Interim Report 2011

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.
First Commercial Bank
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.
Postal Savings Bank of China

Registered Office

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Cayman Islands

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Taiwan
R.O.C.

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Stock Code

469

CHAIRMAN'S STATEMENT

Dear Shareholders,

Given the diversification in the information market, design and functions of electronic products are increasingly precise and complex and demand for diversified and bulk component products also increases. For the aluminum electrolytic capacitor industry, aluminum electrolytic capacitor components are applied in advanced motherboards, advanced power supply units, LCD/LED TV, servers, VGA cards and game players. In view of the enhancement in function, efficiency and quality, demand for quality aluminum electrolytic capacitor components also increases. Accordingly, solid capacitors, which are mainly used for enhancing the functions of aluminum electrolytic capacitors, are introduced to cater for the increasingly precise products. However, liquid and solid capacitors have their own merits and demerits. After years of research and development, the Group has taken an active role in the development of solid capacitors to cope with the new market trends. In the future, the Group's production bases will be divided into two major segments. On the one hand, the Group will capitalize on the low production costs in Mainland China and continue with the production and operation of traditional electrolytic capacitors. On the other hand, the Group will set up a production base of high value added solid electrolytic capacitors in Taiwan to leverage on its research and development advantages.

As the global electrolytic capacitor industry is maturing, market growth will slow down with a compounded annual growth rate ("CAGR") of only 0.7% from 2005 to 2010. In 2010, the size of the aluminum electrolytic capacity industry in China accounted for approximately 14% of the global market size with a CAGR of 4.1% from 2005 to 2010, which was slightly higher than the growth rate worldwide. In addition, due to the northeastern Japan earthquake, a new industry structure has emerged in the aluminum electrolytic capacitor segment and the upstream aluminum foil segment. Our primary customers, who purchased from a single source, now purchase from diverse sources in order to diversify risks. At the same time, the world's top three aluminum electrolytic capacitor manufacturers have shifted the production of low-end products to Southeast Asia and China as they experience increasing operating costs due to the appreciation of Japanese Yen, while the increase in the overseas production would make them likely to purchase raw materials nearby. Accordingly, it is likely that the purchase from non-Japanese line of anode aluminum foils and cathode aluminum foils manufacturers will increase, creating new opportunities for suppliers.

Looking forward, in maintaining its relationship with the existing customers, the Group will fully capitalize on the benefits from vertical integration between upstream and downstream manufacturers to offer better services. The Group will also actively explore new customers and develop innovative product designs to enhance product function, with a view to maximizing the returns of shareholders.

During the Period, the strategic 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 successfully in recent years. Capxon Electronic Technology (Baotou) Co. Ltd., which is located in Baotou of Inner Mongolia, completed the formed foils production line in June 2008 so as to expand 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 the power supply conditions. Currently, the Group has commenced mass production of ultra high-voltage anode foil in its production line. The majority of Taiwanese line of electrolytic capacitors and Korean line of electrolytic capacitors use the aluminum foils produced by the Group. Accordingly, the anode foils production not only fully satisfies internal demand, it has also supported the demand from other similar capacitor manufacturers.

2. Operation of electrolytic capacitor market

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

➢ In view of the expanding consumption market of LED TV, notebooks and game players, the Company has stepped up the production of solid capacitors depending on market demand and supply and has been actively marketing them 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 which was newly developed at the beginning of the Period has been completed. For the Period, the marketing of LCD/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 completed the expansion of production lines of the fully-automated operating system to enhance productivity.

- The Company has developed the electrolytic capacitors for auto electronics and obtained ISO/TS 16949 auto electronics professional quality system certification to become a qualified supplier of electronic components in the automotive industry.

Looking forward, the Group's business objective is to gradually grow into a high quality anode foils manufacturer and supplier and continuously enhance 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 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, 26 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

A summary of the financial results of the Group for the six months ended 30 June 2011 (the "Period") is as follows:

- Revenue grew by approximately 17.79% to approximately RMB594,109,000.
- Gross profit increased by approximately 13.75% to approximately RMB117,620,000.
- Profit for the Period attributable to owners of the Company amounted to approximately RMB15,452,000 (for the six months ended 30 June 2010: RMB13,936,000).

During the Period under review, the Group's revenue was approximately RMB594,109,000, representing an increase of approximately 17.79% over the same period last year. The increase was mainly attributable to the better economic sentiments during the first half of 2011 and some orders being diverted to the Group as the local manufacturers in Japan were unable to cope with the customers' demand for production of electrolytic capacitors and aluminum foils due to the earthquake that hit Japan in March 2011. The sales of aluminum electrolytic capacitors for the Period was approximately RMB429,591,000, representing an increase of approximately 17.63% over RMB365,207,000 in the same period last year. The sales of aluminum foils for the Period was approximately RMB164,518,000, representing an increase of approximately 18.21% over RMB139,170,000 in the same period last year. The Group's gross profit margin fell slightly from approximately 20.50% for the corresponding period last year to approximately 19.80% for the Period. The decrease in the gross profit margin was mainly due to the increase in electricity prices, being one the of major costs in the production of aluminum foils.

Business Review

➢ *Manufacture and sale of aluminum foils*

During the Period, after satisfying internal production demand, external sales of aluminum foils amounted to approximately RMB164,518,000, representing an increase of approximately 18.21% over RMB139,170,000 during the same period last year. Its share of the Group's total external sales increased from approximately 27.59% for the same period last year to approximately 27.69% for the Period.

Manufacturing and sale of high quality anode foils is one of the major businesses of the Group. Currently, the Group has completed the mass production of the super high-voltage anode foils in its production lines. The Group possesses the technology for the production and processing of quality anode foils as well as stable production capacity.

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

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 People's Republic of China ("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. The Group also intends to set up a total of 40 production lines with an aggregate annual planned production capacity of 6,500,000 square meters of aluminum foils in East-River Industrial Park, Xining (State Level) Economic Technology Development Zone, Qinghai, the PRC. Some production lines are expected to be completed by mid-September this year and commence production in the fourth quarter. The said investment is expected to reduce the Group's overall production cost of aluminum foils.

➢ *Manufacture and sale of capacitors*

External sales of aluminum electrolytic capacitors during the Period amounted to approximately RMB429,591,000, representing approximately 72.31% of the Group's total external sales. This is similar to that recorded in the same period last year which was approximately 72.41% of the Group's total external sales.

At present, the Group's production technique for aluminum electrolytic capacitors is rather mature. In response to the demand arising from diverse application of electronic products, the Group's aluminum electrolytic capacitors feature a comprehensive range of sizes and specifications, and are characterized by long life, high capacitance, low resistance, energy-saving, 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 and conductive polymers and they are flame retardant and with safety vent construction design. In addition, the Group has also successfully developed products which meet the requirements of the automotive industry in terms of heat resistance, shock-proof, high ripple rejection and low resistance. The Group has obtained the ISO/TS 16949 certification for such products and become a qualified supplier of related electronic devices for the automotive industry.

➢ *Green production system*

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

Liquidity and Financial Resources

➢ *Cash flows*

The Group's cash demand is primarily derived from the acquisition of properties, plants and equipment, the costs and expenses related to operating activities, as well as bank loan interest and repayment of borrowings. During the Period, the Group obtained its cash resources mainly from operating activities and bank borrowings.

During the Period, the Group had net cash inflow of approximately RMB46,609,000 from operating, investing and financing activities before foreign exchange adjustment, the details of which are set out below:

Net cash inflows from operating activities were approximately RMB72,085,000, mainly accounted for by the profit before tax of approximately RMB23,490,000 for the Period together with the flow of funds as a result of the adjustments for finance costs and depreciation, movements in inventory, accounts receivable and accounts payable.

Net cash outflows from investing activities were approximately RMB43,573,000, mainly accounted for by the cash outflows arising from the Group's prepayments for property, plant and equipment of approximately RMB13,031,000 for the construction of plants in Qinghai, deposits of approximately RMB5,646,000 paid for the purchase of land in Longtan Township, Taiwan, and payments of approximately RMB43,467,000 for the purchase of property, plant and equipment, as well as the cash inflows arising from the decrease in secured deposits of approximately RMB12,028,000.

Net cash inflows from financing activities were approximately RMB18,097,000, mainly accounted for by the bank borrowings of approximately RMB664,850,000, repayment of bank loans of approximately RMB637,921,000, payment of loan interest of approximately RMB17,952,000, and increase in amounts due to related parties of approximately RMB9,120,000.

As at 30 June 2011, the Group had cash and cash equivalents of approximately RMB178,553,000 (31 December 2010: RMB133,546,000), which were mainly denominated in Renminbi and US dollars.

➢ *Borrowings*

As at 30 June 2011, the Group had total bank borrowings of approximately RMB657,702,000 (31 December 2010: RMB632,196,000), which were mainly denominated in Renminbi and US dollars. Such borrowings were mainly subject to floating interest rates. Set out below is an analysis of the repayment profile of the bank borrowings:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Within one year or on demand	**655,210**	629,179
In the second year	**939**	956
In the third to fifth years (both years inclusive)	**1,553**	2,061
More than five years	**–**	–
	657,702	632,196

Included in the above bank borrowings due within one year or on demand are bank loans with carrying amounts of approximately RMB97,429,000 (31 December 2010: RMB34,322,000) 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:

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Bank deposits	**97,289**	109,317
Bills receivable	**3,005**	2,440
Prepaid lease payments	**25,730**	29,900
Property, plant and equipment	**333,315**	331,684
	459,339	473,341

Financial Ratios

As at 30 June 2011, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 49.36%, representing a slight increase of approximately 0.95% as compared to 48.41% as at 31 December 2010.

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

	For the six months ended 30 June	
	2011	2010
Inventory turnover	**97 days**	107 days
Bills and accounts receivable turnover	**109 days**	117 days
Bills and accounts payable turnover	**67 days**	63 days

Compared with the same period last year, the Group's turnover days for inventory and bills and accounts receivable were 10 days and 8 days shorter, whereas the turnover days for bills and accounts payable were 4 days longer. The Group will continue to improve the management of its inventories, accounts receivable and accounts payable in order to better utilize the available funds.

Capital Commitments

As at 30 June 2011, the Group had capital commitments contracted but not provided for and capital commitments authorised but not contracted for amounting to approximately RMB87,549,000 and nil respectively (31 December 2010: RMB19,125,000 and RMB13,049,000 respectively).

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities.

During the year 2009, a customer filed a civil complaint in the People's Court of Baoan District in the PRC (the "Court") against a subsidiary of the Company, Capxon Electronic (Shenzhen) Co. Ltd. ("Capxon Shenzhen"), claiming product defect compensation of RMB29,144,000. Capxon Shenzhen placed a deposit of RMB7,000,000 with the Court in respect of such claim. The claim was rejected at first instance by the Court. In December 2009, the customer filed an appeal which was heard in May 2010. The Court eventually dismissed the appeal filed by such customer.

Foreign Exchange Fluctuations

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

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

Employment and Remuneration Policy

As at 30 June 2011, the Group had approximately 3,553 employees. Salary, bonus and benefits are determined with reference to prevailing market terms and individual performance, qualification and experience.

Future Strategies and Plans

In 2011, as a result of the earthquake in Japan, passive components were running short in the market. The Group prudently plans its strategies for the future under such optimistic environment:

1. *Continue its research and development efforts and endeavor to reduce costs*

   The Group will continue its research and development in the fully-automated production and processing system to reduce costs, and optimize the production configuration of aluminum foils and electrolytic capacitors. The Group's research and development division will continue its efforts in technology development as well as production and processing equipment upgrade to achieve fully-automated production. This can minimize unnecessary wear and tear and hence maintain the Group's competitiveness. Meanwhile in order to meet the needs of the Group's customers, before the launch of new products the Group will work simultaneously with its customers in the research and development of aluminum electrolytic capacitor products and the formulation of product specifications.

2. *Strict quality control*

   As a result of the enhancement of production and processing technology, the aluminum foils and lead wires produced by the Group can effectively enhance the production and processing capability and reduce the consumption of raw materials.

3. *New production base for solid state capacitors*

   The Group has 30 years of extensive experience in the business of liquid aluminum electrolytic capacitors and has accumulated a large customer base in the electronics industry. Due to the diverse application of electronics technology, demand for aluminum electrolytic capacitors increasingly focuses on properties such as long life, low resistance and high ripple current. The application of traditional liquid aluminum electrolytic capacitors cannot be upgraded due to the properties of electrolyte. On the contrary, solid state capacitors possess qualities that satisfy all such conditions. Taking into account the production and processing as well as human factors, the Group entered into the sale and purchase deeds on 9 June 2011 to purchase various parcels of land in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan at a total consideration of NTD252,000,000 for the construction of a production base with 15 solid state capacitor production lines to support the demand for advanced electronics products.

Prospects

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

- 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 Company has completed the expansion of production lines of the fully-automated operating system to enhance productivity;

- As the market demand for LED TV, notebooks and game players expands, the Group possesses the following strengths in terms of solid state capacitors:

  (i) Cost reduction: As the Group enjoys the benefits from the smooth vertical integration between the upstream and downstream manufacturers of aluminum electrolytic capacitor raw materials, the major materials are produced by the Group, which are available for the production of solid state capacitors;

  (ii) Simplified production and processing: The new state of production and processing features the fully-automated production flow. The patent tools are also equipped with all the machineries and equipment required for batch production and therefore require less manpower;

  (iii) Higher productivity: The fully-automated production lines have a higher productivity rate as compared with the batch production of traditional electrolytic capacitors;

  (iv) Special production line: The machineries are highly utilized;

  (v) Complete raw materials supply: The core materials for solid state capacitors, such as aluminum foils, are secured;

(vi) Higher properties: The solid state capacitors are high temperature resistant, long life, low resistant and have high ripple current. Meanwhile, they can produce DIP and SMD models to fully replace low voltage liquid electrolytic capacitors; and

(vii) Comprehensive customer base: With its existing large customer base's application on power supply products, computer motherboards and peripherals such as networks, LED TV and monitors, the demand for solid state capacitors from customers will be the major driver for the Group's development in the future.

➢ The solid state capacitor manufacturers expect to commence mass production next year and intend to replicate such into system manufacturers and brand manufacturers in the future for business expansion.

The Group will expand the existing production size depending on market demand. In addition to integrating the existing equipment, the Group will invest in the development of new machineries and rearrange the capacity of production lines to achieve the objectives of management and control as planned, with a view to generating returns to the shareholders in the coming year.

Save as set out above, the information discussed and analyzed by the management of the Company does not differ materially from that disclosed in the latest published annual report of the Company for 2010.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 35, which comprises the condensed consolidated statement of financial position of Capxon International Electronic Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 RMB'000 (unaudited)**	2010 RMB'000 (unaudited)
Revenue	*3*	**594,109**	504,377
Cost of sales		**(476,489)**	(400,974)
Gross profit		**117,620**	103,403
Other income		**7,985**	7,016
Selling and distribution costs		**(28,335)**	(24,059)
Administrative expenses		**(37,612)**	(35,557)
Other expenses		**(18,216)**	(18,637)
Finance costs		**(17,952)**	(15,732)
Profit before taxation	*4*	**23,490**	16,434
Taxation	*5*	**(7,764)**	(1,887)
Profit for the period		**15,726**	14,547
Other comprehensive income			
Exchange differences arising on translation		**(481)**	1,464
Total comprehensive income for the period		**15,245**	16,011
Profit for the period attributable to:			
Owners of the Company		**15,452**	13,936
Non-controlling interests		**274**	611
		15,726	14,547
Total comprehensive income attributable to:			
Owners of the Company		**14,976**	15,395
Non-controlling interests		**269**	616
		15,245	16,011
Earnings per share – Basic and diluted *(RMB cents)*	*7*	**1.83**	1.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**30 June 2011 *RMB'000* (unaudited)**	31 December 2010 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**655,616**	648,862
Prepaid lease payments		**26,847**	29,189
Intangible assets		**8,904**	10,959
Deferred tax assets		**1,087**	1,076
Deposits paid for acquisition of property, plant and equipment		**18,677**	–
		711,131	690,086
CURRENT ASSETS			
Inventories		**272,928**	240,132
Prepaid lease payments		**669**	711
Trade and other receivables	*9*	**439,163**	421,181
Pledged bank deposits		**97,289**	109,317
Bank balances and cash		**178,553**	133,546
		988,602	904,887
CURRENT LIABILITIES			
Trade and other payables	*10*	**233,998**	181,827
Amounts due to related parties	*14*	**25,480**	16,440
Tax payables		**8,276**	5,708
Bank borrowings – due within one year	*11*	**655,210**	629,179
		922,964	833,154
NET CURRENT ASSETS		**65,638**	71,733
TOTAL ASSETS LESS CURRENT LIABILITIES		**776,769**	761,819

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Bank borrowings – due over one year	11	**2,492**	3,017
Defined benefit obligations		**6,595**	6,365
		9,087	9,382
		767,682	752,437
CAPITAL AND RESERVES			
Share capital		**82,244**	82,244
Share premium and other reserves		**675,519**	660,543
Equity attributable to owners of the Company		**757,763**	742,787
Non-controlling interests		**9,919**	9,650
		767,682	752,437

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30 June 2011

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000* *(note 1)*	Share option reserve *RMB'000*	Statutory reserve *RMB'000* *(note 2)*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2010 (audited)	82,244	436,626	(30,753)	6,015	70,924	22,380	137,315	724,751	9,070	733,821
Profit for the period	–	–	–	–	–	–	13,936	13,936	611	14,547
Exchange differences arising from translation of foreign operations	–	–	–	–	–	1,459	–	1,459	5	1,464
Total comprehensive income	–	–	–	–	–	1,459	13,936	15,395	616	16,011
Recognition of equity-settled share-based payments	–	–	–	356	–	–	–	356	–	356
Appropriation	–	–	–	–	1,402	–	(1,402)	–	–	–
At 30 June 2010 (unaudited)	82,244	436,626	(30,753)	6,371	72,326	23,839	149,849	740,502	9,686	750,188
Profit for the period	–	–	–	–	–	–	4,124	4,124	102	4,226
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(1,839)	–	(1,839)	(138)	(1,977)
Total comprehensive (expense) income	–	–	–	–	–	(1,839)	4,124	2,285	(36)	2,249
Appropriation	–	–	–	–	6,900	–	(6,900)	–	–	–
At 31 December 2010 (audited)	82,244	436,626	(30,753)	6,371	79,226	22,000	147,073	742,787	9,650	752,437
Profit for the period	–	–	–	–	–	–	15,452	15,452	274	15,726
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(476)	–	(476)	(5)	(481)
Total comprehensive (expense) income	–	–	–	–	–	(476)	15,452	14,976	269	15,245
At 30 June 2011 (unaudited)	**82,244**	**436,626**	**(30,753)**	**6,371**	**79,226**	**21,524**	**162,525**	**757,763**	**9,919**	**767,682**

Notes:

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**72,085**	5,505
Net cash (used in) from investing activities		
Release of pledged bank deposits	**12,028**	79,998
Net proceeds from disposal of investment properties	**–**	13,675
Purchase of property, plant and equipment	**(43,467)**	(21,649)
Deposit paid for acquisition of property, plant and equipment	**(18,677)**	–
Other investing cash flows	**6,543**	(49)
	(43,573)	71,975
Net cash from (used in) financing activities		
New bank borrowings raised	**664,850**	448,701
Repayment of bank borrowings	**(637,921)**	(482,089)
Interest paid	**(17,952)**	(15,732)
Other financing cash flows	**9,120**	5,886
	18,097	(43,234)
Net increase in cash and cash equivalents	**46,609**	34,246
Cash and cash equivalents at 1 January	**133,546**	70,663
Effect of foreign exchange rate changes	**(1,602)**	799
Cash and cash equivalents at 30 June, represented by bank balances and cash	**178,553**	105,708

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months ended 30 June 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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

The application of the new or revised IFRSs in the current interim period has had no material effect on the amount reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

IFRSs issued but not yet effective

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

These new or revised standards on consolidation, joint arrangements and disclosures are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Information regarding the above segments is reported below.

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

For the six months ended 30 June 2011

	Capacitors	Aluminum foils	Segment total	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	429,591	164,518	594,109	–	594,109
Inter-segment sales	–	165,223	165,223	(165,223)	–
Segment sales	429,591	329,741	759,332	(165,223)	594,109
Segment profit	24,076	17,276	41,352	339	41,691
Interest income					3,539
Unallocated corporate expenses					(3,788)
Finance costs					(17,952)
Profit before taxation					23,490

3. REVENUE AND SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2010

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

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

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**35,064**	34,629
Depreciation of investment properties	**–**	32
Amortisation of prepaid lease payments	**351**	339
Amortisation of intangible assets (included in administrative expenses)	**1,299**	970
Impairment loss on inventories (included in cost of sales)	**18,365**	14,387
Impairment loss on intangible assets (included in other expenses)	**757**	–
Impairment loss on trade receivables	**1,797**	3,976
Net foreign exchange losses	**6,241**	5,481
Loss on disposal of property, plant and equipment	**691**	2,691
Gain on disposal of investment properties	**–**	(4,104)
Gain on disposal of prepaid lease payments	**(316)**	–
Interest income	**(3,539)**	(1,065)

5. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
The charge (credit) represents:		
Current tax		
– Taiwan Corporate Income Tax	**–**	602
– PRC Enterprise Income Tax	**8,439**	1,926
	8,439	2,528
Under(over)provision in prior years		
– Taiwan Corporate Income Tax	**321**	(841)
– PRC Enterprise Income Tax	**(967)**	–
	(646)	(841)
Deferred tax		
– Attributable to a change in tax rate	**–**	192
– Current period	**(29)**	8
	(29)	200
	7,764	1,887

5. TAXATION *(continued)*

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

Taiwan Corporate Income Tax is charged at 17% on the assessable profits.

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

Pursuant to the relevant laws and regulations in the PRC, one of the Company'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.

6. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors did not recommend the payment of any interim dividend in respect of both periods.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the six months ended 30 June 2011 is based on the profit for the period attributable to owners of the Company of approximately RMB15,452,000 (Six months ended 30 June 2010: RMB13,936,000) and on 844,559,841 ordinary shares in issue.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the Company's average share price for the six months ended 30 June 2011 and 2010.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment, including construction in progress of approximately RMB43,467,000 (six months ended 30 June 2010: RMB21,649,000) for the purposes of expanding the Group's business.

As at 30 June 2011, the Group did not obtain building ownership certificates for buildings located in Baotou City, Inner Mongolia Autonomous Region, the PRC, with a carrying value of approximately RMB9,701,000 (31 December 2010: RMB9,675,000). The directors of the Company expect to obtain the building ownership certificates for these buildings in 2013.

9. TRADE AND OTHER RECEIVABLES

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

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0 – 60 days	**194,559**	189,173
61 – 90 days	**75,034**	65,345
91 – 180 days	**90,318**	90,254
181 – 270 days	**3,205**	5,177
271 – 360 days	**616**	162
Over 360 days	**618**	47
	364,350	350,158

10. TRADE AND OTHER PAYABLES

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 as at the end of the reporting period:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
0 – 60 days	**108,948**	82,560
61 – 90 days	**20,256**	16,714
91 – 180 days	**53,433**	31,844
181 – 270 days	**3,749**	2,884
271 – 360 days	**2,839**	2,216
Over 360 days	**13,608**	15,349
	202,833	151,567

11. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately RMB664,850,000 (six months ended 30 June 2010: RMB448,701,000). The new borrowings are variable-rate borrowings with effective interest rates ranging from 1.34% to 7.93% per annum and are repayable within 1 to 2 years. The Group also repaid borrowings of approximately RMB637,921,000 (six months ended 30 June 2010: RMB482,089,000) during the period.

12. CAPITAL COMMITMENTS

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**87,549**	19,125
Commitments for the acquisition of property, plant and equipment authorised but not contracted for	**–**	13,049

13. PLEDGE OF ASSETS

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

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Property, plant and equipment	**333,315**	331,684
Prepaid lease payments	**25,730**	29,900
Bank deposits	**97,289**	109,317
Bills receivable	**3,005**	2,440
	459,339	473,341

14. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Name of related parties	**Nature of transactions**	**Six months ended 30 June** **2011** *RMB'000*	2010 *RMB'000*
Ele Con Co., Ltd. ("Ele Con") *(Note i)*	Purchase of raw materials	**–**	5,014
Hill Source Electron (Shenzhen) Co., Ltd. ("Hill Source") *(Note ii)*	Purchase of raw materials	**–**	81
Lin I Chu *(Note iii)*	Interest expense	**13**	–

Notes:

(i) It was owned as to 30% by Ms. Liu Fang Chun who is a non-executive director of the Company and a family member of Mr. Lin Chin Tsun, an executive director and one of the ultimate controlling parties of the Company. It ceased business during the year ended 31 December 2010 and was de-registered during the current period.

(ii) Mr. Lin Chin Tsun can exercise significant influence over Hill Source.

(iii) Ms. Lin I Chu is the daughter of Mr. Lin Chin Tsun and a non-executive director of the Company.

14. RELATED PARTY DISCLOSURES *(continued)*

(b) Related party balances

Name of related parties	Relationship	**30 June 2011** *RMB'000*	31 December 2010 *RMB'000*
Amounts due to related parties			
Chou Chiu Yueh	Director	**5**	5
Lin I Chu	Director	**7,277**	–
Fung Yue Technology Limited ("Fung Yue")	*Note*	**3,455**	3,535
Hill Source	*Note 14(a)(ii)*	**3,162**	1,319
Capxon Electronic Technology (Renhua) Co., Ltd. ("Capxon Renhua")	*Note*	**11,581**	11,581
		25,480	16,440

Note: Fung Yue is wholly owned by Mr. Lin Chin Tsun. Capxon Renhua is a subsidiary of Fung Yue. The balance due to Fung Yue aged over 360 days based on the invoice date at the end of both reporting periods.

Except for an unsecured amount due to Ms. Lin I Chu of approximately RMB7,277,000 which bears fixed interest at 4.044% per annum and repayable on 13 December 2011, the remaining balances due to related parties at 30 June 2011 and 31 December 2010 were interest-free, unsecured and repayable on demand.

In addition, on 30 June 2011, Mr. Lin Chin Tsun and the Group entered into an agreement where Mr. Lin Chin Tsun agreed to provide to the Group a loan facility amounting to NTD160,000,000 (equivalent to approximately RMB35,760,000) for the period from 1 January 2012 to 31 December 2016. The loan is unsecured and carries interest at 2% per annum which is subject to re-negotiation if the market interest rate changes by 1%. The Group did not utilize the facility up to the date of this report.

14. RELATED PARTY DISCLOSURES *(continued)*

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

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

	30 June 2011 **RMB'000**	31 December 2010 *RMB'000*
Guarantees provided by:		
Lin Chin Tsun	**231,959**	143,836
Lin Chin Tsun and Chou Chiu Yueh	**71,444**	59,134
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun and Lin I Chu	**41,500**	58,267
Lin Chin Tsun and Lin Yuan Yu	**113,710**	66,642
	458,613	327,879

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

For the six-month period ended 30 June 2011 and the year ended 31 December 2010, Mr. Lin Yuan Yu, has pledged a property to a bank to secure banking facilities of USD1,300,000 granted to the Group. In addition, Ms. Lin I Chu has pledged a property to a bank to secure banking facilities of RMB30,000,000 granted to the Group during the current period.

14. RELATED PARTY DISCLOSURES *(continued)*

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Short term benefits	**4,735**	4,705
Post-employment benefits	**119**	114
Share-based payments expenses	**–**	314
	4,854	5,133

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

15. EVENTS AFTER THE END OF REPORTING PERIOD

In June 2011, Capxon Electronic Industrial Company Limited, a non-wholly owned subsidiary of the Company, entered into sale and purchase deeds with independent third parties for the purchase of various parcels of land situated in Taiwan for a total consideration of NTD252,000,000 (equivalent to approximately RMB58,792,000). The Group intends to construct production facilities on the land in order to expand its production capacity. The acquisition has been completed in August 2011 upon the completion of the transfer of the relevant property right to the Group. Please refer to the announcement of the Company dated 9 June 2011 for details of the transaction.

OTHER INFORMATION

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

As at 30 June 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive	Capacity and nature of interests	Number of issued shares held (a) and approximate percentage of shareholding (b) [1]		Interest in underlying shares[4]	Total interest (a) and approximate percentage of shareholding (b) [1]	
		(a)	(b)		(a)	(b)
Mr. LIN Chin Tsun	Beneficial owner	101,657,378	66.90	3,200,000	570,473,947	67.55
	Interest of controlled corporation	395,360,783[2]		–		
	Interest of spouse	67,955,786		2,300,000		
Ms. CHOU Chiu Yueh	Beneficial owner	67,955,786	66.90	2,300,000	570,473,947	67.55
	Interest of controlled corporation	395,360,783[2]		–		
	Interest of spouse	101,657,378		3,200,000		
Mr. LIN Yuan Yu	Beneficial owner	13,161,622	46.73	1,900,000	397,475,621	47.06
	Interest of controlled corporation	374,585,006[3]		–		
	Interest of spouse	6,928,993		900,000		
Ms. LIN I Chu	Beneficial owner	9,429,777	45.47	900,000	384,914,783	45.58
	Interest of controlled corporation	374,585,006[3]		–		

Name of Director/ chief executive	Capacity and nature of interests	Number of issued shares held (a) and approximate percentage of shareholding (b) [(1)] (a)	(b)	Interest in underlying shares[(4)]	Total interest (a) and approximate percentage of shareholding (b) [(1)] (a)	(b)
Ms. LIU Fang Chun	Beneficial owner	6,928,993	46.73	900,000	397,475,621	47.06
	Interest of spouse	387,746,628		1,900,000		
Mr. TUNG Chin Chuan	Beneficial owner	3,386,000	0.40	–	3,386,000	0.40
Ms. HU Szu Jung, Carol	Beneficial owner	243,991	0.03	900,000	1,143,991	0.14

Notes:

(1) This percentage has been compiled based on the total number of issued shares (i.e. 844,559,841 shares) of the Company as at 30 June 2011.

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

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

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

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

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company and their associates had any personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, as at 30 June 2011, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity and nature of interests	Number of issued shares held directly	Approximate percentage of shareholding*
Value Management Holding Limited	Beneficial owner	374,585,006	44.35

* This percentage has been compiled based on the total number of issued shares (i.e. 844,559,841 shares) of the Company as at 30 June 2011.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 June 2011, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

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

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

Under the Pre-IPO Share Option Scheme, the options granted shall vest in the relevant grantees in tranches, namely 20% of the options shall vest on the first anniversary of the date of grant at an exercise price of HK$0.465 per share (the "First Tranche"); 20% of the options shall vest on the second anniversary of the date of grant at an exercise price of HK$0.465 per share (the "Second Tranche"); and 60% of the options shall vest on the third anniversary of the date of grant at an exercise price of HK$0.465 per share. The Board may at its absolute discretion adjust the percentage of the options to be vested in the First Tranche and the Second Tranche either upwards or downwards based on the performance of the relevant grantees in the year immediately preceding the vesting of the options in the relevant tranches as determined by the Board. The options may be exercised, in whole or in part, at any time during the option period from 17 April 2007 to 16 April 2012 except that no options may be exercised until the expiry of 12 months after the respective dates of vesting. At the annual general meeting of the Company held on 5 June 2008, the shareholders of the Company approved an amendment to the terms of the outstanding options granted under the Pre-IPO Share Option Scheme such that the holders may exercise such options at any time during the period commencing from 17 April 2007 and expiring on 16 April 2012 after the respective dates of vesting. Details of the share options granted under the Pre-IPO Share Option Scheme which remained outstanding as at 30 June 2011 are as follows:

	Date of grant	**Exercise price per share**	**Number of options outstanding as at 1 January 2011 and 30 June 2011**
Name of Director/ chief executive			
Mr. LIN Chin Tsun	17 April 2007	HK$0.465	3,200,000
Ms. CHOU Chiu Yueh	17 April 2007	HK$0.465	2,300,000
Mr. LIN Yuan Yu	17 April 2007	HK$0.465	1,900,000
Ms. LIN I Chu	17 April 2007	HK$0.465	900,000
Ms. LIU Fang Chun	17 April 2007	HK$0.465	900,000
Ms. HU Szu Jung, Carol	17 April 2007	HK$0.465	900,000
Other employees	17 April 2007	HK$0.465	3,300,000
			13,400,000

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

DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Directors' securities transactions. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 (including the accounting principles and practices), internal controls and financial reporting matters with the management of the Company.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 26 August 2011