 2009

	Capacitors *RMB'000*	Aluminum foils *RMB'000*	Total *RMB'000*
Depreciation and amortisation	39,340	31,325	70,665
Additions to non-current assets *(Note)*	19,146	15,179	34,325
Impairment loss on trade receivables	14,303	2,530	16,833

Note: Non-current assets excluded financial instruments and deferred tax assets.

8. OTHER INCOME/EXPENSES

a. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Bank interest income	**3,253**	2,601
Gain on disposal of investment properties	**4,104**	–
Government grants *(Note)*	**–**	605
Rental income	**270**	526
Others	**5,813**	2,738
	13,440	6,470

Note: In 2009, the amount represents mainly income tax refunds as a result of reinvestment of dividends declared by the Group's subsidiaries in the PRC.

b. OTHER EXPENSES

	2010 RMB'000	2009 RMB'000
Impairment loss on trade receivables	**3,398**	16,833
Research and development costs	**12,545**	9,183
Loss on disposal of property, plant and equipment	**4,274**	998
Net foreign exchange losses	**8,233**	2,563
Others	**8,785**	4,193
	37,235	33,770

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank borrowings wholly repayable within five years	**32,011**	32,087
Interest on amount due to a related party	**–**	18
	32,011	32,105

10. TAXATION

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax	**6,538**	1,968
– Taiwan Corporate Income Tax	**2,413**	845
	8,951	2,813
Overprovision in prior years:		
– PRC Enterprise Income Tax	**(290)**	(747)
– Taiwan Corporate Income tax	**(500)**	–
	(790)	(747)
Deferred tax *(Note 19)*:		
– Current year	**15**	120
– Attributable to a change in tax rate	**193**	351
	208	471
	8,369	2,537

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

Corporate Income Tax in Taiwan is charged at 17% (2009: 25%). The reduction of the Corporate Income Tax in Taiwan to 17% was approved during the current year. The new rate will be effective retrospectively from 1 January 2010 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 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 Enterprise 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.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries, Capxon Electronic Technology (Baotou) Co. Ltd ("Capxon Baotou"), is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year of Capxon Baotou was 2007.

10. TAXATION *(continued)*

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

2010

	The PRC		Taiwan		Hong Kong		Others[1]		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit (loss) before taxation	37,744		1,659		(1,635)		(10,626)		27,142	
Tax at the statutory tax rate	9,436	25.0	282	17.0	(270)	16.5	–	–	9,448	34.8
Tax effect of:										
Lower tax rates for specific provinces or enacted by local authority	(2,200)	(5.8)	–	–	–	–	–	–	(2,200)	(8.1)
Expenses not deductible for tax	12,400	32.9	155	9.3	1,391	(85.1)	–	–	13,946	51.4
Utilisation of tax losses previously not recognised	(7,431)	(19.7)	–	–	–	–	–	–	(7,431)	(27.4)
Overprovision in prior years	(290)	(0.8)	(500)	(30.1)	–	–	–	–	(790)	(2.9)
Additional charges for the undistributed profit in Taiwan	–	–	1,747	105.3	–	–	–	–	1,747	6.4
Income not subject to tax	–	–	–	–	(1,121)	68.6	–	–	(1,121)	(4.1)
Decrease in opening deferred tax asset resulting from decrease in applicable tax rate	–	–	193	11.6	–	–	–	–	193	0.7
Tax effect on undistributed earnings of a PRC subsidiary	–	–	–	–	244	(14.9)	–	–	244	0.9
Other tax benefits[2]	(5,667)	(15.0)	–	–	–	–	–	–	(5,667)	(20.9)
Income tax expense reported in the consolidated statement of comprehensive income at the Group's effective rate	6,248	16.6	1,877	113.1	244	(14.9)	–	–	8,369	30.8

10. TAXATION *(continued)*

2009

	The PRC		Taiwan		Hong Kong		Others[1]		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Loss before taxation	8,030		2,047		(2,804)		(10,855)		(3,582)	
Tax at the statutory tax rate	2,008	25.0	512	25.0	(463)	(16.5)	–	–	2,057	(57.4)
Tax effect of:										
Lower tax rates for specific provinces or enacted by local authority	(1,005)	(12.5)	–	–	–	–	–	–	(1,005)	28.1
Expenses not deductible for tax	6,525	81.2	–	–	916	32.7	–	–	7,441	(207.8)
Utilisation of tax losses previously not recognised	(5,560)	(69.2)	–	–	–	–	–	–	(5,560)	155.2
Overprovision in prior years	(747)	(9.3)	–	–	–	–	–	–	(747)	20.9
Additional charges for the undistributed profit in Taiwan	–	–	978	47.8	–	–	–	–	978	(27.3)
Income not subject to tax	–	–	(525)	(25.6)	(453)	(16.2)	–	–	(978)	27.3
Decrease in opening deferred tax asset resulting from decrease in applicable tax rate	–	–	351	17.1	–	–	–	–	351	(9.8)
Income tax expense reported in the consolidated statement of comprehensive income at the Group's effective rate	1,221	15.2	1,316	64.3	–	–	–	–	2,537	(70.8)

(1) The expenses were incurred by the holding company incorporated in the Cayman Islands and are not deductible under any jurisdiction.

(2) Pursuant to relevant regulations stipulated by the Ministry of Finance and the State Administration of Taxation of the PRC, an enterprise is entitled to a tax benefit calculated at 40% of the additions of equipment manufactured in the PRC up to 2008. The amount of tax benefit that is deductible, however, is limited to the amount of increase in enterprise income tax for the year in which the equipment is acquired as compared with the tax amount charged in the preceding year. The portion of the tax benefit that is not utilised can be carried forward for future application for a period not more than five years from the year in which the equipment is acquired. No unused tax benefit will be carried forward to next year.

Details of deferred taxation for the year are set out in Note 19.

11. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Employee benefit expenses (including directors' emoluments *(Note 12)*):		
Wages, salaries and allowances	**113,614**	91,287
Share-based payment expenses	**356**	1,478
Defined contribution pension scheme *(Note 27 (ii))*	**5,452**	4,771
Defined benefit pension plan *(Note 27 (i))*	**282**	170
	119,704	97,706
Amortisation of intangible assets (included in administrative expenses)	**1,920**	1,769
Amortisation of prepaid lease payments	**694**	613
Auditor's remuneration	**1,220**	1,328
Cost of inventories recognised as an expense (including impairment loss on inventories of RMB11,679,000 (2009: reversal of impairment loss on inventories of RMB2,415,000))	**843,997**	624,094
Depreciation of property, plant and equipment	**70,012**	68,208
Depreciation of investment properties	**32**	75

Note: Inventories which had been provided for allowance in prior years were sold during the year of 2009. The impairment loss recognised was reversed accordingly.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors for both years are as follows:

Directors

Name of directors	Fee	Salaries and allowances	Performance related incentive payment	Share-based payment	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2010						
Lin Chin Tsun	–	2,608	322	84	–	3,014
Chou Chiu Yueh	–	1,466	107	60	39	1,672
Lin Yuan Yu	–	1,201	322	50	17	1,590
Liu Fang Chun	–	652	107	24	8	791
Lin I Chu	–	839	215	24	43	1,121
Lai Chung Ching	209	–	–	–	–	209
Lu Hong Te	115	–	–	–	–	115
Tung Chin Chuan	115	–	–	–	–	115
	439	6,766	1,073	242	107	8,627

Name of directors	Fee	Salaries and allowances	Performance related incentive payment	Share-based payment	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009						
Lin Chin Tsun	–	2,642	–	340	–	2,982
Chou Chiu Yueh	–	1,322	–	244	42	1,608
Lin Yuan Yu	–	1,221	–	202	21	1,444
Liu Fang Chun	–	661	149	96	8	914
Lin I Chu	–	686	358	96	38	1,178
Lai Chung Ching	215	–	–	–	–	215
Lu Hong Te	119	–	–	–	–	119
Tung Chin Chuan	119	–	–	–	–	119
	453	6,532	507	978	109	8,579

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

Employees

The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

During each of the two years ended 31 December 2010, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

13. DIVIDENDS

No dividends were paid, declared or proposed during both years, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	**18,060**	(6,438)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**844,559,841**	844,559,841

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options because the exercise price of those options were higher than the average market price for shares for both 2010 and 2009.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Taiwan RMB'000	Buildings in Taiwan RMB'000	Buildings in the PRC RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2009	4,705	10,333	231,289	710,467	36,611	10,898	20,840	1,025,143
Additions	–	–	10,551	5,357	1,747	455	15,091	33,201
Transfer	–	–	–	7,183	635	5	(7,823)	–
Receipt of government grant *(Note)*	–	–	–	(10,049)	–	–	–	(10,049)
Disposals	–	–	(1,190)	(5,307)	(448)	(589)	–	(7,534)
Exchange adjustment	172	376	–	9	143	76	–	776
At 31 December 2009	4,877	10,709	240,650	707,660	38,688	10,845	28,108	1,041,537
Additions	–	–	1,590	5,722	1,073	959	34,638	43,982
Transfer	–	–	9,612	24,909	1,297	–	(35,818)	–
Disposals	–	–	(3,915)	(7,543)	(2,546)	(630)	(2,188)	(16,822)
Exchange adjustment	277	609	–	14	237	124	–	1,261
At 31 December 2010	5,154	11,318	247,937	730,762	38,749	11,298	24,740	1,069,958
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	–	2,724	20,240	249,286	21,304	6,781	480	300,815
Provided for the year	–	342	8,171	54,462	4,142	1,091	–	68,208
Eliminated on disposals	–	–	(1,178)	(4,295)	(399)	(530)	–	(6,402)
Exchange adjustment	–	110	–	8	122	60	–	300
At 31 December 2009	–	3,176	27,233	299,461	25,169	7,402	480	362,921
Provided for the year	–	306	7,211	57,490	3,941	1,064	–	70,012
Eliminated on disposals	–	–	(3,915)	(5,507)	(2,272)	(630)	–	(12,324)
Exchange adjustment	–	199	–	13	201	74	–	487
At 31 December 2010	–	3,681	30,529	351,457	27,039	7,910	480	421,096
CARRYING VALUE								
At 31 December 2010	5,154	7,637	217,408	379,305	11,710	3,388	24,260	648,862
At 31 December 2009	4,877	7,533	213,417	408,199	13,519	3,443	27,628	678,616

Note: The amount represents government grant received by the Group in 2009 in relation to its acquisition of plant and machinery in prior years.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight line basis, after taking into account their estimated residual value, at the following rates per annum:

Freehold land	Not depreciated
Buildings	2% – 4.5%
Plant and machinery	9%
Office and other equipment	18%
Motor vehicles	18%

The carrying value of properties shown above comprises:

	2010	2009
	RMB'000	*RMB'000*
Properties:		
Freehold in Taiwan	**12,791**	12,410
Medium-term lease in the PRC	**217,408**	213,417
	230,199	225,827

As at 31 December 2010, the Group had not obtained building ownership certificates for buildings located in Baotou City, Inner Mongolia Autonomous Region, the PRC, with a carrying value of approximately RMB9,675,000 (2009: RMB32,619,000). The directors of the Company expect to obtain the building ownership certificates for these buildings in 2013. In addition, another buildings located in Baotou City, Inner Mongolia Autonomous Region, the PRC, with a carrying value of approximately RMB32,619,000 that did not have building ownership certificates in the year of 2009 were obtained during the year of 2010.

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2009	10,893
Exchange adjustment	397
At 31 December 2009	11,290
Exchange adjustment	(260)
Disposals	(11,030)
At 31 December 2010	–
DEPRECIATION AND IMPAIRMENT	
At 1 January 2009	1,302
Provided for the year	75
At 31 December 2009	1,427
Eliminated on disposals	(1,459)
Provided for the year	32
At 31 December 2010	–
CARRYING VALUE	
At 31 December 2010	–
At 31 December 2009	9,863

The fair value of the Group's investment properties at 31 December 2009 was NTD46,180,000 (equivalent to approximately RMB9,949,000). The fair value has been arrived at based on a valuation carried out by Zhonghua Huixin Real Estate Appraisers Firm, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment properties were situated in Taiwan and freehold and were depreciated on a straight line basis at the following rates per annum:

Freehold land	Not depreciated
Buildings	2%

During the year, the Group disposed of the entire investment properties for a cash consideration net of transaction costs of approximately NTD64,963,000 (equivalent to approximately RMB13,675,000), resulting a gain on disposal of approximately RMB4,104,000 as disclosed in Note 8(a).

17. PREPAID LEASE PAYMENTS

	2010 RMB'000	2009 RMB'000
Medium-term land use rights in the PRC	**29,900**	26,144
Analysed for reporting purpose as:		
Current assets	**711**	613
Non-current assets	**29,189**	25,531
	29,900	26,144

18. INTANGIBLE ASSETS

	Patents and licences RMB'000
COST	
At 1 January 2009	17,472
Exchange adjustment	(3)
Additions	1,124
At 31 December 2009	18,593
Exchange adjustment	81
Additions	2,230
At 31 December 2010	20,904
AMORTISATION	
At 1 January 2009	6,263
Exchange adjustment	(1)
Charge for the year	1,769
At 31 December 2009	8,031
Exchange adjustment	(6)
Charge for the year	1,920
At 31 December 2010	9,945
CARRYING VALUES	
At 31 December 2010	10,959
At 31 December 2009	10,562

18. INTANGIBLE ASSETS *(continued)*

The above patents and licences were acquired from third parties and have estimated useful lives of 3 to 10 years over which the assets are amortised on the straight line basis.

19. DEFERRED TAX

The followings are the major deferred tax assets recognised by the Group and movements thereon during the year:

	Inventories and doubtful debts allowance	Post-employee benefits pension	Withholding tax provided	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	1,627	128	–	1,755
Effect of change in tax rate	(325)	(26)	–	(351)
(Charge) credit to profit or loss	(190)	70	–	(120)
At 31 December 2009	1,112	172	–	1,284
Effect of change in tax rate	(167)	(26)	–	(193)
Credit (charge) to profit or loss	153	76	(244)	(15)
At 31 December 2010	1,098	222	(244)	1,076

At 31 December 2010, the Group did not have unused tax losses available for offset against future profits. The tax losses of RMB29,722,000 as at 31 December 2009 was fully utilised in 2010.

Under the relevant tax laws in the PRC and Taiwan, withholding tax is imposed on dividends declared in respect of profits earned by the PRC and Taiwan subsidiaries (profits earned from 1 January 2008 onwards for PRC subsidiaries). At 31 December 2010, except for a deferred tax liability recognised in respect of RMB5,000,000 (2009: nil) dividend to be declared by a PRC subsidiary, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC and Taiwan subsidiaries amounting to RMB23,016,000 and RMB92,445,000 (2009: RMB10,117,000 and RMB93,171,000) respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. PLEDGED BANK DEPOSITS

These represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB109,317,000 (2009: RMB205,255,000) were pledged to secure short-term bank loans and are therefore classified as current assets. At 31 December 2009, deposits amounting to RMB4,500,000 were pledged to secure long-term borrowings and are therefore classified as non-current assets.

The pledged bank deposits carry variable interest rate which range from 0.02% to 2.79% (2009: 0.01% to 4.14%) per annum.

21. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**80,920**	82,371
Work in progress	**23,219**	18,321
Finished goods	**135,993**	126,001
	240,132	226,693

22. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade and bills receivables	**386,165**	343,227
Less: Allowance for doubtful debts	**(36,007)**	(32,609)
Total trade receivables	**350,158**	310,618
Advances to suppliers	**14,726**	17,467
Value added tax recoverable	**25,913**	16,545
Deposit for litigation claim *(Note 33)*	**7,000**	7,000
Others	**23,384**	6,875
Total trade and other receivables	**421,181**	358,505

22. TRADE AND OTHER RECEIVABLES *(continued)*

The Group generally allows its trade customers a credit period of 30 days to 180 days. The following is an aged analysis of the trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting date:

	2010	2009
	RMB'000	*RMB'000*
0 – 60 days	**189,173**	145,835
61 – 90 days	**65,345**	73,911
91 – 180 days	**90,254**	74,059
181 – 270 days	**5,177**	10,791
271 – 360 days	**162**	3,041
Over 360 days	**47**	2,981
	350,158	310,618

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines its credit limit based on results from investigation of historical credit records of these customers. Each customer is subject to a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. 94% (2009: 89%) of the trade receivables that are neither past due nor impaired have good credit quality under the internal assessment by the Group.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB19,795,000 (2009: RMB33,600,000) which were past due as at the reporting date but for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The directors considered that as there has not been a significant deterioration in credit quality of these debtors and there are continuing subsequent settlement, the amounts are still recoverable.

Ageing of trade receivables which were past due but not impaired

	2010	2009
	RMB'000	*RMB'000*
One to six months past due	**19,748**	28,048
Over six month past due	**47**	5,552
Total	**19,795**	33,600

22. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts

	2010 RMB'000	2009 RMB'000
1 January	**32,609**	15,776
Impairment losses recognised on receivables	**3,398**	16,833
31 December	**36,007**	32,609

Included in the allowance for doubtful debts were individually impaired debtors with an aggregate balance of RMB36,007,000 (2009: RMB32,609,000), which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

23. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates which range from 0.01% to 0.4% (2009: 0.01% to 0.36%) per annum.

24. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade and bills payables	**151,567**	126,805
Advances from customers	**4,923**	3,851
Payroll payables	**10,507**	8,495
Accruals	**12,354**	7,695
Others	**2,476**	4,212
	181,827	151,058

The credit period on purchases of goods is normally 30 to 60 days. The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0 – 60 days	**82,560**	58,649
61– 90 days	**16,714**	21,083
91 – 180 days	**31,844**	30,968
181 – 270 days	**2,884**	1,907
271 – 360 days	**2,216**	801
Over 360 days	**15,349**	13,397
	151,567	126,805

25. BANK BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Secured	**473,196**	489,114
Unsecured	**159,000**	203,378
	632,196	692,492
Carrying amount repayable*:		
Within one year	**594,857**	475,873
More than one year, but not exceeding two years	**956**	201,674
More than two years but not more than five years	**2,061**	14,945
	597,874	692,492
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**34,322**	–
	632,196	692,492
Less: Amounts due within one year shown under current liabilities	**(629,179)**	(475,873)
Amounts due over one year	**3,017**	216,619

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings included fixed-rate borrowings of RMB132,000,000 (2009: RMB110,000,000) which carry interests ranging from 5.36% to 5.84% (2009: 5.31%) per annum and are repayable within one year. The remaining balances are variable-rate borrowings which carry interest at the ranges of effective interest rates (which are also equal to contracted interest rates) of 1.34% to 7.74% (2009: 1.95% to 5.62%) per annum.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	EUR	**USD**	**JPY**
	RMB'000	***RMB'000***	***RMB'000***
At 31 December 2010	**1,556**	**99,116**	**40,570**
At 31 December 2009	788	139,643	28,360

26. AMOUNTS DUE TO RELATED PARTIES

Name of related party	Relationship	2010 RMB'000	2009 RMB'000
Chou Chiu Yueh	Director	**5**	5
Ele Con Co., Ltd. ("Ele Con")	*Note i, iv*	**–**	2,784
Fung Yue Technology Limited ("Fung Yue")	*Note ii, iv*	**3,535**	3,700
Hill Source Electron (Shenzhen) Co., Ltd. ("Hill Source")	*Note iii*	**1,319**	197
Capxon Electronic Technology (Renhua) Co., Ltd. ("Capxon Renhua")	*Note ii*	**11,581**	–
		16,440	6,686

The above balances are interest-free, unsecured and repayable on demand.

Notes:

(i) It is owned as to 30% by Ms. Liu Fang Chun who is a non-executive director of the Company. It ceased business during the year and has finished de-registration in the year of 2011.

(ii) Fung Yue is wholly owned by Mr. Lin Chin Tsun who is an executive director and one of the ultimate controlling parties of the Company. Capxon Renhua is a subsidiary of Fung Yue.

(iii) Mr. Lin Chin Tsun, an executive director and one of the ultimate controlling parties of the Company, can exercise significant influence over Hill Source.

(iv) The balances for both years were in trade nature and repayable on demand. The following is an aged analysis of amount due to related parties based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0 – 60 days	**–**	1,042
61– 90 days	**–**	588
91 – 180 days	**–**	1,154
Over 360 days	**3,535**	3,700
	3,535	6,484

27. RETIREMENT BENEFIT PLANS

(i) Defined benefit obligations

The Company's subsidiary incorporated in Taiwan, Capxon Electronic Industrial Company Limited ("Capxon Taiwan"), has a defined benefit pension plan, covering substantially all of its employees who were recruited by Capxon Taiwan before the implementation of the Employee Pension Act on 1 July 2006. The defined benefit pension plan requires contributions to be made to separately administered funds.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2010 by Greatfine Wealth Management Consulting Inc., a member of the Acturial Society of Taiwan. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010	2009
Discount rate	**1.8%**	2.0%
Expected return on plan assets	**1.8%**	2.0%
Expected rate of salary increase	**2.0%**	2.0%

The actuarial valuation showed that the market value of plan assets was RMB708,000 (2009: RMB636,000) and that the actuarial value of these assets represented 11% (2009: 11%) of the benefits that had accrued to members.

Amounts recognised in the profit or loss in respect of these defined benefit plans are as follows:

	2010	2009
	RMB'000	*RMB'000*
Current service cost	**192**	154
Interest cost	**113**	110
Expected return on plan assets	**(13)**	(14)
Actuarial gains recognised in the year	**(10)**	(80)
Total	**282**	170

The charge for the year is included in the employee benefits expense in the profit or loss.

27. RETIREMENT BENEFIT PLANS *(continued)*

(i) Defined benefit obligations *(continued)*

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit retirement benefit plans is as follows:

	2010	2009
	RMB'000	*RMB'000*
Present value of defined benefit obligations	**5,821**	5,651
Fair value of plan assets	**(708)**	(636)
	5,113	5,015
Net actuarial gains not recognised	**1,252**	748
Net liability arising from defined benefit obligation	**6,365**	5,763

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**5,651**	4,367
Current service cost	**192**	154
Interest cost	**113**	110
Actuarial (gains) losses	**(447)**	827
Exchange difference	**312**	193
At 31 December	**5,821**	5,651

Movements in the fair value of the plan assets in the current year were as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**636**	566
Expected return on plan assets	**13**	14
Exchange differences on a foreign plan	**38**	22
Contributions from the Group	**21**	34
At 31 December	**708**	636

27. RETIREMENT BENEFIT PLANS *(continued)*

(i) Defined benefit obligations *(continued)*

The plan assets solely represent cash, the expected rate of return at the reporting period is 1.6% (2009: 2.28%) per annum.

The expected rate of return is the expected returns of the plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

(ii) Defined contribution plans

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement pension schemes operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement pension scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension scheme is to make the specified contributions. The costs charged to consolidated statement of comprehensive income during the year were RMB5,452,000 (2009: RMB4,771,000). All the contributions had been paid over to the scheme as at the end of the reporting period.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5 % of relevant payroll costs to the scheme, which contribution is matched by employees.

28. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 2010	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 2010	844,559,841	84,456
Shown in the financial statements as (RMB'000)		82,244

29. SHARE-BASED PAYMENT TRANSACTIONS

On 3 April 2007, the Company approved and adopted a share option scheme entitling the board of directors to grant share options at its discretion to any executive, director and/or employee of the Group who is in full time employment of the Group at the time when an option is granted before the listing of the Company's shares (the "Pre-IPO Share Option Scheme"). 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. 14,900,000 options were granted to certain executives, employees and directors of the Group on 17 April 2007 (the "Date of Grant") with 600,000 options and 900,000 options forfeited during the year ended 31 December 2007 and 31 December 2009 respectively. The Pre-IPO Share Option Scheme was closed at the close of business on 4 May 2007 and no further options may be granted thereafter.

Under the Pre-IPO Share Option Scheme, the options granted shall vest to the relevant grantees in tranches, namely 20% of the option 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 option 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 option shall vest on the third anniversary of the Date of Grant at an exercise price of HK$0.465 per share. The board of directors may at its absolute discretion adjust the percentage of the option to be vested in the First Tranche and Second Tranche either upwards or downwards based on the performance of the relevant grantees in the year immediately preceding the vesting of the option in the relevant tranches as determined by the directors of the Company.

Pursuant to the terms of the Pre-IPO Share Option Scheme, the options may be exercised, in whole or in part, at any time during the option period from 17 April 2007 to 16 April 2012 except that no options may be exercised until the expiry of 12 months after the respective dates of vesting. At the annual general meeting of the Company held on 5 June 2008, an ordinary resolution was passed by the shareholders of the Company approving the outstanding options granted under the Pre-IPO Share Option Scheme may be exercised by the holders at any time during the period commencing from 17 April 2007 and expiring on 16 April 2012 after the respective dates of vesting.

The fair value of the options granted at the Date of Grant was HK$7,799,000, calculated using the Black-Scholes pricing model. The Group recognised a share option expense of RMB356,000 (2009: RMB1,478,000) during the year. The share option was fully vested during the year.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The following table discloses movements during the year of the Company's share options under the Pre-IPO Share Option Scheme:

Date of grant	Exercise price *HK$*	Exercisable period	Outstanding at 1.1.2009	Forfeited during the year	Outstanding at 1.1.2010 and 31.12.2010
17 April 2007	0.465	18.4.2008 to 16.4.2012	2,860,000	(180,000)	2,680,000
	0.465	18.4.2009 to 16.4.2012	2,860,000	(180,000)	2,680,000
	0.465	18.4.2010 to 16.4.2012	8,580,000	(540,000)	8,040,000
			14,300,000	(900,000)	13,400,000

30. OPERATING LEASES

(i) The Group as lessor

Rental income earned during the year is RMB270,000 (2009: RMB526,000) less of outgoings of RMB62,000 (2009: RMB263,000).

At 31 December 2009, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	RMB'000
Within one year	526
In the second to fifth year inclusive	44
	570

During the year, the properties was disposed as stated in Note 16.

30. OPERATING LEASES *(continued)*

(ii) The Group as lessee

Minimum lease payments paid under operating leases during the year for rented premises is approximately RMB1,397,000 (2009: RMB2,718,000).

At the end of the reporting period, the Group had outstanding commitments payable under non-cancellable operating lease in respect of rented premises which fall due as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**359**	2,165
In the second to fifth year inclusive	**113**	5,291
	472	7,456

Leases are negotiated and rental are fixed for a period from one to two years (2009: one to five years).

31. CAPITAL COMMITMENTS

	2010	2009
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**19,125**	14,465
Commitments for the acquisition of property, plant and equipment authorised but not contracted for	**13,049**	–

32. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transactions	2010 *RMB'000*	2009 *RMB'000*
Ele Con	Purchase of raw materials	**5,014**	6,074
Hill Source	Purchase of raw materials	**81**	–
Capxon Renhua	Purchase of property, plant and equipment	**689**	–
Ms. Lin I Chu	Interest expense	**–**	18

(ii) Provision of guarantees and security by the Company's directors

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

	2010 *RMB'000*	2009 *RMB'000*
Guarantees provided by:		
Lin Chin Tsun	**143,836**	136,000
Lin Chin Tsun and Chou Chiu Yueh	**59,134**	48,080
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun and Lin I Chu	**58,267**	36,427
Lin Chin Tsun and Lin Yuan Yu	**66,642**	80,046
	327,879	300,553

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

In addition, Mr. Lin Yuan Yu, has pledged a property to a bank to secure banking facilities of USD1,300,000 (2009: USD1,000,000) granted to the Group.

(iii) Related party balances

Details of the Group's outstanding balances with related parties are set out in Note 26.

32. RELATED PARTY DISCLOSURES *(continued)*

(iv) Compensation of key management personnel

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

	2010	2009
	RMB'000	*RMB'000*
Short-term benefits	**10,626**	9,700
Post-employment benefits	**206**	186
Share-based payment expenses	**314**	1,266
	11,146	11,152

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

33. 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 to the Court in respect of such claim. The claim was rejected at first instance by the Court. The customer filed an appeal which is still under the process of hearing up to the date of this report. 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.

34. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for banking facilities:

	2010	2009
	RMB'000	*RMB'000*
Property, plant and equipment	**331,684**	361,869
Investment properties	**–**	9,863
Prepaid lease payments	**29,900**	26,144
Bank deposits	**109,317**	209,755
Bills receivable	**2,440**	1,573
	473,341	609,204

35. FINANCIAL INFORMATION OF THE COMPANY

	2010 *RMB'000*	2009 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**511,503**	511,503
CURRENT ASSETS		
Deposits and prepayments	**312**	304
Amounts due from subsidiaries	**–**	5,507
Bank balances	**3,750**	1,184
	4,062	6,995
CURRENT LIABILITIES		
Accruals	**1,259**	1,445
Amounts due to subsidiaries	**2,766**	4,555
	4,025	6,000
NET CURRENT ASSETS	**37**	995
TOTAL ASSETS LESS CURRENT LIABILITIES	**511,540**	512,498
CAPITAL AND RESERVES		
Share capital	**82,244**	82,244
Share premium and reserves	**429,296**	430,254
	511,540	512,498
LOSS FOR THE YEAR	**1,290**	10,946

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Direct 2010 %	Direct 2009 %	Indirect 2010 %	Indirect 2009 %	Principal activities
Capxon Baotou *(Note i)*	The PRC	RMB100,000,000	**–**	–	**100**	100	Manufacture and sale of aluminium foil
Capxon Electronic Technology (Yichang Sanxin) Co. Ltd. *(Note ii)*	The PRC	US$30,000,000	**–**	–	**100**	100	Manufacture and sale of aluminium foil
Capxon Shenzhen *(Note ii)*	The PRC	US$39,150,000	**12.77**	12.77	**84.81**	84.81	Manufacture and sale of capacitors
Capxon Taiwan	Taiwan	NTD620,000,000	**96.54**	96.54	**–**	–	Sale of capacitors
Capxon Trading (Shenzhen) Co. Ltd. *(Note ii)*	The PRC	US$700,000	**–**	–	**96.54**	96.54	Trading
Easy Chance Ltd.	Hong Kong	HK$10,000	**–**	–	**100**	100	Trading and investment holding
Evercon Electronic (Shenzhen) Co. Ltd. *(Note ii)*	The PRC	US$1,000,000	**–**	–	**100**	100	On the process of de-registration
Evercon Limited	Hong Kong	US$1,000,000	**100**	100	**–**	–	Trading and investment holding
Gold Wish Ltd.	British Virgin Islands	US$30,000,000	**100**	100	**–**	–	Investment holding
Lancom Ltd.	Hong Kong	HK$85,137,200	**–**	–	**96.54**	96.54	Trading and investment holding
Mega Tender Ltd.	Hong Kong	HK$10,000	**100**	100	**–**	–	Trading
Multiple Investments Ltd.	British Virgin Islands	US$2,300,000	**100**	100	**–**	–	Investment holding
Waystech Trading Ltd.	British Virgin Islands	US$1,034,699	**100**	100	**–**	–	Investment holding
Yichang Fengshuo Equipment Co. Ltd. *(Note ii)*	The PRC	HK$8,000,000	**–**	–	**100**	100	Manufacture and sale of equipment
Capxon Electronic Technology (QingHai) Co., Ltd. *(Note i, iii)*	The PRC	RMB50,000,000	**–**	–	**100**	–	Not yet commenced business

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Notes:

(i) Being established in the PRC in the form of domestic enterprise.

(ii) Being established in the PRC in the form of wholly foreign-owned enterprise.

(iii) Being newly incorporated during the year of 2010.

Five-Year
Financial Summary

	2006	2007	2008	2009	2010
	Year ended 31 December				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
RESULTS					
Revenue	843,856	1,016,533	912,642	775,053	**1,045,812**
Profit (loss) for the year	83,576	67,570	(24,741)	(6,119)	**18,773**

	2006	2007	2008	2009	2010
	As at 31 December				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	1,379,259	1,672,681	1,392,774	1,592,085	**1,594,973**
Total liabilities	(836,371)	(906,519)	(653,660)	(858,264)	**(842,536)**
	542,888	766,162	739,114	733,821	**752,437**
Attributable to:					
Owners of the Company	469,240	756,935	730,324	724,751	**742,787**
Non-controlling interests	73,648	9,227	8,790	9,070	**9,650**
	542,888	766,162	739,114	733,821	**752,437**