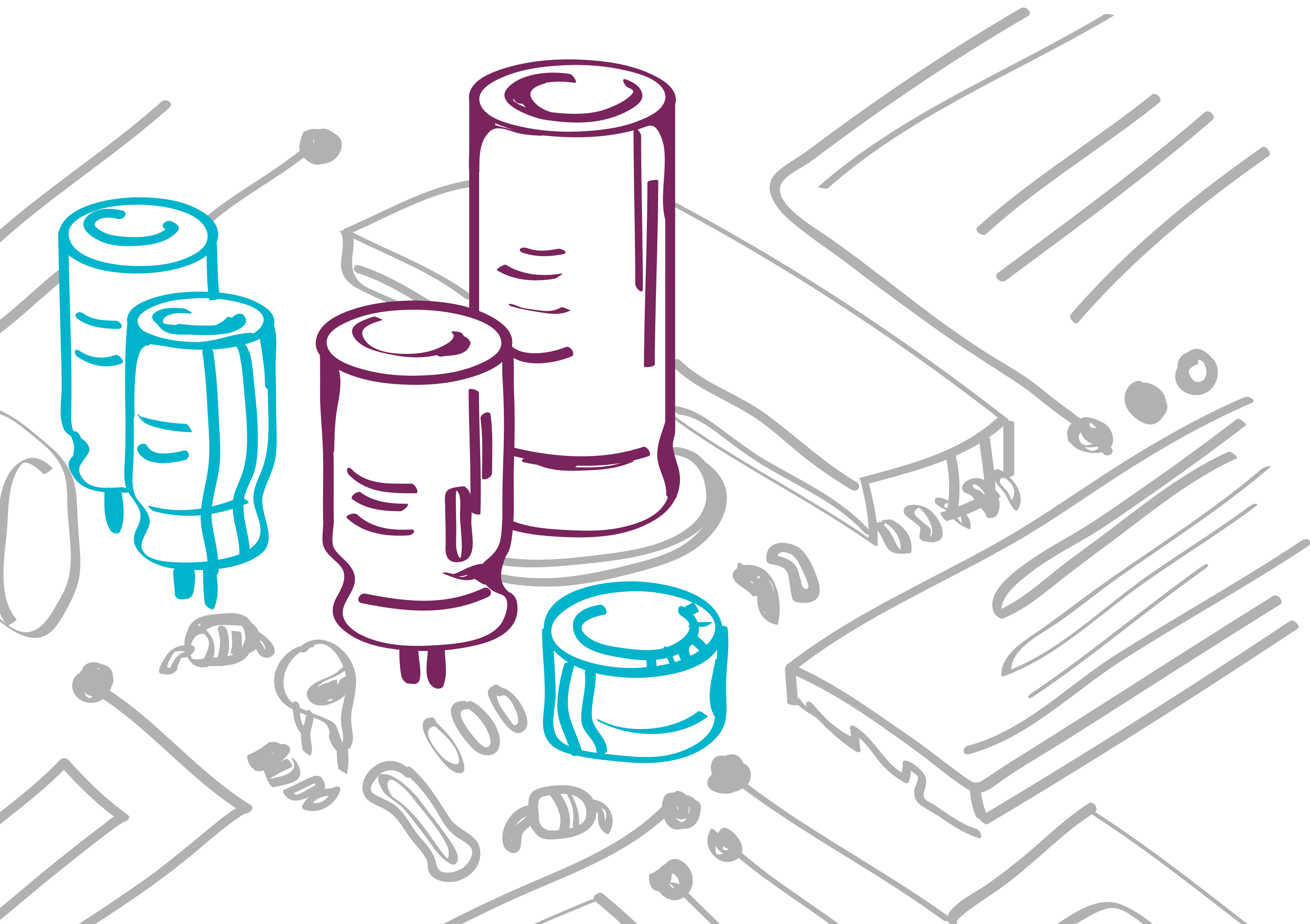
CapXon

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



Annual Report 2012

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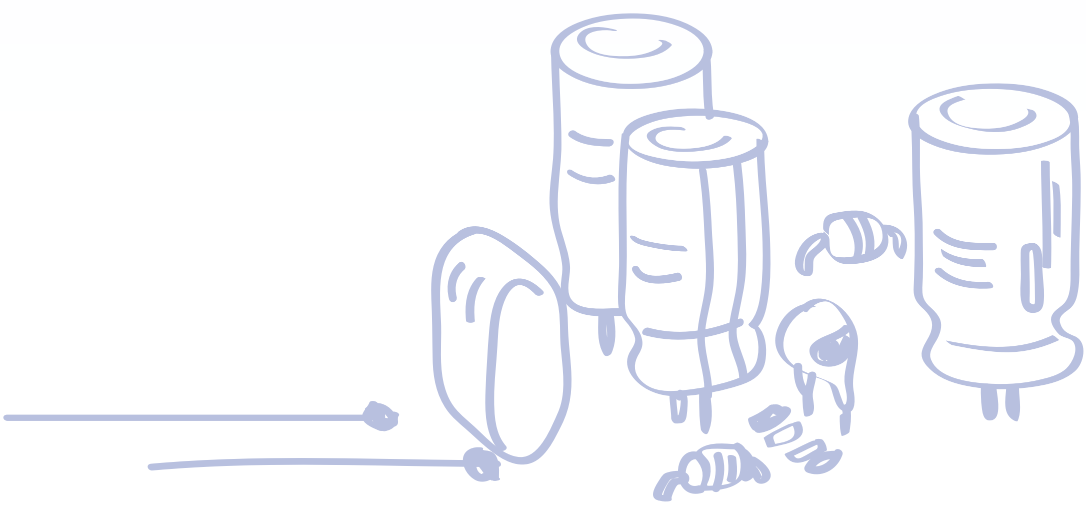

Corporate Information

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)*
Ms. LIN I Chu

NON-EXECUTIVE DIRECTOR

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

NOMINATION COMMITTEE

(Established on 1 April 2012)
Mr. LIN Chin Tsun *(Chairman)*
Ms. CHOU Chiu Yueh
Mr. LAI Chung Ching
Mr. LU Hong Te
Mr. TUNG Chin Chuan

REMUNERATION COMMITTEE

Mr. LAI Chung Ching *(Appointed to replace Mr. Lin Chin Tsun as Chairman from 1 April 2012)*
Mr. LIN Chin Tsun
Ms. CHOU Chiu Yueh
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 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
Taiwan Cooperative Bank

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
Taiwan

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS

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WEBSITE

www.capxongroup.com

STOCK CODE

469

Chairman's Statement

Dear Shareholders,

Since the third quarter of 2012, the global economy has not performed as well as forecasted at the start of the year. Fiscal cliff in the United States, sluggish economy in Japan and debt crisis in the European countries resulted in decreases in both consumption and demand. In particular, the growth in emerging countries and that of the domestic consumption markets in developing countries were far much slower than expected. Furthermore, businesses such as import and export trade and OEM which these countries relied heavily on suffered significantly from the drastic decrease in overseas demands. The drastic decrease in overseas demand also led to the lethargic performance of international trade across the globe.

Generally, the overall global economy in 2013 will be relatively stable compared to that of 2012. Apart from the lower radix in 2012, the gradual improvement in the property and employment market in the United States, the increase in consumption expenditures, the new high record of the Purchase Management Index of manufacturing industry in Mainland China in recent years and the gradually stabilising economic trend are all indicators that the global economy is gradually re-picking up its momentum. In the electronic industry, high-end and innovative products such as smart phones and tablet computers will be the major driving force of growth in the passive component market. In 2013, the overall capacitor market will still enjoy slight growth increase as application products such as smart phones, tablet computers, LED television sets and LED monitors become more advanced and sophisticated. This also means that the future of passive components will continue to feature miniaturization, sophistication, durability, and high resistance to heat.

The industry chain of passive components is challenged by two major issues, namely, the lack of the exclusive source of supply of raw materials and the high production cost brought by the acquisition of machinery required for manufacturing high-end products. The Company and its subsidiaries (collectively the "Group") are one of the few market players who can leverage the supply advantage brought by the vertical integration of raw materials and passive component products. The Group will continue to persistently invest in research and development and equipments in order to meet customers' specific specification requests and to enhance the supply stability of solid-state capacitors. As for the aluminium foil business, the Group will join hands with capacitor manufacturers in the product development process and assist them in the joint development of materials to meet specific material requests; thereby ushering development opportunities in future market demand.

Looking forward to 2013, the Group will, on the one hand, proactively cater to the product demand of existing clients and capitalize on the advantages brought by vertical integration of upstream and downstream production chain to offer better services. On the other hand, the Group will actively solicit new clients, enhance its research and development capacity for product functionality improvements and lower its production costs in order to better satisfy customers' needs, thereby maximising returns to shareholders.

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

1. OPERATIONS IN THE ALUMINIUM FOIL MARKET

In 2012, as a result of the pessimistic economic atmosphere for the entire industry and the stagnant demand in the European and American markets, the production volume of aluminium foils dropped while the per unit cost increased, and the selling prices of products were also forced to decrease. Gross profits was therefore affected by the higher cost and lower selling price. Coupled with the fact that the benefits of factory relocation have yet to be realised, the Group incurred loss for the year. The Group was only able to minimize its loss by keeping production costs in control through leveraging on its advanced production technologies and relatively low electricity costs.

Currently, the ultra-high voltage formed foils have entered into the mass production stage while the medium-high voltage etched foils have also achieved the research and development goal for capacitance improvement. The production line of formed foils in Qinghai Xining Plant operated in full swing this year as scheduled. The key technical research and development of high capacitance formed foils has also achieved the expected goal. It is expected that the production capacity of formed foils will not merely satisfy the Group's internal demand but also be sufficient to persistently meet the needs of other capacitor manufacturers. As far as production costs control is concerned, the Group has, on the one hand, entered into agreements with its main suppliers to lower its raw material acquisition price and, on the other hand, developed innovative technology, enhanced production techniques and implemented energy-saving and consumption reduction measures to reduce production costs.

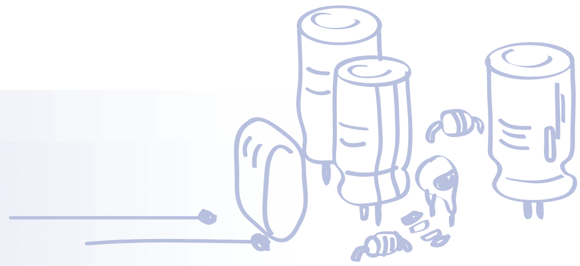
2. OPERATIONS IN THE ELECTROLYTIC CAPACITOR MARKET

- SMD electrolytic capacitors achieved a 2.3% rise in global market share as a result of the expansion of television customer base and the increase in orders for automobile applications from Japan;
- Screw lock series electrolytic capacitors remained sluggish in the solar power industry but recorded slight increase in the orders from electric car industry and for welding machines;
- The production capacity of conductive polymers is currently 45 million units, and will continuously be expanded; the production process will also be updated in order to shorten the process time and to enhance the quality of products; the application of conductive polymers will continue to rise in smart phones chargers and automobile electronics markets;
- The orders in respect of small low resistance products continued to increase with the wider used of smart phones, as these small low resistance products are used on networking products such as wireless routers and set-top boxes;
- Benefited from the increased demand for Samsung products, orders for high-voltage small electrolytic capacitors for use in small-chargers showed a significant growth;
- Various types of small low-voltage products such as chargers for use in automobiles have met the automobile component test standard and will gradually be introduced into the automobile market; and
- Under the trend for energy conservation and carbon reduction, LED lighting products have generally become more acceptable to the market, and the application of SNAP IN products in air-conditioners has also received gradual recognition from customers.

Looking forward, as the future market generally calls for a greener business environment, energy-conservation and carbon reduction will inevitably be the trend. Governments of various countries will make energy development their key project which will then drive all enterprises towards this direction. In the coming year, the Group will focus on the development of electrolytic capacitors for wind power, solar power and electric cars. The Group will capitalize on the collective wisdom of its management team more effectively, leverage on its strengths and innovations, and consolidate its business foundation and competitive edges. Meanwhile, the Group will also make every endeavour to become an international market supplier by combining the competitive edges of its operations in Mainland China, Hong Kong and Taiwan with a view to maximizing investment returns for the Company's shareholders as a whole.

LIN Chin Tsun
Chairman

Hong Kong, 28 March 2013



Management Discussion and Analysis

FINANCIAL REVIEW

A summary of the financial results of the Group for the year ended 31 December 2012 (the "Year") is as follows:

- Revenue decreased by approximately 13.28% to approximately RMB970,975,000.
- Gross profit decreased by approximately 22.79% to approximately RMB175,605,000.
- Loss for the year attributable to owners of the Company amounted to approximately RMB2,957,000 (for the year ended 31 December 2011: profit of RMB26,895,000).

Reviewing the financial results of the Year, the Group's revenue was approximately RMB970,975,000, representing a decrease of approximately 13.28% over the same period last year. The decrease was mainly attributable to the under-performance of the global economy since the third quarter of 2012, which did not turn out to be as good as the optimistic forecast made at the beginning of the Year, as well as the overall sluggish economic growth, drastic decrease in market demand of both the developed and emerging countries and the inactive international trading activities. The Group suffered from the unfavourable atmosphere in the industry and resulted in a shrinkage in its overall revenue. The sales of aluminum electrolytic capacitors for the Year were approximately RMB780,422,000, representing a decrease of approximately 7.21% as compared to that of RMB841,085,000 in the same period last year. The sales of aluminum foils for the Year was approximately RMB190,553,000, representing a decrease of approximately 31.58% as compared to that of RMB278,518,000 in the same period last year. The Group's gross profit margin decreased from approximately 20.31% for the corresponding period last year to approximately 18.09% this Year. The decrease in the gross profit margin was mainly due to the rise in unit production cost and drop in selling prices in light of decreased demand for aluminium foils, and the upward adjustment of the labor cost and electricity tariffs in Mainland China.

BUSINESS REVIEW

MANUFACTURE AND SALE OF ALUMINUM FOILS

During the Year, after satisfying internal production demand, external sales of aluminum foils amounted to approximately RMB190,553,000, representing a decrease of approximately 31.58% as compared to that of RMB278,518,000 in the same period last year. The share of aluminum foils in the Group's total external sales decreased from approximately 24.88% in the same period last year to approximately 19.62% this Year.

During the Year, the global structural recession, sluggish demand from Japan, European and US markets, weak consumption power and consumer sentiment had dragged down the market demand for end-products, which in turn caused a decrease in the market demand for upstream raw materials. Since there was a drop in the production volume of aluminium foils, a rise in unit cost and a reduction in the selling price of products, gross profit was affected by the higher cost but lower selling price. Coupled with the fact that the benefits of factory relocation have yet to be realised and the loss in foreign exchange, the Group incurred loss for the Year. Only by leveraging on its ever refining production and processing technology and relatively low electricity tariffs can the Group control its production cost and mitigate the decrease in gross profit.

Aluminum foils are the major raw materials of capacitors, thus a high quality of which is required. The Group has positioned the high quality formed foils as a major product in its sales strategy to, firstly, provide adequate high quality raw materials for the Group's own production of capacitors so as to lower the production costs and control product quality; and secondly, sell to both domestic and overseas manufacturers of capacitors. Not only can the Group develop customized aluminum foils in accordance with customers' requests, it also understands the market demand and is able to enhance its own research and development capacity through mutual cooperation.

Management Discussion and Analysis

The Group has excellent production processing technologies for formed foils and stable production capacity. Currently, the ultra-high voltage formed foils have been fully put into mass production, and the research and development for capacitance improvement in medium-high voltage etched foils have also achieved its goal. The production line of formed foils in Qinghai Xining Plant operated in full swing this year as scheduled. The key technical research and development of high capacitance formed foils has also achieved the expected goal. The production capacity of formed foils would not merely satisfy the Group's internal demand but would also be sufficient to persistently meet the needs of other capacitor manufacturers. As far as production costs control is concerned, the Group has, on the one hand, entered into agreements with its main suppliers to lower its raw material acquisition price and, on the other hand, developed innovative technology, enhanced production techniques and implemented energy-saving and consumption reduction measures to reduce production costs.

MANUFACTURE AND SALE OF CAPACITORS

External sales of aluminum electrolytic capacitors during the Year were approximately RMB780,422,000, representing approximately 80.38% of the Group's total external sales and an increase of approximately 5.26% from the same period last year, as the external sales of aluminum electrolytic capacitors for the same period last year accounted for approximately 75.12% of the Group's total external sales.

In light of the multi-tasking requirements for electronic products, the Group strives to advance its capacitor production technology. The Group's aluminum electrolytic capacitors offer a comprehensive range of size and specifications, and are characterized by features such as long life, high capacitance, low impedance, energy-saving, high temperature resistance and high voltage tolerance. For example, we offer small-sized high voltage capacitors and conductive polymers to satisfy the demand arising from the use of small chargers in the smart phone market; we shorten the trial production process for the custom-made SMD electrolytic capacitors and conductive polymers, the required components of the relevant adapter of LED television sets and monitors, in order to enhance our competitiveness; we advocate the use of mass production equipment for the industrial PSU large-sized SMD capacitors and client server as an alternative to the traditional liquid capacitance, application of network products in cloud system, and high voltage slim type capacitors and conductive polymers which are required by the relevant wireless router clients etc, and we have already completed the equipment test and will concurrently undergo trial runs on new machine types; as for other industries like voltage-inverter, mobile power supply and charger, we directly contact clients from the relevant brands and the system vendors and actively promote the sales of the relevant capacitors; we have also completed setup of highly reliable testing equipment for capacitors for use in automobiles. It is believed that the enhanced basic specifications of general products in the future can help to improve application conditions and service life reliability.

GREEN PRODUCTION MECHANISM

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 regulates the standards of the raw materials and production process used in electronic products. As far as the examination of the composition of raw materials and the overall production process are concerned, the Group has installed the relevant equipment and apparatuses to support quality control management so as to ensure compliance with the requirements of the RoHS. In addition, in full compliance with the SVHC (Substances of Very High Concern) and halogen-free regulations, the Group has shouldered environmental protection responsibilities, thereby winning the trustworthiness of its clients and creating new opportunities for green business.

LIQUIDITY AND FINANCIAL RESOURCES

CASH FLOWS

The Group's cash demand was primarily derived from the acquisition of property, plants and equipment, costs and expenses related to operating activities, and payment of bank loan interest and borrowings. During the Year, the Group obtained its cash resources from operating and investing activities.

During the Year, the Group had a net cash inflow of approximately RMB2,548,000 from operating, investing and financing activities before foreign exchange adjustment, the details of which are set out below:

Net cash inflow from operating activities was approximately RMB59,726,000, which was mainly due to the profit before tax for the Year of approximately RMB10,155,000 together with the changes in the flow of funds as a result of the adjustments for finance costs and depreciation etc., movements in inventories, accounts receivable and accounts payable etc.

Management Discussion and Analysis

Net cash inflow from investing activities was approximately RMB55,556,000, which was mainly due to the payment of approximately RMB57,934,000 for the purchase of machineries and equipments, an increase of approximately RMB3,560,000 in land use rights, and the cash inflow of approximately RMB66,450,000 from the disposal of land located at Jiuzuliao, Longtan Township, Taoyuan County in Taiwan as well as a decrease of approximately RMB42,001,000 in secured bank deposits.

Net cash outflow from financing activities was approximately RMB112,734,000, which was mainly due to borrowings of approximately RMB743,410,000 from the bank, repayment of the bank borrowings of approximately RMB918,072,000, interest payment of approximately RMB37,971,000 for the borrowings, advances withdrawn on bills receivable discounted with recourse of approximately RMB73,060,000 and cash inflow of advances from related parties of approximately RMB30,000,000.

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB124,373,000 (31 December 2011: RMB121,066,000), which were mainly denominated in Renminbi and US dollars.

BORROWINGS

As at 31 December 2012, the Group had bank borrowings of approximately RMB482,979,000 (31 December 2011: RMB655,308,000), which were mainly denominated in Renminbi and US dollars. Such borrowings were mainly subject to floating interest rates. In addition to the abovementioned bank borrowings, the Group had advances drawn on bills receivable discounted with recourse due within one year of approximately RMB16,999,000 as at 31 December 2012 (31 December 2011: nil). Below is an analysis of the repayment profile of the bank borrowings:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within one year or on demand	**498,893**	616,207
In the second year	**879**	38,045
In the third to fifth years (both years inclusive)	**206**	1,056
	499,978	655,308

As at 31 December 2012, the bank borrowings due within one year or on demand included bank borrowings of RMB80,000,000 which will not be repayable within one year from the end of the reporting period but is subject to repayment on demand (31 December 2011: RMB60,000,000).

PLEDGE OF ASSETS

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Bank deposits	**58,951**	100,205
Bills receivable	**1,894**	2,364
Land use rights	**22,018**	27,180
Property, plant and equipment	**199,414**	391,828
	282,277	521,577

In addition, there was bills receivable discounted with full recourse of RMB16,999,000 as at 31 December 2012 (31 December 2011: nil).

Management Discussion and Analysis

FINANCIAL RATIOS

As at 31 December 2012, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 44.31%, representing a decrease of approximately 4.39% as compared to 48.70% as at 31 December 2011. The decrease was mainly attributable to a decrease in the Group's bank borrowings of approximately RMB155,330,000.

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	
	2012	2011
Inventory turnover	**96 days**	96 days
Trade and bills receivable turnover	**134 days**	114 days
Trade and bills payable turnover	**68 days**	61 days

The Group's turnover days for inventories remained unchanged but the turnover days of trade and bills receivable and trade and bills payable were respectively 20 days and 7 days longer than those in the previous year. The Group will continue to improve on the management of its inventories, trade receivable and trade payable in order to better utilize the available funds.

CAPITAL COMMITMENTS

As at 31 December 2012, the Group had capital commitments contracted but not provided for amounting to approximately RMB13,611,000 (31 December 2011: RMB49,156,000).

CONTINGENT LIABILITIES

1. During the year ended 31 December 2011, a customer filed a request for arbitration enclosing a statement of claim against a subsidiary of the Company, Capxon Electronic Industrial Company Limited ("Capxon Taiwan"), to The Japan Commercial Arbitration Association in Japan, claiming JPY1,412,106,000 (approximately RMB116,117,000) suffered by the customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan, with interest from 1 January 2011 up to the settlement date at 6% per annum and all arbitration related expenses. Capxon Taiwan rejected the claims charged by the customer and filed a request for arbitration to counterclaim JPY60,000,000 (approximately RMB4,410,000) from the customer for the damages caused, with interest from 17 November 2011 up to the settlement date at 6% per annum and all arbitration related expenses.

   The case has been pending third hearing on The Japan Commercial Arbitration Association as at 31 December 2012. The directors of the Company, having sought legal advice, considered that the possibility of the outflow in settlement is not probable as there were no serious product defects for the electrolytic capacitors supplied by Capxon Taiwan and accordingly, no provision for any potential liability has been made in the consolidated financial statements.

2. During the year ended 31 December 2011, a customer filed a civil complaint to the People's Court of Shenzhen in the PRC against a subsidiary of the Company, Capxon Electronic (Shenzhen) Co. Ltd. ("Capxon Shenzhen"), claiming product defect compensation of RMB12,877,000. The case has been pending second hearing on the court. The directors of the Company, having sought legal advice, considered that the possibility of the outflow in settlement is not probable as the customer does not have a valid claim against Capxon Shenzhen and accordingly, no provision for any potential liability has been made in the consolidated financial statements.

Management Discussion and Analysis

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, where there is a relatively large appreciation in Renminbi, the Group will still be indirectly affected.

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

DISCLOSEABLE TRANSACTION

On 30 April 2012, Capxon Taiwan (as the vendor) entered into a sale and purchase contract for the disposal of various parcels of land located at Jiuzuliao, Longtan Township, Taoyuan County, Taiwan at a consideration of NTD91,189,000 (equivalent to approximately RMB19,463,000). The disposal constituted a discloseable transaction of the Company pursuant to the Rule 14.06(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For details, please refer to the announcement of the Company dated 30 April 2012.

MAJOR TRANSACTION

On 10 August 2012, Capxon Taiwan (as the vendor) entered into two sale and purchase deeds for the disposal of various parcels of land located at Jiuzuliao, Longtan Township, Taoyuan County, Taiwan at a total consideration of NTD225,046,000 (equivalent to approximately RMB48,033,000), which constituted a major transaction of the Company pursuant to the Chapter 14 of the Listing Rules. For details, please refer to the announcement of the Company dated 10 August 2012 and the circular of the Company dated 27 September 2012.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 2,885 employees. Salary, bonus and fringe benefits were determined with reference to the prevailing market terms and individual employee's performance, qualification and experience. Employee's cost (including directors' emoluments) amounted to approximately RMB160,567,000 for the year ended 31 December 2012.

FUTURE STRATEGY AND PLANNING

In 2013, the overall capacitor market will still enjoy slight growth increase as application products such as mobile devices and network products become more advanced and sophisticated. This also means that the future of passive components will continue to feature miniaturization, sophistication, durability, and high resistance to heat. The Group will adhere to its inherent operating strategy in view of the unclear external economic circumstances and the potential development of the industrial market:

1. RESEARCHING AND DEVELOPING ADVANCED AND SOPHISTICATED PRODUCTION PROCESS AND STRICTLY MANAGING QUALITY CONTROL; IMPLEMENTING SOURCE MANAGEMENT AND ENDEAVORING TO REDUCE COSTS

The Group's research and development department will continue to research and develop core technologies and upgrade production process equipment in order to open up fully-automated production process and systematic production management to reduce wear and tear, enhance yield rate and lower costs. At the same time, it will actively meet its clients' needs. The research and development department and sales department will develop, design and confirm the specifications of aluminum electrolytic capacitors simultaneously before the launch of new products so that the Group can obtain the approval certificate for the supply of the products in advance and expand the source of orders.

2. EFFECTIVELY UTILISING THE SUPPLY ADVANTAGE OF ECONOMIES OF SCALE BROUGHT BY VERTICAL INTEGRATION

The Group has overcome two big challenges faced by the passive components industry chain, namely (i) the lack of the exclusive supply of raw materials; and (ii) the higher cost arising from the acquisition of machinery required for the high-end products. The Group has achieved the supply advantage arising from the vertical integration of upstream materials and passive component products, persistently invested in research and development as well as equipment in order to stabilize the mass production and supply of solid-state capacitors, and proactively explored new markets in order to effectively utilize the production capacity, so that the operating target and level for economies of scale can be achieved.

FUTURE PROSPECTS

Pursuing sustainable operations and sharing profit with shareholders of the Company ("Shareholders") have always been the goals of the Group. In the future, the Group will persistently focus on the existing industry and seek vertical integration on the manufacturing and marketing of aluminum foil and capacitor products. We strive for excellence and focus on innovative research and development. Leveraging on our edges of vertical integration, we will effectively control costs and enhance manufacturing efficiency, in order to maintain our competitiveness in the industry. With the technological advancement and product innovation, we will serve and maintain a stable relationship with existing customers. The Group will proactively explore new markets and meet mass production planning, and develop towards the target of economies of scale.

The Group will adhere to its mission of sustainable operations, enhance the efficiency of industry vertical integration, overcome the challenges of economies of scale as well as stabilize the value and revenue from the industry, in order to use profit to reward Shareholders for their support.

Directors and Senior Management Profiles

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lin Chin Tsun (林金村), aged 64, 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 60, 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 36, 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.

Ms. Lin I Chu (林薏竹), aged 33, is an 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 was in January 2009 and on 1 September 2011 promoted respectively as head of the sales department and deputy general manager of the business and manufacturing department of the Company's subsidiary Capxon Electronic (Shenzhen) Company Limited ("Capxon Shenzhen"). Ms. Lin was appointed as a non-executive director of the Company on 15 April 2007 and was re-designated as an executive director of the Company on 1 September 2011.

NON-EXECUTIVE DIRECTOR

Ms. Liu Fang Chun (劉芳均), aged 33, 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 77, 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 1983, he was the director and vice-president and in 1983, was elected as the president of the Taipei CPA Association (台北市會計師公會). Mr. Lai was elected as 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 and a member of the executive committee of Taipei CPA Association (台北市會計師公會). 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 52, 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 once 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) and 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. Since 2004, Mr. Lu has been acting 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 addition, Mr. Lu is an independent director of three companies including 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. During the year, Mr. Lu ceased to be an independent director of the Taiwan-listed company Everlight Chemical Industrial Corporation (1711) (台灣永光化學工業股份有限公司) upon expiry of his term of appointment. 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 60, 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 once the manager of Hewlett-Packard Development Company, L.P. (惠普科技股份有限公司), the vice-general manager and a supervisor of Behavior Tech Computer Corporation (英群企業股份有限公司), the general manager and director of Walton Chaintech Corporation (華東承啟科技股份有限公司) and the general manager of Premier Capital Management Corporation (首席財務管理顧問股份有限公司). Currently, Mr. Tung is an independent director of Tai Tien Electronics Co., Ltd. (泰藝電子股份有限公司) and a supervisor of Ruby Tech Corporation (德勝科技股份有限公司). During the year, Mr. Tung was also appointed as supervisor of ACTi Corporation (建騰創達科技股份有限公司) which is a public limited company in Taiwan and as consultant of Premier Capital Management Corporation (首席財務管理顧問股份有限公司). 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 40, is the head of Capxon Taiwan's foreign sales department. 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 52, is the chief financial officer of the Group and the chief of Capxon Taiwan's finance operations. Ms. Hu obtained a bachelor's degree in corporate management from the Private Chinese Culture University (中國文化大學) and a master's degree in business administration from the National Chengchi University (國立政治大學). 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 43, is the chief of research and development and the deputy general manager of Capxon Taiwan. 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. Lu was promoted as the deputy general manager of Capxon Taiwan on 1 September 2011.

Mr. Lin Jen Te, Matt (**林仁德**), aged 44, 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 54, 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 41, 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 of directors (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 Company and its subsidiaries (collectively the "Group").

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Former CG Code") as set out in former Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 1 January 2012 to 31 March 2012 and has complied with the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "New CG Code") from 1 April 2012 to 31 December 2012, save as disclosed below:

(i) Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors should also attend general meetings. Mr. Lai Chung Ching, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 31 May 2012 due to his personal reason.

(ii) Code provision F.1.3 of the New CG Code stipulates that the company secretary should report to the board chairman and/or chief executive. The company secretary of the Company reported to the chief financial officer instead of the board chairman and/or the chief executive. As the company secretary also involves in handling financial reporting matters of the Group, it will simplify the reporting process if she reports to the chief financial officer who will report to the board chairman on the Group's financial affairs and corporate governance.

The following outlines how the Company has adopted and complied with the Former CG Code and the New CG Code 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 of the Company 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 2012.

B. BOARD OF DIRECTORS

The Board comprises four executive directors, one non-executive director 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 during the year and up to the date of this annual report, 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)*
Ms. LIN I Chu	

Corporate Governance Report

Non-executive director:
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 2012. 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 *(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

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.

Corporate Governance Report

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, nomination 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.

TRAINING FOR DIRECTORS

Pursuant to code provision A.6.5 of the New CG Code, listed company directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. For the period from 1 April 2012 to 31 December 2012, all directors of the Company have participated in appropriate continuous professional development activities by ways of attending seminar or reading materials relating to rules and regulatory updates or to the directors' duties and responsibilities.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(v) to review the Company's compliance with the New CG Code and its disclosure requirements in the Corporate Governance Report.

The Board has reviewed the training and continuous professional development of directors, the Company's compliance with the respective code provisions of the Former CG Code (effective until 31 March 2012) and the New CG Code (effective from 1 April 2012) for the year ended 31 December 2012 and disclosure requirements in this Corporate Governance Report.

C. REMUNERATION COMMITTEE

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; determining the remuneration packages of individual executive directors of the Company and senior management; and making recommendations to the Board on the remuneration of non-executive directors. In formulating the remuneration policy, the committee takes into consideration factors such as salaries paid by comparable companies, time commitment, employment conditions and responsibilities. The committee can seek independent professional advice to complement its own resources to discharge its duties.

The remuneration committee comprises two executive directors, namely Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh, and all the independent non-executive directors. Mr. Lai Chung Ching, an independent non-executive director, was appointed to replace Mr. Lin Chin Tsun as chairman of the committee from 1 April 2012.

During the year ended 31 December 2012, two meetings were held by the remuneration committee to discuss remuneration related matters including approval of 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.

The remuneration of members of senior management for the year ended 31 December 2012 all fell within the band of HK$Nil to HK$1,000,000.

Details of the emoluments and options of each director, on a named basis, are set out in note 11 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 Company's 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 auditor, approving the remuneration and terms of engagement of the external auditor and considering any questions of resignation or dismissal of such auditor. 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 2012. The committee reviewed, together with the management and the external auditor, the consolidated financial statements for the year ended 31 December 2011 and for the six months ended 30 June 2012, 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 auditor and approved the remuneration and terms of engagement of the external auditor. 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 COMMITTEE

The Board established the nomination committee on 1 April 2012 pursuant to a resolution of the Company's directors passed on 29 March 2012 with specific written terms of reference which deal clearly with its authority and responsibilities. The committee is primarily responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The nomination 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.

One meeting was held by the nomination committee during the year ended 31 December 2012. The committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board during the meeting. Details of attendance of nomination committee meetings of each of the members of the nomination committee are set out in "Attendance of Individual Directors at Meetings" below.

All new appointments and re-appointments to the Board are considered by the nomination committee 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

During the year, the Company's auditor Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Group and the remuneration paid/payable to it by the Group is set out as follows:

	RMB'000
Audit services	1,072
Non-audit services	963
	2,035

The non-audit services provided by Deloitte Touche Tohmatsu included review of the Group's financial statements for the six months ended 30 June 2012, taxation services and review of the Group's cash flow forecast and indebtedness for the purpose of the Company's major transaction circular regarding the disposal of land in Taiwan issued on 27 September 2012.

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 2013.

G. ATTENDANCE OF INDIVIDUAL DIRECTORS AT MEETINGS

The attendance of individual directors at meetings of the Board and the Board committees as well as at general meeting is set out in the table below:

	Meetings attended/Meetings held in 2012				
Name of director	Board	Remuneration Committee	Audit Committee	Nomination Committee	Annual General Meeting
Mr. LIN Chin Tsun	4/4	2/2	N/A	1/1	1/1
Ms. CHOU Chiu Yueh	4/4	2/2	N/A	1/1	1/1
Mr. LIN Yuan Yu	4/4	N/A	N/A	N/A	1/1
Ms. LIN I Chu	3/4	N/A	N/A	N/A	1/1
Ms. LIU Fang Chun	4/4	N/A	N/A	N/A	1/1
Mr. LAI Chung Ching	3/4	2/2	3/3	1/1	0/1
Mr. LU Hong Te	4/4	2/2	3/3	1/1	1/1
Mr. TUNG Chin Chuan	4/4	2/2	3/3	1/1	1/1

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 independent auditor's report on pages 30 and 31.

I. SHAREHOLDERS' RIGHTS

Set out below are procedures for shareholders of the Company to (i) convene an extraordinary general meeting; (ii) put enquiries to the Board; and (iii) put forward proposals at shareholders' meetings. These procedures are generally governed by the Company's Articles of Association and applicable laws, rules and regulations, which prevail over the below information in case of any inconsistencies.

(I) PROCEDURES FOR SHAREHOLDERS OF THE COMPANY TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition.

The requisition must specify the business to be transacted at the EGM and be signed by the requisitionist(s), which shall be deposited at the head office of the Company in Hong Kong (Room 1702, 17th Floor, CRE Building, No.303 Hennessy Road, Wanchai, Hong Kong) or at the Company's Hong Kong branch share registrar (Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong). The signature(s) of the requisitionist(s) will be verified by the Company's share registrar or branch share registrar (where applicable).

On the condition that the requisition from requisitionist(s) is proper and in order, the Board shall hold the EGM within two months after the deposit of such requisition. In the event that the Board fails to convene the EGM within twenty-one days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(II) PROCEDURES FOR PUTTING ENQUIRIES TO THE BOARD

Shareholders and other stakeholders of the Company may send their enquires and concerns to the head office of the Company in Hong Kong (Room 1702, 17th Floor, CRE Building, No.303 Hennessy Road, Wanchai, Hong Kong) for the attention of the company secretary of the Company who will forward them to the chairman of the Board for handling.

(III) PROCEDURES FOR SHAREHOLDERS OF THE COMPANY TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Shareholders of the Company can follow Article 58 of the Articles of Association for including a resolution under valid requisition of an EGM. Details are set out in "Procedures for Shareholders of the Company to Convene an Extraordinary General Meeting" above.

Pursuant to Article 88 of the Articles of Association of the Company, in the event that a general meeting is to be held for the purpose of electing a director, if a shareholder of the Company (other than the person to be proposed as a director) who is qualified to attend and vote at that general meeting wishes to propose a person other than a retiring director for election as a director at that general meeting, he/she can deposit a signed written notice (the "Written Notice") of his/her intention to propose such person as a director together with a notice signed by the person to be proposed of his/her willingness to be elected at the head office of the Company in Hong Kong (Room 1702, 17th Floor, CRE Building, No.303 Hennessy Road, Wanchai, Hong Kong) or at the Company's Hong Kong branch share registrar (Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong). The minimum length of the period, during which the Written Notice is given, shall be at least seven days and that (if the Written Notice is submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of the Written Notice shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

In order for the Company to inform its shareholders of the proposed nomination for election, the Written Notice must state the full name of the person proposed for election as a director, including the person's biographical details as required by rule 13.51(2) of the Listing Rules.

J. 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 BDO Financial Services Limited to conduct a review of the internal control system of the Group and the results of the internal control review were submitted to the audit committee for consideration after the year end. The audit committee has reviewed the results of the internal control review and is satisfied with the adequacy of the system of internal control of the Group.

K. INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 December 2012.

Directors' Report

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and has engaged in trading of capacitors since 1 January 2013. Principal activities and particulars of the Company's subsidiaries are set out in note 40 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 5 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 17.12% and 39.40%, 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 2012 are set out in the consolidated statement of comprehensive income on page 32.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 14 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 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 page 35.

As at 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB419,272,000.

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 88.

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)*
Ms. LIN I Chu

NON-EXECUTIVE DIRECTOR

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. Lin I Chu and Mr. Tung Chin Chuan 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 Directors are as follows:

During the year, Mr. Lu Hong Te ceased to be an independent director of the Taiwan-listed company Everlight Chemical Industrial Corporation (1711) (台灣永光化學工業股份有限公司) upon expiry of his term of appointment.

During the year, Mr. Tung Chin Chuan was appointed as supervisor of ACTi Corporation (建騰創達科技股份有限公司) which is a public limited company in Taiwan and as consultant of Premier Capital Management Corporation (首席財務管理顧問股份有限公司).

DIRECTORS' SERVICE CONTRACTS

None of the retiring 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 note 35 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 2012 and up to the date of this report, none of the Directors nor their respective associates was interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 35 to the consolidated financial statements. The related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 28 March 2013**

   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 repaid**
   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 Company's 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 share capital at 28 March 2013**
   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 of the Company dated 24 April 2007 (the "Offer Price"); and

Directors' Report

(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 repaid

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 at the close of business on the Business Day preceding 7 May 2007 (i.e. 4 May 2007).

Details of the share options granted on 17 April 2007 pursuant to the Pre-IPO Share Option Scheme which were lapsed during the year ended 31 December 2012 are as follows:

Name of Director/ chief executive	Date of grant	Exercise price per share	Number of options outstanding as at 1 January 2012	Number of options lapsed during the year	Number of options outstanding as at 31 December 2012
Mr. LIN Chin Tsun	17 April 2007	HK$0.465	3,200,000	(3,200,000)	–
Ms. CHOU Chiu Yueh	17 April 2007	HK$0.465	2,300,000	(2,300,000)	–
Mr. LIN Yuan Yu	17 April 2007	HK$0.465	1,900,000	(1,900,000)	–
Ms. LIN I Chu	17 April 2007	HK$0.465	900,000	(900,000)	–
Ms. LIU Fang Chun	17 April 2007	HK$0.465	900,000	(900,000)	–
Ms. HU Szu Jung, Carol	17 April 2007	HK$0.465	900,000	(900,000)	–
Other employees	17 April 2007	HK$0.465	3,300,000	(3,300,000)	–
			13,400,000	(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 exercise 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. During the year ended 31 December 2012, no option was exercised or cancelled and 13,400,000 options granted under the Pre-IPO Share Option Scheme were lapsed.

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 2012, 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, 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	Total interest (a) and approximate percentage of shareholding (b)[1] (a)	(b)
Mr. LIN Chin Tsun	Beneficial owner	101,657,378	564,973,947	66.90
	Interest of controlled corporations	395,360,783[2]		
	Interest of spouse	67,955,786		
Ms. CHOU Chiu Yueh	Beneficial owner	67,955,786	564,973,947	66.90
	Interest of controlled corporations	395,360,783[2]		
	Interest of spouse	101,657,378		
Mr. LIN Yuan Yu	Beneficial owner	13,161,622	394,675,621	46.73
	Interest of controlled corporation	374,585,006[3]		
	Interest of spouse	6,928,993		
Ms. LIN I Chu	Beneficial owner	9,429,777	384,014,783	45.47
	Interest of controlled corporation	374,585,006[3]		
Ms. LIU Fang Chun	Beneficial owner	6,928,993	394,675,621	46.73
	Interest of spouse	387,746,628		
Mr. TUNG Chin Chuan	Beneficial owner	3,386,000	3,386,000	0.40
Ms. HU Szu Jung, Carol	Beneficial owner	243,991	243,991	0.03

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 2012.

(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.

Directors' Report

Save as disclosed above, as at 31 December 2012, 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 SHAREHOLDER

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 2012, 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*
VMHL	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 2012.

Save as disclosed above, the Directors are not aware of any other persons who, as at 31 December 2012, 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.

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 2012.

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 2012 (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 2012 the amount of public float as required under the Listing Rules.

AUDITOR

A resolution for the re-appointment 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, 28 March 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS 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)

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 32 to 87, which comprise the consolidated statement of financial position as at 31 December 2012, 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 preparation 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.

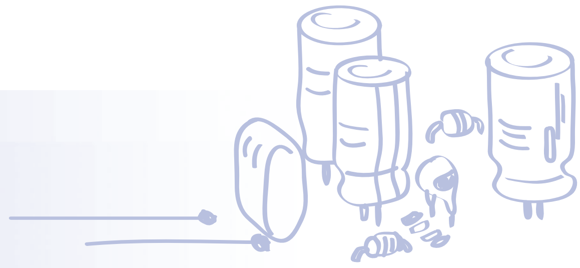
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2012 and of the Group's loss 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
28 March 2013



Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	5	**970,975**	1,119,603
Cost of sales		**(795,370)**	(892,176)
Gross profit		**175,605**	227,427
Other income	6a	**5,252**	10,216
Gain on disposal of freehold land in Taiwan		**12,235**	–
Other gains and losses	7	**4,685**	(7,322)
Distribution and selling costs		**(54,587)**	(56,158)
Administrative expenses		**(77,754)**	(74,542)
Other expenses	6b	**(17,310)**	(18,378)
Finance costs	8	**(37,971)**	(38,609)
Profit before tax		**10,155**	42,634
Income tax expense	9	**(12,360)**	(15,106)
(Loss) profit for the year	10	**(2,205)**	27,528
Other comprehensive expense			
Exchange differences arising on translation		**(408)**	(928)
Total comprehensive (expense) income for the year		**(2,613)**	26,600
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,957)**	26,895
Non-controlling interests		**752**	633
		(2,205)	27,528
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(3,325)**	25,912
Non-controlling interests		**712**	688
		(2,613)	26,600
(Loss) earnings per share – Basic and diluted (RMB cents)	13	**(0.35)**	3.18

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**629,463**	713,004
Land use rights	15	**42,572**	26,511
Intangible assets	16	**7,835**	10,174
Deferred tax assets	17	**1,079**	1,237
Deposits paid for acquisition of property, plant and equipment		**34,504**	26,807
Deposits paid for land use rights		**–**	8,440
		715,453	786,173
CURRENT ASSETS			
Inventories	18	**189,661**	229,213
Land use rights	15	**1,031**	669
Trade and other receivables	19	**455,892**	417,058
Available-for-sale investments	21	**–**	7,000
Tax recoverable		**2,534**	–
Pledged bank deposits	22	**58,951**	100,205
Bank balances and cash	23	**124,373**	121,066
		832,442	875,211
CURRENT LIABILITIES			
Trade and other payables	24	**199,875**	183,759
Bank borrowings	25	**498,893**	616,207
Amounts due to related parties	26	**33,393**	11,866
Tax liabilities		**14,088**	12,738
		746,249	824,570
NET CURRENT ASSETS		**86,193**	50,641
TOTAL ASSETS LESS CURRENT LIABILITIES		**801,646**	836,814
NON-CURRENT LIABILITIES			
Bank borrowings	25	**1,085**	39,101
Defined benefit obligations	27	**6,487**	6,076
Deferred income	28	**17,050**	12,000
Deferred tax liabilities	17	**600**	600
		25,222	57,777
		776,424	779,037

Consolidated Statement of Financial Position

At 31 December 2012

	NOTE	**2012 RMB'000**	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	*29*	**82,244**	82,244
Share premium and reserves		**683,130**	686,455
Equity attributable to owners of the Company		**765,374**	768,699
Non-controlling interests		**11,050**	10,338
		776,424	779,037

The consolidated financial statements on pages 32 to 87 were approved and authorised for issue by the Board of Directors on 28 March 2013 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 2012

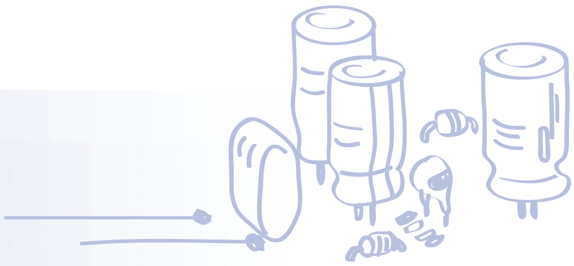
	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 *(Note i)*	Share option reserve RMB'000	Statutory reserve RMB'000 *(Note ii)*	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	82,244	436,626	(30,753)	6,371	79,226	22,000	147,073	742,787	9,650	752,437
Profit for the year	–	–	–	–	–	–	26,895	26,895	633	27,528
Other comprehensive (expense) income for the year	–	–	–	–	–	(983)	–	(983)	55	(928)
Total comprehensive (expense) income	–	–	–	–	–	(983)	26,895	25,912	688	26,600
Appropriation	–	–	–	–	7,012	–	(7,012)	–	–	–
At 31 December 2011	82,244	436,626	(30,753)	6,371	86,238	21,017	166,956	768,699	10,338	779,037
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(2,957)**	**(2,957)**	**752**	**(2,205)**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(368)**	**–**	**(368)**	**(40)**	**(408)**
Total comprehensive (expense) income	**–**	**–**	**–**	**–**	**–**	**(368)**	**(2,957)**	**(3,325)**	**712**	**(2,613)**
Release on lapse of share options *(Note 32)*	**–**	**–**	**–**	**(6,371)**	**–**	**–**	**6,371**	**–**	**–**	**–**
Appropriation	**–**	**–**	**–**	**–**	**6,385**	**–**	**(6,385)**	**–**	**–**	**–**
At 31 December 2012	**82,244**	**436,626**	**(30,753)**	**–**	**92,623**	**20,649**	**163,985**	**765,374**	**11,050**	**776,424**

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 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	10,155	42,634
Adjustments for:		
Amortisation of intangible assets	3,389	2,803
Amortisation of land use rights	1,058	687
Bank interest income	(1,708)	(4,645)
Depreciation of property, plant and equipment	77,183	72,944
Finance costs	37,971	38,609
Gain on disposal of available-for-sale investments	(3)	–
Gain on disposal of freehold land in Taiwan	(12,235)	–
Gain on disposal of land use rights	–	(316)
Impairment loss on intangible assets	–	747
Impairment loss on trade receivables	3,543	193
Loss on disposal of property, plant and equipment	1,768	1,803
Provision for the defined benefit pension plans	262	194
Release of deferred income	(240)	–
Reversal of impairment loss on trade receivables	(6,917)	(2,358)
Reversal of impairment loss on other receivables	(4,501)	–
Write-down of inventories	5,049	6,988
Operating cash flows before movements in working capital	114,774	160,283
Decrease in defined benefit obligations	(13)	(12)
Decrease in inventories	34,503	3,931
(Increase) decrease in trade and other receivables	(86,765)	6,288
Decrease in amount due to a related party	(22)	(126)
Increase in trade and other payables	10,635	1,932
Cash generated from operations	73,112	172,296
Income tax paid	(13,386)	(7,637)
NET CASH FROM OPERATING ACTIVITIES	59,726	164,659
INVESTING ACTIVITIES		
Proceeds on disposal of freehold lands in Taiwan	66,450	–
Withdrawal of pledged bank deposits	42,001	59,320
Disposal of available-for-sale investments	7,003	–
Interest received	1,708	4,645
Proceeds on disposal of property, plant and equipment	1,606	877
Purchase of property, plant and equipment	(49,206)	(143,231)
Deposits paid for acquisition of property, plant and equipment	(8,728)	(26,807)
Payment for land use rights	(3,560)	–
Additions to intangible assets	(971)	(3,018)
Placement of pledged bank deposits	(747)	(50,308)
Deposits paid for land use rights	–	(8,440)
Purchase of available-for-sale investments	–	(7,000)
Proceeds on disposal of land use rights	–	2,349
NET CASH FROM (USED IN) INVESTING ACTIVITIES	55,556	(171,613)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 **RMB'000**	2011 RMB'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(918,072)**	(974,603)
Interest paid	**(37,971)**	(38,609)
Repayment to related parties	**(8,451)**	(11,734)
New bank borrowings raised	**743,410**	1,002,546
Advances drawn on bills receivable discounted with recourse	**73,060**	–
Advance from related parties	**30,000**	7,286
Receipts of government grants	**5,290**	12,000
NET CASH USED IN FINANCING ACTIVITIES	**(112,734)**	(3,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,548**	(10,068)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**759**	(2,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**121,066**	133,546
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**124,373**	121,066

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 and has engaged in trading of capacitors starting from 1 January 2013. Particulars and principal activities of its subsidiaries are set out in Note 40.

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")

AMENDMENTS TO IFRSs APPLIED IN THE CURRENT YEAR

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of these 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.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with a bank to transfer to the bank its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through discounting those bills receivable to bank on a full recourse basis. Specifically, if the bills receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see Note 25). The relevant disclosures have been made regarding the transfer of these bills receivable on application of the amendments to IFRS 7 (see Note 20).

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

NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
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 19 (as revised in 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]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 Financial Instruments *(continued)*

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 the Group for the annual period beginning on 1 January 2015. Based on the financial instruments of the Group as at 31 December 2012, the directors anticipate that the application of IFRS 9 will not have a significant impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 10 is effective for the Group for the annual period beginning on 1 January 2013. The directors anticipate that the application of IFRS 10 will have no effect on the Group as the Company has control over all group companies under the existing standards and IFRS 10.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 12 is effective for the Group for the annual period beginning on 1 January 2013. The directors anticipate that the application of IFRS 12 will result in more extensive disclosure for the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard will have no material effect in the consolidated financial statements.

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

NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE *(continued)*

IAS 19 (as revised in 2011) Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 are effective for the Group for the annual period beginning on 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. Based on the directors' preliminary assessment, the amendments to IAS 19 will result in changes in accounting policies in respect of the Group's defined benefit retirement plans but is not expected to have a significant impact on the consolidated financial statements of the Group.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis except for 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 principal accounting policies are set out below.

BASIS OF CONSOLIDATION

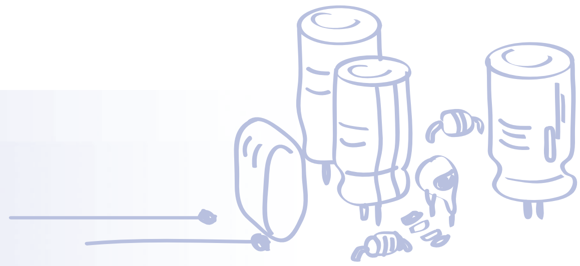
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

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.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or 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 the goods are delivered and title has been passed, at which time 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.

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 income can be measured reliably. Interest income 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 buildings held for use in the production or supply of goods or services, or for administrative purposes (other than freehold land and construction in progress as described below) are stated in the consolidated statement of financial position 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 freehold land and 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms.

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 "land use rights" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis.

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) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 under the heading of translation reserve (attributed to non-controlling interest as appropriate).

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis 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.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans, 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 pervious 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 before tax' 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

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.

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.

Current and deferred tax are 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 (other than financial assets or financial liabilities at fair value through profit or loss) 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 and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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, bills receivable discounted with recourse, 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 of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, the amount of the impairment loss recognised is difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 assets *(continued)*

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceed received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the 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 of the time value of money 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.

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in share option reserve.

When 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.

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 with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company makes various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are different from expected, a material impairment or reversal may arise.

As at 31 December 2012, the carrying amount of trade receivables is RMB350,574,000 (net of allowance for doubtful debts of RMB15,818,000) (2011: carrying amount of RMB346,613,000, net of allowance for doubtful debts of RMB32,790,000).

ALLOWANCE FOR INVENTORIES

The Group exercises their estimates in making allowance for inventories. The Group 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. Management estimates the net realisable value for such items based primarily on the latest invoice prices, sales after year end and current market conditions. As at 31 December 2012, the carrying amount of inventories is RMB189,661,000 (net of allowance for inventories of RMB22,514,000) (2011: RMB229,213,000, net of allowance for inventories of RMB17,465,000).

5. REVENUE AND SEGMENTAL INFORMATION

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

Information reported to the chief operating decision makers (i.e. the executive directors of the Company) for the purposes of resources allocation and assessment of segment performance focuses on types of products.

The Group's reportable and operating segments are as follows:

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

5. REVENUE AND SEGMENTAL INFORMATION *(continued)*

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2012

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Elimination RMB'000	Total RMB'000
External sales	**780,422**	**190,553**	**970,975**	**–**	**970,975**
Inter-segment sales	**–**	**221,602**	**221,602**	**(221,602)**	**–**
Segment revenue	**780,422**	**412,155**	**1,192,577**	**(221,602)**	**970,975**
Segment profit (loss)	**57,356**	**(4,047)**	**53,309**	**3,458**	**56,767**
Interest income					**1,708**
Unallocated corporate expense					**(10,349)**
Finance costs					**(37,971)**
Profit before tax					**10,155**

For the year ended 31 December 2011

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Elimination RMB'000	Total RMB'000
External sales	841,085	278,518	1,119,603	–	1,119,603
Inter-segment sales	–	281,984	281,984	(281,984)	–
Segment revenue	841,085	560,502	1,401,587	(281,984)	1,119,603
Segment profit	61,937	21,081	83,018	4,185	87,203
Interest income					4,645
Unallocated corporate expense					(10,605)
Finance costs					(38,609)
Profit before tax					42,634

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, interest income and finance costs. However, the related bank balances and the bank borrowings of the reportable segments are reported to the Group's chief decision makers as part of segment assets and liabilities. In addition, tax expense are not allocated to segments while tax liabilities 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 assessment of segment performance.

Inter-segment sales are charged at prevailing market rates.

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For the year ended 31 December 2012

5. REVENUE AND SEGMENTAL INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

	2012 RMB'000	2011 RMB'000
Segment assets		
Capacitors	**860,479**	1,008,231
Aluminum Foils	**757,084**	702,403
Total segment assets	**1,617,563**	1,710,634
Elimination – inter-segment balances	**(70,891)**	(50,131)
Unallocated assets	**1,223**	881
Consolidated assets	**1,547,895**	1,661,384
Segment liabilities		
Capacitors	**410,521**	583,836
Aluminum Foils	**430,840**	347,128
Total segment liabilities	**841,361**	930,964
Elimination – inter-segment balances	**(70,891)**	(50,131)
Unallocated liabilities	**1,001**	1,514
Consolidated liabilities	**771,471**	882,347

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

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

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

5. REVENUE AND SEGMENTAL INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

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

	2012 **RMB'000**	2011 RMB'000
The PRC	**695,681**	709,242
Taiwan	**18,693**	75,694
	714,374	784,936

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

	2012 **RMB'000**	2011 RMB'000
Revenue from external customers:		
The PRC	**763,948**	833,875
Taiwan	**26,568**	53,353
Other Asian countries *(Note)*	**156,705**	211,458
Europe *(Note)*	**15,068**	18,094
Americas and Africa *(Note)*	**8,686**	2,823
	970,975	1,119,603

Note: The countries of the external customers included in these categories comprised Korea, Japan, Malaysia, Singapore, India, Germany, Israel, Turkey, Italy and others (2011: Japan, Korea, Malaysia, Singapore, Germany, Italy, Spain 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.

INFORMATION ABOUT MAJOR CUSTOMERS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. 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 2012

	Capacitors RMB'000	Aluminum foils RMB'000	Total RMB'000
Depreciation and amortisation	**40,066**	**41,564**	**81,630**
Additions to non-current assets *(Note)*	**29,049**	**39,640**	**68,689**
(Reversal of impairment loss) impairment loss on trade receivables	**(3,678)**	**304**	**(3,374)**
Reversal of impairment loss on other receivables	**(4,501)**	**–**	**(4,501)**
Loss (gain) on disposal of property, plant and equipment	**1,788**	**(20)**	**1,768**
Gain on disposal of freehold lands in Taiwan	**12,235**	**–**	**12,235**

For the year ended 31 December 2011

	Capacitors RMB'000	Aluminum foils RMB'000	Total RMB'000
Depreciation and amortisation	39,114	37,320	76,434
Additions to non-current assets *(Note)*	91,369	54,880	146,249
(Reversal of impairment loss) impairment loss on trade receivables	(2,358)	193	(2,165)
Loss on disposal of property, plant and equipment	1,782	21	1,803
Gain on disposal of land use rights	–	(316)	(316)
Impairment loss on intangible assets	747	–	747

Note: Non-current assets excluded deferred tax assets.

6. OTHER INCOME/EXPENSES

a. OTHER INCOME

	2012 **RMB'000**	2011 RMB'000
Bank interest income	**1,708**	4,645
Government grant *(Note)*	**2,240**	1,500
Others	**1,304**	4,071
	5,252	10,216

Note: During the year ended 31 December 2012, the Group recognised the government grant of RMB2,000,000 upon receipt from Qinghai government which subsidises the manufacturing of aluminum foils products as the predetermined production level of aluminum foils products set out by Qinghai government was fulfilled. In addition, the amount also includes the release of deferred income of RMB240,000 (2011: Nil). Details of the deferred income are set out in Note 28.

During the year ended 31 December 2011, the Group received government grant of RMB1,500,000 from Qinghai government to subsidise for the research and development costs incurred.

There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants upon receipts.

b. OTHER EXPENSES

	2012 **RMB'000**	2011 RMB'000
Research and development costs	**13,004**	13,400
Others	**4,306**	4,978
	17,310	18,378

7. OTHER GAINS AND LOSSES

	2012 **RMB'000**	2011 RMB'000
Loss on disposal of property, plant and equipment	**(1,768)**	(1,803)
Gain on disposal of land use rights	**–**	316
Gain on disposal of available-for-sale investments	**3**	–
Impairment loss on intangible assets	**–**	(747)
Impairment loss on trade receivables	**(3,543)**	(193)
Reversal of impairment loss on trade receivables *(Note)*	**6,917**	2,358
Reversal of impairment loss on other receivables *(Note)*	**4,501**	–
Net foreign exchange losses	**(1,425)**	(7,253)
	4,685	(7,322)

Note: In prior years, the Group made impairment losses against the long outstanding balances with several debtors. During the current year, the Group received the repayments from the counterparties. Accordingly, the Group recognised the reversal of impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	**37,179**	38,596
Interest on amount due to a director	**792**	13
	37,971	38,609

9. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax:		
– PRC Enterprise Income Tax	**11,550**	13,496
– Taiwan Corporate Income Tax	**3,002**	1,825
	14,552	15,321
(Over)underprovision in prior years:		
– PRC Enterprise Income Tax	**(2,767)**	(967)
– Taiwan Corporate Income tax	**417**	313
	(2,350)	(654)
Deferred tax *(Note 17)*:		
– Current year	**158**	439
	12,360	15,106

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

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.

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, and the concession expires after 2011.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX EXPENSE *(continued)*

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

2012

	The PRC		Taiwan		Hong Kong		Others[1]		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit (loss) before tax	5,873		15,041		(361)		(10,398)		10,155	
Tax at the statutory tax rate	1,470	25.0	2,557	17.0	(60)	(16.5)	–	–	3,967	39.2
Tax effect of:										
Deductible temporary differences not recognised	198	3.4	–	–	–	–	–	–	198	2.0
Expenses not deductible for tax	2,725	46.4	559	3.7	149	41.2	–	–	3,433	34.0
(Over)underprovision in prior years	(2,767)	(47.1)	417	2.8	–	–	–	–	(2,350)	(23.2)
Additional charges for the undistributed profit in Taiwan[2]	–	–	2,123	14.1	–	–	–	–	2,123	21.0
Income not subject to tax	(500)	(8.5)	(2,080)	(13.8)	(89)	(24.7)	–	–	(2,669)	(26.4)
Tax loss not recognised	7,658	130.4	–	–	–	–	–	–	7,658	75.7
Income tax expense reported in the consolidated statement of comprehensive income at the Group's effective rate	8,784	149.6	3,576	23.8	–	–	–	–	12,360	122.2

9. INCOME TAX EXPENSE *(continued)*

2011

	The PRC		Taiwan		Hong Kong		Others[1]		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit (loss) before tax	52,167		1,760		(1,364)		(9,929)		42,634	
Tax at the statutory tax rate	13,042	25.0	299	17.0	(226)	(16.5)	–	–	13,115	30.8
Tax effect of:										
Lower tax rates for specific provinces or enacted by local authority	(1,074)	(2.1)	–	–	–	–	–	–	(1,074)	(2.5)
Expenses not deductible for tax	2,354	4.5	–	–	271	19.9	–	–	2,625	6.2
(Over)underprovision in prior years	(967)	(1.9)	313	17.8	–	–	–	–	(654)	(1.5)
Additional charges for the undistributed profit in Taiwan[2]	–	–	1,609	91.4	–	–	–	–	1,609	3.8
Income not subject to tax	(375)	(0.7)	–	–	(45)	(3.3)	–	–	(420)	(1.0)
Deductible temporary differences not recognised being reversed	(451)	(0.9)	–	–	–	–	–	–	(451)	(1.1)
Deferred tax relating to dividend withholding tax	–	–	–	–	356	26.1	–	–	356	0.8
Income tax expense reported in the consolidated statement of comprehensive income at the Group's effective rate	12,529	24.0	2,221	126.2	356	26.1	–	–	15,106	35.4

(1) The expenses incurred by the holding company incorporated in the Cayman Islands and those subsidiaries incorporated in the British Virgin Islands are not deductible under any jurisdictions.

(2) Pursuant to relevant tax laws in the Taiwan, the Company's subsidiary, Capxon Electronic Industrial Company Limited ("Capxon Taiwan"), is subject to tax on undistributed retained profits for the year, which is equal to 10% of the profit for the year.

Details of deferred taxation for the year are set out in Note 17.

10. (LOSS) PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
(Loss) profit for the year has been arrived at after charging:		
Employee benefit expenses (including directors' emoluments *(Note 11)*):		
Wages, salaries and allowances	**153,298**	143,184
Defined contribution pension scheme *(Note 27 (ii))*	**7,007**	6,666
Defined benefit pension plan *(Note 27 (i))*	**262**	194
	160,567	150,044
Amortisation of intangible assets		
– in cost of sales	**3,161**	2,492
– in administrative expenses	**228**	311
Amortisation of land use rights	**1,058**	687
Auditor's remuneration	**1,301**	1,312
Cost of inventories recognised as an expense (including write-down of inventories of RMB5,049,000 (2011: RMB6,988,000))	**795,370**	892,176
Depreciation of property, plant and equipment	**77,183**	72,944

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

DIRECTORS AND THE CHIEF EXECUTIVE

Name of directors	**Fee RMB'000**	**Salaries and allowances RMB'000**	**Performance related incentive payment *(Note)* RMB'000**	**Retirement benefit scheme contributions RMB'000**	**Total RMB'000**
2012					
Lin Chin Tsun	**–**	**2,466**	**–**	**–**	**2,466**
Chou Chiu Yueh	**–**	**1,235**	**–**	**51**	**1,286**
Lin Yuan Yu	**–**	**1,362**	**–**	**29**	**1,391**
Liu Fang Chun	**–**	**620**	**11**	**8**	**639**
Lin I Chu	**–**	**873**	**–**	**63**	**936**
Lai Chung Ching	**197**	**–**	**–**	**–**	**197**
Lu Hong Te	**109**	**–**	**–**	**–**	**109**
Tung Chin Chuan	**109**	**–**	**–**	**–**	**109**
	415	**6,556**	**11**	**151**	**7,133**

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11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

DIRECTORS AND THE CHIEF EXECUTIVE *(continued)*

Name of directors	Fee	Salaries and allowances	Performance related incentive payment *(Note)*	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011					
Lin Chin Tsun	–	2,522	210	–	2,732
Chou Chiu Yueh	–	1,262	105	40	1,407
Lin Yuan Yu	–	1,235	116	17	1,368
Liu Fang Chun	–	630	94	8	732
Lin I Chu	–	736	129	48	913
Lai Chung Ching	200	–	–	–	200
Lu Hong Te	110	–	–	–	110
Tung Chin Chuan	110	–	–	–	110
	420	6,385	654	113	7,572

Note: The amount of performance related incentive payment to each executive director is determined by the Company's remuneration committee, subject to the total amount of bonuses payable to all the executive directors in any year cannot exceed 5% of the audited consolidated profit after tax and non-controlling interests but before extraordinary items of the Group (if any) for the relevant year. The board of directors of the Company makes the final decision for the amount of bonus payment to the non-executive directors.

Mr. Lin Yuan Yu is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2011: five) were directors of the Company and details of their emoluments are set out above. The emoluments of the remaining individual (2011: None) was as follows:

	2012
	RMB'000
Salaries and allowances	**773**

During the year ended 31 December 2012 and 31 December 2011, 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.

12. DIVIDENDS

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

13. (LOSS) EARNINGS PER SHARE

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

	2012 RMB'000	2011 RMB'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share (Loss) profit for the year attributable to owners of the Company	**(2,957)**	26,895

	2012	2011
Number of shares		
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**844,559,841**	844,559,841

The computation of diluted (loss) 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 average market price for shares for both 2012 and 2011.

14. 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 2011	5,154	11,318	247,937	730,762	38,749	11,298	24,740	1,069,958
Additions	55,331	–	718	6,332	1,168	635	79,047	143,231
Transfer	–	–	846	36,979	1,906	–	(39,731)	–
Disposals	–	(1,405)	–	(11,798)	(4,768)	(64)	–	(18,035)
Exchange adjustment	(2,581)	(759)	–	(141)	(183)	(166)	(129)	(3,959)
At 31 December 2011	57,904	9,154	249,501	762,134	36,872	11,703	63,927	1,191,195
Additions	**556**	**–**	**496**	**4,303**	**320**	**302**	**44,260**	**50,237**
Transfer	**–**	**–**	**–**	**54,532**	**1,183**	**–**	**(55,715)**	**–**
Disposals/written-off	**(54,215)**	**–**	**–**	**(7,446)**	**(1,201)**	**–**	**(3,017)**	**(65,879)**
Exchange adjustment	**666**	**247**	**–**	**115**	**25**	**58**	**31**	**1,142**
At 31 December 2012	**4,911**	**9,401**	**249,997**	**813,638**	**37,199**	**12,063**	**49,486**	**1,176,695**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2011	–	3,681	30,529	351,457	27,039	7,910	480	421,096
Provided for the year	–	216	8,898	59,066	3,655	1,109	–	72,944
Eliminated on disposals	–	(1,405)	–	(9,624)	(4,268)	(58)	–	(15,355)
Exchange adjustment	–	(217)	–	(30)	(134)	(113)	–	(494)
At 31 December 2011	–	2,275	39,427	400,869	26,292	8,848	480	478,191
Provided for the year	**–**	**201**	**7,590**	**65,550**	**3,147**	**695**	**–**	**77,183**
Eliminated on disposals/written-off	**–**	**–**	**–**	**(7,244)**	**(1,046)**	**–**	**–**	**(8,290)**
Exchange adjustment	**–**	**65**	**–**	**29**	**8**	**46**	**–**	**148**
At 31 December 2012	**–**	**2,541**	**47,017**	**459,204**	**28,401**	**9,589**	**480**	**547,232**
CARRYING VALUE								
At 31 December 2012	**4,911**	**6,860**	**202,980**	**354,434**	**8,798**	**2,474**	**49,006**	**629,463**
At 31 December 2011	57,904	6,879	210,074	361,265	10,580	2,855	63,447	713,004

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

Buildings	Over the shorter of the term of the lease, or 2%–4.5%
Plant and machinery	9%
Office and other equipment	18%
Motor vehicles	18%

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

The carrying value of properties shown above comprises:

	2012 RMB'000	2011 RMB'000
Properties:		
Freehold in Taiwan	**11,771**	64,783
Medium-term lease in the PRC	**202,980**	210,074
	214,751	274,857

As at 31 December 2012, 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 RMB7,653,000 (2011: RMB8,204,000). The directors of the Company expect to obtain the building ownership certificates for these buildings in year 2013.

The Group has pledged property, plant and equipment with a net book value of approximately RMB199,414,000 (2011: RMB391,828,000) to secure general banking facilities granted to the Group.

15. LAND USE RIGHTS

	2012 RMB'000	2011 RMB'000
Medium-term land use rights in the PRC	**43,603**	27,180
Analysed for reporting purpose as:		
Current assets	**1,031**	669
Non-current assets	**42,572**	26,511
	43,603	27,180

The Group has pledged land use rights with a net book value of approximately RMB22,018,000 (2011: RMB27,180,000) to secure general banking facilities granted to the Group.

At 31 December 2012, the Group had not obtained land use right certificates of land use rights with a carrying amount of approximately RMB17,131,000 (2011: Nil). The directors of the Company expect to obtain the land use right certificates in year 2016.

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16. INTANGIBLE ASSETS

	Trademark, patents and licences RMB'000
COST	
At 1 January 2011	20,904
Exchange adjustment	(365)
Additions	3,018
At 31 December 2011	23,557
Exchange adjustment	**133**
Additions	**971**
At 31 December 2012	**24,661**
AMORTISATION AND IMPAIRMENT	
At 1 January 2011	9,945
Exchange adjustment	(112)
Charge for the year	2,803
Impairment loss recognised during the year *(Note)*	747
At 31 December 2011	13,383
Exchange adjustment	**54**
Charge for the year	**3,389**
At 31 December 2012	**16,826**
CARRYING VALUES	
At 31 December 2012	**7,835**
At 31 December 2011	10,174

Note: Full impairment loss was recognised for the trademark held by Evercon Limited ("HKEC") which was used in the capacitors manufactured by Evercon Electronic (Shenzhen) Co., Ltd. ("SZEC"). As SZEC is in the process of de-registration, it is expected that no future economic benefits will be generated from the trademark. Both HKEC and SZEC are subsidiaries of the Company.

The above are computer software licences, patents and licences for the technology used in production of capacitors and aluminum foils, which 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.

17. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 **RMB'000**	2011 RMB'000
Deferred tax assets	**1,079**	1,237
Deferred tax liabilities	**(600)**	(600)
	479	637

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

	Inventories and doubtful debts allowance **RMB'000**	**Post-employee benefits pension** **RMB'000**	**Withholding tax provided** **RMB'000**	**Total** **RMB'000**
At 1 January 2011	1,098	222	(244)	1,076
(Charge) credit to profit or loss	(145)	62	(356)	(439)
At 31 December 2011	953	284	(600)	637
(Charge) credit to profit or loss	**(235)**	**77**	**–**	**(158)**
At 31 December 2012	**718**	**361**	**(600)**	**479**

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). Except for a deferred tax liability recognised in respect of RMB6,000,000 dividend expected to be declared by a PRC subsidiary as at 31 December 2011, no deferred taxation has 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 RMB62,129,000 and RMB93,095,000 (2011: RMB39,700,000 and RMB88,097,000), 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.

At the end of the reporting period, the Group has deductible temporary differences of RMB31,560,000 (2011: RMB44,363,000) arising from the inventories and doubtful debts allowance. No deferred tax asset has been recognised in related to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of RMB30,632,000 (2011: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of all unused tax losses due to the unpredictability of future profit streams. The unused tax losses that can be carried forward up to 2017, five years from the year in which the loss was originated, to offset future taxable profits.

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18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**70,992**	78,496
Work in progress	**6,493**	17,069
Finished goods	**112,176**	133,648
	189,661	229,213

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade and bills receivables	**366,392**	379,403
Bills receivable discounted with recourse *(Note)*	**16,999**	–
Less: allowance for doubtful debts	**(15,818)**	(32,790)
Total trade receivables	**367,573**	346,613
Advances to suppliers	**3,341**	8,296
Value added tax recoverable	**52,979**	33,685
Others	**31,999**	28,464
Total trade and other receivables	**455,892**	417,058

Note: The amount represents bills receivable discounted to a bank with full recourse with a maturity period of less than 120 days. The Group recognises the respective liabilities as set out in note 25. No bills receivable was discounted with recourse as at 31 December 2011.

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 dates at the end of the reporting period, which approximated to respective revenue recognition dates.

	2012 RMB'000	2011 RMB'000
0–60 days	**226,161**	195,644
61–90 days	**66,062**	64,656
91–180 days	**74,392**	81,350
181–270 days	**695**	4,277
271–360 days	**–**	602
Over 360 days	**263**	84
	367,573	346,613

19. TRADE AND OTHER RECEIVABLES *(continued)*

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. 97% (2011: 97%) 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 RMB19,247,000 (2011: RMB40,552,000) 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

	2012 **RMB'000**	2011 RMB'000
One to six months past due	**18,984**	38,743
Over six months past due	**263**	1,809
Total	**19,247**	40,552

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2012 **RMB'000**	2011 RMB'000
1 January	**32,790**	36,007
Impairment losses recognised on receivables	**3,543**	193
Amount written off as uncollectible	**(13,598)**	(1,052)
Amount recovered during the year	**(6,917)**	(2,358)
31 December	**15,818**	32,790

Included in the allowance for doubtful debts were individually impaired debtors with an aggregate balance of RMB15,818,000 (2011: RMB32,790,000), which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS FOR OTHER RECEIVABLES

	2012 **RMB'000**	2011 RMB'000
1 January	**4,639**	4,639
Amount recovered during the year	**(4,501)**	–
31 December	**138**	4,639

The Group has pledged bills receivable of approximately RMB1,894,000 (2011: RMB2,364,000) to secure general banking facilities granted to the Group.

20. TRANSFERS OF FINANCIAL ASSETS

The following Group's bills receivable as at 31 December 2012 were transferred to a bank by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 25).

These bills receivable are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2012

	Bills receivable discounted to a bank with full recourse RMB'000
Carrying amount of bills receivable	**16,999**
Carrying amount of associated borrowings	**(16,999)**

21. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted investments	**–**	7,000

The unlisted investments as at 31 December 2011 represented units in investment fund managed by a bank in the PRC. The underlying assets of the fund mainly comprised government bonds, bonds issued by corporate entities in the PRC and other eligible financial products. As at 31 December 2011, the fair value of the above investments was determined based on the quoted price provided by the counterparty bank. The investments were redeemed on the maturity date, 4 January 2012, and a gain of RMB3,000 was recognised.

22. PLEDGED BANK DEPOSITS

These represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB58,951,000 (2011: RMB100,205,000) were pledged to secure short-term bank loans and are therefore classified as current assets.

The pledged bank deposits carry variable interest rate which range from 0.17% to 0.45% (2011: 0.36% to 4.40%) per annum.

23. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates which range from 0.01% to 0.50% (2011: 0.01% to 0.50%) per annum.

24. TRADE AND OTHER PAYABLES

	2012 **RMB'000**	2011 RMB'000
Trade and bills payables	**151,433**	146,550
Advances from customers	**5,230**	6,052
Payroll payables	**12,508**	10,417
Accruals	**23,015**	18,049
Land use rights payable	**5,481**	–
Others	**2,208**	2,691
	199,875	183,759

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:

	2012 **RMB'000**	2011 RMB'000
0–60 days	**75,811**	81,325
61–90 days	**19,241**	23,202
91–180 days	**32,550**	21,391
181–270 days	**3,178**	5,482
271–360 days	**2,436**	3,458
Over 360 days	**18,217**	11,692
	151,433	146,550

25. BANK BORROWINGS

	2012 **RMB'000**	2011 RMB'000
Bank borrowings	**482,979**	655,308
Advances drawn on bills receivable discounted with recourse *(Note)*	**16,999**	–
	499,978	655,308
Secured	**403,122**	503,214
Unsecured	**96,856**	152,094
	499,978	655,308
Carrying amount repayable:*		
Within one year	**418,893**	556,207
More than one year, but not exceeding two years	**879**	38,045
More than two years but not more than five years	**206**	1,056
	419,978	595,308
Carrying amount that contain a repayment on demand clause repayable:		
Within one year	**80,000**	–
After one year from the end of the reporting period (shown under current liabilities)	**–**	60,000
	80,000	60,000
	499,978	655,308
Less: Amounts due within one year shown under current liabilities	**(498,893)**	(616,207)
Amounts shown under non-current liabilities	**1,085**	39,101

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

Note: The amount represents the Group's borrowings secured by the bills receivable discounted to a bank with recourse (see note 19).

The Group's bank borrowings included fixed-rate borrowings of RMB60,925,000 (2011: RMB7,250,000) which carry interests of from 1.94% to 7.78% (2011: 5%) 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 1.37% to 7.78% (2011: 1.41% to 7.78%) per annum.

25. BANK BORROWINGS *(continued)*

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

	Euro ("EUR") RMB'000	**United States Dollars ("USD") RMB'000**	**Japanese Yen ("JPY") RMB'000**
At 31 December 2012	**–**	**42,529**	**25,401**
At 31 December 2011	1,890	84,809	31,849

26. AMOUNTS DUE TO RELATED PARTIES

Name of related party	**Relationship**	**2012 RMB'000**	2011 RMB'000
Chou Chiu Yueh	*Director*	**5**	5
Fung Yue Technology Limited ("Fung Yue")	*Note i, iii*	**–**	3,409
Hill Source Electron (Shenzhen) Co., Ltd. ("Hill Source")	*Note ii*	**–**	1,166
Lin Chin Tsun	*Director, Note iii*	**3,387**	–
Lin I Chu	*Director*	**30,000**	7,285
Lin Yuan Yu	*Director*	**1**	1
		33,393	11,866

Except for an unsecured amount due to Ms. Lin I Chu of RMB30,000,000 (2011: RMB7,285,000) which bears variable interest at benchmark interest rate of loans determined by Bank of China Limited minus a fixed margin (2011: fixed interest rate of 4.044%) per annum and is repayable within one year, the remaining balances due to related parties are interest-free, unsecured and repayable on demand.

Notes:

(i) 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. Fung Yue was deregistered during the year and the right of receiving the balance was transferred to Mr. Lin Chin Tsun.

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

(iii) The balances for both years were in trade nature and repayable on demand. During the year ended 31 December 2012, Fung Yue was deregistered and the balance was transferred to Mr. Lin Chin Tsun with mutual agreement.

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27. RETIREMENT BENEFIT PLANS

(i) DEFINED BENEFIT OBLIGATIONS

The Company's subsidiary incorporated in Taiwan, 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 2012 by Greatfine Wealth Management Consulting Inc., a member of the Actuarial 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:

	2012	2011
Discount rate	**1.5%**	1.8%
Expected return on plan assets	**1.8%**	1.8%
Expected rate of salary increase	**2.0%**	2.0%

The actuarial valuation showed that the market value of plan assets was RMB723,000 (2011: RMB680,000) and that the actuarial value of these assets represented 11% (2011: 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:

	2012 **RMB'000**	2011 RMB'000
Current service cost	**159**	148
Interest cost	**115**	99
Expected return on plan assets	**(12)**	(12)
Actuarial gains recognised in the year	**–**	(41)
Total	**262**	194

The charge for the year is included in the employee benefit expenses 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:

	2012 RMB'000	2011 RMB'000
Present value of defined benefit obligations	**8,163**	6,497
Fair value of plan assets	**(723)**	(680)
	7,440	5,817
Net actuarial (losses) gains not recognised	**(953)**	259
Net liability arising from defined benefit obligation	**6,487**	6,076

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

	2012 RMB'000	2011 RMB'000
At 1 January	**6,497**	5,821
Current service cost	**159**	148
Interest cost	**115**	99
Actuarial losses	**1,193**	894
Exchange difference	**199**	(465)
At 31 December	**8,163**	6,497

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

	2012 RMB'000	2011 RMB'000
At 1 January	**680**	708
Expected return on plan assets	**12**	12
Exchange differences on a foreign plan	**18**	(52)
Contributions from the Group	**13**	12
At 31 December	**723**	680

The plan assets solely represent cash, the expected rate of return at the reporting period is 1.8% (2011: 1.8%) per annum.

27. RETIREMENT BENEFIT PLANS *(continued)*

(i) DEFINED BENEFIT OBLIGATIONS *(continued)*

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.

The actual return on plan assets was RMB6,000 (2011: RMB7,000).

The Group expects to make a contribution of RMB19,000 (2011: RMB17,000) to the defined benefit plans during the next financial year.

(ii) DEFINED CONTRIBUTION PLANS

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement pension schemes operated by the local government. The subsidiaries are 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 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 the lower of HK$1,250 per month (HK$1,000 per month before 1 June 2012) or 5% of relevant payroll costs to the scheme as a mandatory contribution, which contribution is matched by the employee.

The costs charged to consolidated statement of comprehensive income during the year were RMB7,007,000 (2011: RMB6,666,000). All the contributions had been paid over to the scheme as at the end of the reporting period.

28. DEFERRED INCOME

During the year ended 31 December 2012, Capxon Electronic Technology (QingHai) Co., Ltd. ("Capxon Qinghai"), a subsidiary of the Company, received government grants of RMB5,290,000 in total from 西寧經濟技術開發區東川工業園區財政局, 青海省商務廳 and 青海省科學技術廳 for the encouragement of setting up of aluminium foils production lines in Qinghai. The setting up of the production lines has not been completed as at 31 December 2012. The grants will be recognised in profit or loss on a systematic basis over the useful life of the production lines upon the completion of production lines.

During the year ended 31 December 2011, Capxon Qinghai received government grants of RMB12,000,000 from 西寧經濟技術開發區東川工業園區財政局 as subsidy for the acquisition of land use rights for the encouragement of setting up of aluminum foils production lines in Qinghai. On 31 October 2011, Capxon Qinghai entered into a contract with 西寧經濟技術開發區發展集團有限公司 for the acquisition of land use rights in Qinghai at a consideration of RMB17,481,000 and a deposit of RMB8,440,000 was paid during the year ended 31 December 2011. The Group recognised the land use rights in 2012 and RMB240,000 of the government grants were transferred to profit or loss as set out in Note 6a.

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 2012	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 2012	844,559,841	84,456
Shown in the financial statements as (RMB'000)		82,244

30. 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. The Group will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

31. FINANCIAL INSTRUMENTS

31a. CATEGORIES OF FINANCIAL INSTRUMENTS

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**559,855**	578,423
Available-for-sale investments	**–**	7,000
Financial liabilities		
Amortised cost	**704,775**	826,136

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31. FINANCIAL INSTRUMENTS *(continued)*

31b. 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, bills receivable discounted with recourse, pledged bank deposits, bank balances and cash, bank borrowings and available-for-sale investments. 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 and other price 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 46.62% (2011: 51.95%) of the Group's sales and 49.81% (2011: 45.65%) 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, bills receivable discounted with recourse and bank balances) and monetary liabilities (representing trade and other payables 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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollars ("HKD")	**26,485**	31,046	**24,801**	25,067
USD	**127,425**	96,060	**118,008**	91,953
New Taiwan Dollars ("NTD")	**2,937**	11,347	**3,187**	3,254
EUR	**5**	5	**–**	1,890
JPY	**1,220**	3,965	**25,413**	31,849

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.

31. FINANCIAL INSTRUMENTS *(continued)*

31b. 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 the functional currencies of respective group entities 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 functional currencies of respective group entities against the foreign currencies by 5% will give rise to the following (loss) profit after tax, and vice versa:

	2012 **RMB'000**	2011 RMB'000
HKD impact	**(67)**	(226)
USD impact	**(391)**	(152)
NTD impact	**9**	(303)
EUR impact	**(1)**	78
JPY impact	**984**	1,107

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and amount due to a related party (see Notes 25 and 26 for details of these borrowings and amount due to a related party).

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.

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. 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 (2011: 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 (2011: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2012 (post-tax profit for the year ended 31 December 2011) would increase/decrease by RMB889,000 (2011: decrease/increase RMB1,230,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and amount due to a related party.

(iii) Other price risk

The Group was exposed to equity price risk through its unlisted investments as at 31 December 2011. Detail of these is set out in note 21. As the effect on changes in the price is not significant, no sensitivity analysis is presented.

31. FINANCIAL INSTRUMENTS *(continued)*

31b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

As at 31 December 2012, 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.

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 Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2012, the Group has available unutilised short-term bank loan facilities of approximately RMB402,731,000 (2011: RMB428,111,000). Details of bank borrowings are set out in Note 25.

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 maturity date for other non-derivative financial liabilities are based on the agreed repayment dates.

31. FINANCIAL INSTRUMENTS *(continued)*

31b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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 RMB'000	Over 1 year RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
2012					
Non-derivative financial liabilities					
Trade and other payables	–	171,404	–	171,404	171,404
Bank borrowings					
– fixed-rate	5.57	61,478	–	61,478	60,925
– variable-rate	5.96	450,155	1,112	451,267	439,053
Amounts due to related parties					
– variable-rate	6.03	31,042	–	31,042	30,000
– interest-free	–	3,393	–	3,393	3,393
		717,472	1,112	718,584	704,775

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	Over 1 year RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
2011					
Non-derivative financial liabilities					
Trade and other payables	–	158,962	–	158,962	158,962
Bank borrowings					
– fixed-rate	5.00	7,309	–	7,309	7,250
– variable-rate	5.30	616,699	40,065	656,764	648,058
Amounts due to related parties					
– fixed-rate	4.044	7,383	–	7,383	7,285
– interest-free	–	4,581	–	4,581	4,581
		794,934	40,065	834,999	826,136

31. FINANCIAL INSTRUMENTS *(continued)*

31b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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 2012, the aggregate carrying amounts of these bank loans amounted to RMB80,000,000 (2011: RMB60,000,000). 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 in accordance with the scheduled repayment dates set out in the loan agreements shown as below. At that time, the aggregate principal and interest cash outflows will amount to RMB84,632,000 (2011: RMB65,598,000).

The table includes both interest and principal cash flows of bank loans with a repayment on demand clause. 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 RMB'000	1 to 2 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
2012	**6.10**	**84,632**	**–**	**84,632**	**80,000**
2011	6.69	–	65,598	65,598	60,000

31c. FAIR VALUE

The fair values of financial assets with standard terms and conditions are determined with reference to quoted market prices.

The fair values of other 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.

31. FINANCIAL INSTRUMENTS *(continued)*

31c. FAIR VALUE *(continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2012			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments	–	–	–	–

	31 December 2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments	–	7,000	–	7,000

32. 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.

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

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 did not recognise any share option expense during both years. The share option was fully vested during the year ended 31 December 2010.

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 1.1.2011 and 1.1.2012	Lapsed during the year	Outstanding at 31.12.2012
17 April 2007	0.465	18.4.2008 to 16.4.2012	2,680,000	(2,680,000)	–
	0.465	18.4.2010 to 16.4.2012	2,680,000	(2,680,000)	–
	0.465	18.4.2011 to 16.4.2012	8,040,000	(8,040,000)	–
			13,400,000	(13,400,000)	–

33. OPERATING LEASES

THE GROUP AS LESSEE

Minimum lease payments paid under operating leases during the year for rented premises is approximately RMB3,078,000 (2011: RMB1,252,000).

At the end of the reporting period, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2012 **RMB'000**	2011 RMB'000
Within one year	**4,518**	357
In the second to fifth year inclusive	**11,926**	339
	16,444	696

Leases are negotiated and rental are fixed for a period from one to five years (2011: one to three years).

34. CAPITAL COMMITMENTS

	2012 **RMB'000**	2011 RMB'000
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**13,611**	49,156

35. RELATED PARTY DISCLOSURES

(i) RELATED PARTY TRANSACTION

During the year, the Group entered into the following transaction with a related party:

Name of related party	**Nature of transaction**	**2012** **RMB'000**	2011 RMB'000
Lin I Chu *(Note)*	Interest expense	**792**	13

Note: Ms. Lin I Chu is an executive director of the Company and the daughter of Mr. Lin Chin Tsun and Ms. Chou Chiu Yueh, who are executive directors and the ultimate controlling parties of the Company.

35. RELATED PARTY DISCLOSURES *(continued)*

(ii) 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:

	2012 **RMB'000**	2011 RMB'000
Guarantees provided by:		
Lin Chin Tsun *(Note)*	**94,353**	200,000
Lin Chin Tsun and Chou Chiu Yueh *(Note)*	**72,319**	98,734
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun and Lin I Chu *(Note)*	**40,990**	50,500
Lin Chin Tsun and Lin Yuan Yu *(Note)*	**67,992**	101,163
	275,654	450,397

Note: Mr. Lin Chin Tsun and Ms. Chou Chu Yueh are ultimate controlling shareholders of the Company. Mr. Lin Yuan Yu, Ms. Liu Fang Chun and Ms. Lin I Chu are close family members of the controlling shareholders. All of them are directors and shareholders of the Company.

The expiry dates of the above guarantees fall within the period from March 2013 to March 2015 (2011: January 2012 to March 2015).

Mr. Lin Yuan Yu, has pledged a property to a bank to secure banking facilities of USD1,300,000 granted to the Group for both years.

As at 31 December 2011, Ms. Lin I Chu pledged a property to a bank to secure banking facilities of RMB30,000,000 granted to the Group.

(iii) RELATED PARTY BALANCES

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

(iv) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2012 **RMB'000**	2011 RMB'000
Short-term benefits	**9,523**	10,107
Post-employment benefits	**285**	232
	9,808	10,339

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

35. RELATED PARTY DISCLOSURES *(continued)*

(v) PROVISION OF LOAN FACILITY FROM THE COMPANY'S DIRECTOR

During the year ended 31 December 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 (approximately RMB33,808,000) 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 utilise the facility for both years. The Group cancelled such agreement with Mr. Lin Chin Tsun on 20 September 2012.

36. CONTINGENT LIABILITIES

i. During the year ended 31 December 2011, a customer filed a request for arbitration enclosing a statement of claim against a subsidiary of the Company, Capxon Taiwan, to The Japan Commercial Arbitration Association in Japan, claiming JPY1,412,106,000 (approximately RMB116,117,000) suffered by the customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan, with interest from 1 January 2011 up to the settlement date at 6% per annum and all arbitration related expenses. Capxon Taiwan rejected the claims charged by the customer and filed a request for arbitration to counterclaim JPY60,000,000 (approximately RMB4,410,000) from the customer for the damages caused, with interest from 17 November 2011 up to the settlement date at 6% per annum and all arbitration related expenses.

   The case has been pending third hearing on The Japan Commercial Arbitration Association as at 31 December 2012. The directors of the Company, having sought legal advice, considered that the possibility of the outflow in settlement is not probable as there were no serious product defects for the electrolytic capacitors supplied by Capxon Taiwan and accordingly, no provision for any potential liability has been made in the consolidated financial statements.

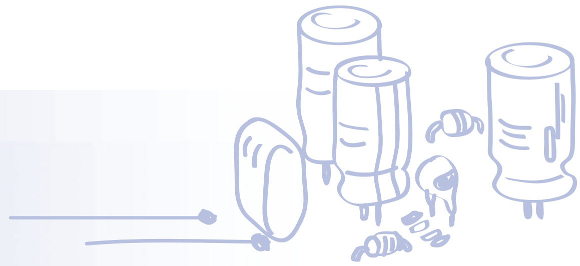
ii. During the year ended 31 December 2011, a customer filed a civil complaint to the People's Court of Shenzhen in the PRC against a subsidiary of the Company, Capxon Electronic (Shenzhen) Co. Ltd. ("Capxon Shenzhen"), claiming product defect compensation of RMB12,877,000. The case has been pending second hearing on the court. The directors of the Company, having sought legal advice, considered that the possibility of the outflow in settlement is not probable as the customer does not have a valid claim against Capxon Shenzhen and accordingly, no provision for any potential liability has been made in the consolidated financial statements.

37. PLEDGE OF ASSETS

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

	2012 RMB'000	2011 RMB'000
Property, plant and equipment	**199,414**	391,828
Land use rights	**22,018**	27,180
Bank deposits	**58,951**	100,205
Bills receivable	**1,894**	2,364
	282,277	521,577

In addition, there was bills receivable discounted with full recourse of RMB16,999,000 as at 31 December 2012 (2011: Nil).



38. NON-CASH TRANSACTION

During the current year, bills receivable discounted with recourse of RMB56,061,000 (2011: Nil) was set off with advances drawn on bills receivable discounted with recourse.

39. FINANCIAL INFORMATION OF THE COMPANY

	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**511,503**	511,503
CURRENT ASSETS		
Other receivables	**264**	232
Amount due from a subsidiary	**5,372**	–
Bank balances	**959**	649
	6,595	881
CURRENT LIABILITIES		
Other payables	**1,001**	1,514
Amounts due to subsidiaries	**15,581**	4,406
	16,582	5,920
NET CURRENT LIABILITIES	**(9,987)**	(5,039)
	501,516	506,464
CAPITAL AND RESERVES		
Share capital	**82,244**	82,244
Reserves	**419,272**	424,220
	501,516	506,464
Loss for the year	**4,948**	5,144

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Direct		Indirect		Principal activities
			2012	2011	**2012**	2011	
			%	%	**%**	%	
Capxon Baotou *(Note i)*	The PRC	RMB100,000,000	**–**	–	**100**	100	Manufacture and sale of aluminum foil *(Note iii)*
Capxon Electronic Technology (Yichang Sanxin) Co. Ltd. *(Note ii)*	The PRC	US$30,000,000	**–**	–	**100**	100	Manufacture and sale of aluminum 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
SZEC *(Note ii)*	The PRC	US$1,000,000	**–**	–	**100**	100	In the process of de-registration
HKEC	Hong Kong	US$1,000,000	**100**	100	**–**	–	Trading and investment holding *(Note iv)*
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 Qinghai *(Notes i)*	The PRC	RMB99,000,000 (2011: RMB79,000,000)	**–**	–	**100**	100	Manufacture and sale of aluminum foils

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

Notes:

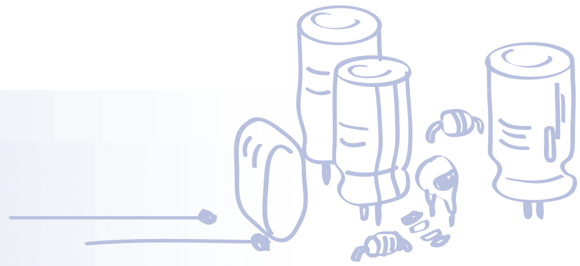
(i) Being established in the PRC in the form of domestic enterprise.

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

(iii) It has ceased its production and sale activities during the year.

(iv) It has ceased its trading activities during the year.

Five-Year Financial Summary



	Year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
RESULTS					
Revenue	912,642	775,053	1,045,812	1,119,603	**970,975**
(Loss) profit for the year	(24,741)	(6,119)	18,773	27,528	**(2,205)**

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,392,774	1,592,085	1,594,973	1,661,384	**1,547,895**
Total liabilities	(653,660)	(858,264)	(842,536)	(882,347)	**(771,471)**
	739,114	733,821	752,437	779,037	**776,424**
Attributable to:					
Owners of the Company	730,324	724,751	742,787	768,699	**765,374**
Non-controlling interests	8,790	9,070	9,650	10,338	**11,050**
	739,114	733,821	752,437	779,037	**776,424**