CapXon

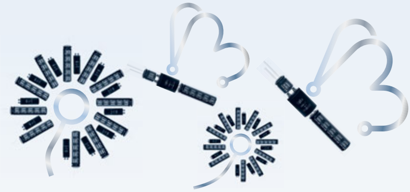
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED

凱普松國際電子有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 469

2013
INTERIM REPORT



Contents

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

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 *(Chairman)*
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
Level 35 One Pacific Place
88 Queensway
Hong Kong

Legal Adviser

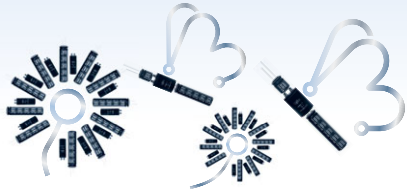
Minter Ellison
Level 25 One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
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



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Principal Share Registrar and Transfer Office

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Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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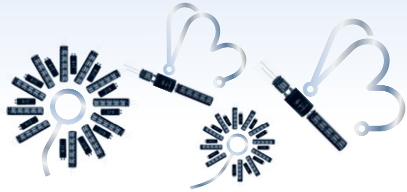
Stock Code

469



Chairman's Statement

Dear Shareholders,

The global economy underperformed and the overall sentiment slumped during the first half of 2013. The economic growth of emerging countries such as China and the ASEAN was sluggish. Countries within the Eurozone suffered persistent economic recession and market demand went down. The US and Japanese economies were still under stagnant recovery. Since the second quarter, the majority of the international forecasting agencies have become conservative towards the general economic development for the current year. Accordingly, the expected global economic growth has been downgraded. In view of the recent international circumstances and the possible early retreat of the US's quantitative easing policies, capital will flow to countries such as the US and Japan, thereby forming the pessimistic view that the expansion of emerging economies will slow down and the recession in the Eurozone countries will deteriorate. China's Purchasing Managers Index (PMI) hit record low in July, which indicated that the economy of mainland China has continued to stay weak. Weak domestic demand continued in Europe and the emerging economies. Although the overall consumer market has perked up as compared to 2012, it still lags far behind from stable recovery. The slowed down global environment has directly dampened trading all around the world.

Looking at the statistics announced by the international organizations of late, we are facing the pessimistic economic sentiment, the retreat of the quantitative easing policies of the US at the end of the year, the unsolved recession of the European countries, the cooling down of the growth momentum of the emerging countries headed by China, and the decline of personal computers in the electronic consumer market. These issues are all unfavorable to both export and external sales of the electronic components. Yet, benefiting from the continuous increase in the demand of smart handsets such as smart phones and tablet computers, in particular, the rapid growth of medium to low end smart handsets to cater to the needs of mainland China and the emerging consumer markets, the supply and demand for upstream electronic parts and components have driven up and become a major driving force to the growth of the passive component market. In 2013, it is expected that the overall capacitor market will still enjoy slight growth 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 high capacity, high voltage, high frequency, high resistance to heat, miniaturization and so on. Meanwhile, due to the keen competition and price wars in Taiwan, Japan and Korea, the passive component market will move towards the trend of low price and low gross profit. Looking ahead in the long run, the industry of electronic parts and components may extend its reach to some emerging areas such as automobile, medical electronics and energy-related fields so as to maintain its competitiveness in the industry.

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 arising from the purchase 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 various series of capacitors. As for the aluminum 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 the future market demand and supply.

Looking forward in 2013, according to the estimated statistics from the *2013 Electronic Components Industry Yearbook* published by the Ministry of Economic Affairs, the product value of passive components this year will grow slightly by 2.1%. With numerous uncertainties affecting the market demand which have not yet been fully eliminated, the Group will, on the one hand, proactively cater to the product demand of the existing clients and capitalize on the advantages brought by vertical integration of upstream and downstream production chain to provide 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, and in turn deliver returns to shareholders.

During the first half of 2013, the strategic operating results of the Group's two major products are as follows:

1. Operations in the aluminum foil market

In the first half of 2013, the overall recovery was slow and the demand in the market of mainland China did not improve. The production value of the aluminum foils was low while the per unit cost stayed high, and the selling prices of the products remained low. Gross profit was therefore affected by the higher cost but lower selling price. Notwithstanding the gloomy environment of the industry, because of the good quality of the Group's aluminum foil products, our sales volume continued to grow steadily and the Group was able to maintain certain market share. In particular, Capxon Electronic Technology (QingHai) Co., Ltd. ("Capxon Qinghai"), a wholly-owned subsidiary of the Company, took advantage of the electricity tariff to achieve proper cost control. Both production and sales volumes recorded year-on-year upsurge and the benefits of factory relocation realized gradually. The Group was able to mitigate the impact of low gross profit by leveraging on its improved production and processing technologies and controlling cost effectively through the relatively low electricity tariffs.

Currently, the ultra-high voltage formed foils have been fully put into mass production, and the research and development target of capacitance improvement for medium-high voltage etched foils have also been achieved. The production line of formed foils in Capxon Qinghai has been operating in full swing and undergoing steady mass production. 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. It is expected that the aluminum foils market in China will not show any considerable upturn in the short term, as such, actively exploration of overseas markets will become the key direction of the Group in the future in terms of the sales strategy of aluminum foils. As for production strategies, the Group has, on the one hand, entered into agreements with its main suppliers to lower its raw material acquisition cost through bulk procurement and, on the other hand, implemented measures for technological innovations, production techniques enhancements, energy-savings and consumption reductions etc. in order to reduce production costs.

2. Operations in the electrolytic capacitor market

- Given the rising labour cost, in order to lower the demand for labour, the Group has implemented full automation of production equipments and created a clean production working environment to help minimize labour cost as well as wastage;

- Expansion of automatic production line of conductive polymers has been completed and new technologies have been introduced to the production process, thereby improving production technology, shortening production time and enhancing efficiency;

- The research and development of the impregnation equipment required for the production of large scale screw lock series capacitors and SNAP-IN huge capacitors has been completed, which effectively saves production time and enhances production efficiency;

- The capacitors for voltage-inversion have been successfully developed and have been put into mass production upon completion of the trials run by key clients;

- Materials used in the production of the FK and FL series of capacitors for Ballast lighting-related products and the RF and SF series of flashing light capacitors have been adjusted successfully to lengthen the useful life of capacitors.

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. This year, the Group will target on the development of electrolytic capacitors for energy-related, energy saving lighting products 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 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, 29 August 2013

Management Discussion and Analysis

Financial Review

A summary of the financial results of the Group for the six months ended 30 June 2013 (the "Period") is as follows:

- Revenue increased by approximately 9.66% to approximately RMB478,171,000.
- Gross profit increased by approximately 37.93% to approximately RMB103,526,000.
- Profit for the Period attributable to owners of the Company amounted to approximately RMB11,845,000 (for the six months ended 30 June 2012: loss of RMB13,580,000).

Looking back on the financial results for the Period, the Group's revenue was approximately RMB478,171,000, representing an increase of approximately 9.66% over the corresponding period last year. The increase was mainly attributable to the gradual growth of supply of the electronic components since the first half year of 2013, which was benefited by the market demand for the smart handheld devices. It was also due to the Group's ability to carry out research and development of new products on a timely basis and in line with the demands of the existing customers on the application of those products, and its effort in strengthening relationship with suppliers. The sales of aluminum electrolytic capacitors for the Period were approximately RMB397,321,000, representing an increase of approximately 21.57% from RMB326,836,000 for the corresponding period last year, and the sales of aluminum foils for the Period were approximately RMB80,850,000, representing a decrease of approximately 25.96% from RMB109,196,000 for the corresponding period last year. The Group's gross profit margin increased from approximately 17.21% for the corresponding period last year to approximately 21.65% for this Period. The increase in the gross profit margin was mainly caused by the improved production technologies and the effective control on production costs.

Business Review

Manufacturing and sale of aluminum foils

During the Period, after satisfying demand for internal production, external sales of aluminum foils amounted to approximately RMB80,850,000, down approximately 25.96% as compared to that of RMB109,196,000 for the corresponding period last year. The share of the sales of aluminum foils to the Group's total external sales decreased from approximately 25.04% for the corresponding period last year to approximately 16.91% for this Period.

During the Period, the gloomy global economic sentiment, the slow recovery of both Japan and US markets, the sustainable recession in the Eurozone, the sluggish growth of the emerging countries and the weak consumer demand had dragged down the market demand for end-products, which in turn dampened the growth of the market demand for upstream raw materials. Notwithstanding the high unit cost of production of the aluminum foils, the selling price of which was reduced in face of the intense competition, gross profit was affected by such high cost yet low selling price situation. Leveraging on its improved production and processing technologies, its ability to effectively control production cost by relatively low electricity tariffs, and, in particular, the gradual realization of the benefits from the relocation of the plant of Capxon Qinghai, the Group was able to reach stable production capability, increase production value and mitigate impact of low gross profit. Thereby, the Group achieved turnaround of its results for the Period.

Being the major raw material of capacitors, aluminum foils must reach a high standard of quality. The Group has positioned the high quality formed foils as a spotlight under its sales strategy. Such act will firstly ensure sufficient supply of high quality raw materials for the Group's own production of capacitors so as to lower the production costs and control product quality; secondly, it will facilitate sales to both domestic and overseas manufacturers of capacitors. Not only can the Group develop customized aluminum foils that tailor to customers' needs, it can also attain an insight of the market demand through mutual cooperation in order to enhance its own research and development capacity.

The Group possesses excellent production technologies and stable production capacity for formed foils. Currently, the ultra-high voltage formed foils have been fully put into mass production, and the research and development target of capacitance improvement for medium-high voltage etched foils has also been achieved. The production line of formed foils of Capxon Qinghai has been operating in full swing and undergoing steady mass production. The key technical research and development of high capacitance formed foils has also achieved the expected goal. 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 purchase cost through bulk procurement and, on the other hand, introduced innovative technologies, enhanced production techniques and implemented energy-saving and consumption reduction measures to reduce production costs.

Manufacturing and sale of capacitors

External sales of aluminum electrolytic capacitors during the Period were approximately RMB397,321,000, accounting to approximately 83.09% of the Group's total external sales and such percentage representing an increase of approximately 8.13% from approximately 74.96% for the corresponding period last year.

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 useful life, high capacitance, low impedance, energy-saving, high temperature resistance and high voltage tolerance. For example:

- Develop the Low profile series of small-sized high voltage capacitors to cope with the application of small chargers in the smart phone market and plan to develop customer-tailored specifications;

- In light of the demand on power supply market, improve the production technology of conductive polymers to reduce the cost and enhance the yield rate as well as replace the traditional liquid capacitors to increase the product competitiveness;

- Develop high-voltage large capacitors series and screw lock series to satisfy the need of power charging of electric cars. It is expected that upon completion of the automation of mass production, the production capacity will be effectively enhanced;

- Develop series of high-voltage conductive polymers and high temperature resistance, long useful life liquid capacitors for the application of lighting related products, and complete the trial run mainly on the kinds of machinery used by key customers;

- In respect of the capacitors specifically for board cards, plan to change the material used for the aluminum case and to perfect its appearance to reduce its cost;

- Upon completion of the development of the capacitors for voltage-inversion, conduct planning on the trial production and useful life testing of the whole series.

Green production mechanism

Restriction of Hazardous Substances Directive 2002/95/EC ("RoHS") is an environmental protection directive enacted by the European Union in 2003 and came into effect in July 2006. It principally 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 devices 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 the 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 arising from the acquisition of property, plant and equipment, costs and expenses related to operating activities, and repayment of bank loan interest and borrowings. During the Period, the Group generated its cash resources from operating activities.

During the Period, the Group had total net cash inflow of approximately RMB54,279,000 from operating, investing and financing activities before foreign exchange adjustment, details of which are set out below:

Net cash inflow from operating activities was approximately RMB65,701,000, which was mainly attributable to the profit before tax for the Period of approximately RMB14,803,000 together with the changes in the flow of funds as a result of the adjustments to finance costs and depreciation etc., movements in various items such as inventories, trade receivable and trade payable.

Net cash outflow from investing activities was approximately RMB2,074,000, which was mainly the payment of approximately RMB29,641,000 for the purchase of machineries and equipments and decrease in secured bank deposits of approximately RMB26,156,000.

Net cash outflow from financing activities was approximately RMB9,348,000, which was mainly due to borrowings of approximately RMB455,909,000 from banks, repayment of bank borrowings of approximately RMB468,048,000, payment of interests on borrowings of approximately RMB11,759,000, cash flow from advances drawn on bills receivable discounted with recourse of approximately RMB23,591,000.

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB175,607,000 (31 December 2012: RMB124,373,000), which were mainly denominated in Renminbi and US dollars.

Borrowings

As at 30 June 2013, the Group had bank borrowings of approximately RMB467,597,000 (31 December 2012: RMB482,979,000), 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 RMB12,274,000 as at 30 June 2013 (31 December 2011: RMB16,999,000). Below is an analysis of the repayment profile of the bank borrowings:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year or on demand	**479,252**	498,893
In the second year	**619**	879
In the third to fifth years (both years inclusive)	**–**	206
	479,871	499,978

As at 30 June 2013, the bank borrowings due within one year or on demand included bank borrowings of RMB20,000,000 which will be repayable within one year from the end of the reporting period and is subject to a clause of repayment on demand (31 December 2012: RMB80,000,000).

Pledge of Assets

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank deposits	**32,795**	58,951
Bills receivable	**2,070**	1,894
Land use rights	**21,731**	22,018
Property, plant and equipment	**160,305**	199,414
	216,901	282,277

In addition, there was bills receivable discounted with recourse of RMB12,274,000 as at 30 June 2013 (31 December 2012: RMB16,999,000).

Financial Ratios

As at 30 June 2013, the Group's gearing ratio (net debts divided by equity attributable to owners of the Company plus net debts) amounted to approximately 41.44%, representing a decrease of approximately 2.9% as compared to 44.34% (restated) as at 31 December 2012. The decrease was mainly attributable to an increase in the cash and cash equivalents of approximately RMB51,234,000.

Below is the turnover days of the inventories, trade and bills receivable, and trade and bills payable of the Group during the Period:

	For the six months ended 30 June	
	2013	2012
Inventory turnover	**96 days**	118 days
Trade and bills receivable turnover	**136 days**	144 days
Trade and bills payable turnover	**79 days**	72 days

The Group's turnover days of inventories and trade and bills receivable were respectively 22 days and 8 days shorter than those for the corresponding period last year, and trade and bills payable was 7 days longer than those for the corresponding period last year. The Group will continue to improve the management of its inventories, trade receivable and trade payable in order to better utilize the available funds.

Capital Commitments

As at 30 June 2013, the Group's capital commitments contracted but not provided for amounted to approximately RMB33,911,000 (31 December 2012: RMB13,611,000).

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 RMB88,115,000) suffered by the customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan, with interest from 1 January 2011 up to settlement date at 6% per annum and all arbitration related expenses. Capxon Taiwan rejected the claims charged by the customer and filed a request of arbitration to counterclaim JPY60,000,000 (approximately RMB3,744,000) 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.

   Decision has not been reached in previous hearings on The Japan Commercial Arbitration Association as at 30 June 2013. 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 condensed 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 People's Republic of China ("PRC") against a subsidiary of the Company, Capxon Electronic (Shenzhen) Company Limited ("Capxon Shenzhen"), claiming product defect compensation of RMB12,877,000. The case has been pending first hearing results 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 condensed consolidated financial statements.

Foreign Exchange Fluctuations

The Group derives its revenue principally in US dollars and Renminbi, 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 is 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 the prevailing or the historical exchange rates of Renminbi.

Employment and Remuneration Policy

As at 30 June 2013, the Group had approximately 3,168 employees. Salary, bonus and fringe benefits were determined with reference to the prevailing market terms and individual employee's performance, qualification and experience. Employees' costs (including directors' emoluments) amounted to approximately RMB90,189,000 for the six months ended 30 June 2013.

Future Strategy and Planning

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

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

2. **Effectively utilising the supply advantage brought by vertical integration with economies of scale**

   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 purchase of machinery required for the high-end products. The Group enjoys the supply advantage brought by the vertical integration of upstream materials and passive component products, persistently invests in research and development as well as equipment in order to stabilize the mass production and supply of capacitors, and proactively explores new markets in order to effectively utilize the production capability, 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 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 emphasize 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 deliver fruitful return to shareholders of the Company for their support.

Save as set out above, the information contained in this management discussion and analysis of the Company does not differ materially from those disclosed in the latest published annual report of the Company for 2012.

Report on
Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Capxon International Electronic Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 RMB'000 (unaudited)**	Six months ended 30 June 2012 RMB'000 (restated)
Revenue	*3*	**478,171**	436,032
Cost of sales		**(374,645)**	(360,973)
Gross profit		**103,526**	75,059
Other income		**3,691**	4,367
Other gains and losses		**(2,387)**	5,878
Distribution and selling costs		**(29,237)**	(26,094)
Administrative expenses		**(39,989)**	(38,626)
Other expenses		**(9,042)**	(10,530)
Finance costs		**(11,759)**	(20,202)
Profit (loss) before tax		**14,803**	(10,148)
Income tax expense	*4*	**(2,391)**	(3,480)
Profit (loss) for the period	*5*	**12,412**	(13,628)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**54**	–
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(559)**	(381)
		(505)	(381)
Total comprehensive income (expense) for the period		**11,907**	(14,009)

	Note	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (restated)
Profit (loss) for the period attributable to:			
Owners of the Company		**11,845**	(13,580)
Non-controlling interests		**567**	(48)
		12,412	(13,628)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**11,309**	(13,949)
Non-controlling interests		**598**	(60)
		11,907	(14,009)
Earnings (loss) per share *(RMB cents)*	*7*		
Basic		**1.40**	(1.61)
Diluted		**N/A**	(1.61)

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	**30 June 2013 RMB'000 (unaudited)**	31 December 2012 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**607,646**	629,463
Land use rights		**42,054**	42,572
Intangible assets		**6,069**	7,835
Deferred tax assets		**1,142**	1,079
Deposits paid for acquisition of property, plant and equipment		**44,707**	34,504
		701,618	715,453
CURRENT ASSETS			
Inventories		**209,485**	189,661
Land use rights		**1,031**	1,031
Trade and other receivables	*9*	**422,007**	455,892
Tax recoverable		**2,534**	2,534
Pledged bank deposits		**32,795**	58,951
Bank balances and cash		**175,607**	124,373
		843,459	832,442
CURRENT LIABILITIES			
Trade and other payables	*10*	**220,958**	199,875
Bank borrowings	*11*	**479,252**	498,893
Amounts due to related parties	*13*	**23,681**	33,393
Tax liabilities		**8,444**	14,088
		732,335	746,249
NET CURRENT ASSETS		**111,124**	86,193
TOTAL ASSETS LESS CURRENT LIABILITIES		**812,742**	801,646
NON-CURRENT LIABILITIES			
Bank borrowings	*11*	**619**	1,085
Defined benefit obligations		**7,215**	7,440
Deferred income		**17,530**	17,050
Deferred tax liabilities		**–**	600
		25,364	26,175
		787,378	775,471

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (restated)
CAPITAL AND RESERVES		
Share capital	**82,244**	82,244
Share premium and reserves	**693,519**	682,210
Equity attributable to owners of the Company	**775,763**	764,454
Non-controlling interests	**11,615**	11,017
	787,378	775,471

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	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 2012 (audited and originally stated)	82,244	436,626	(30,753)	6,371	86,238	21,017	166,956	768,699	10,338	779,037
Adjustment *(Note 2)*	–	–	–	–	–	–	250	250	9	259
At 1 January 2012 (restated)	82,244	436,626	(30,753)	6,371	86,238	21,017	167,206	768,949	10,347	779,296
Loss for the period	–	–	–	–	–	–	(13,580)	(13,580)	(48)	(13,628)
Other comprehensive expenses for the period (restated)	–	–	–	–	–	(369)	–	(369)	(12)	(381)
Total comprehensive expense (restated)	–	–	–	–	–	(369)	(13,580)	(13,949)	(60)	(14,009)
Release on lapse of share options *(Note 14)*	–	–	–	(6,371)	–	–	6,371	–	–	–
At 30 June 2012 (unaudited and restated)	82,244	436,626	(30,753)	–	86,238	20,648	159,997	755,000	10,287	765,287
At 1 January 2013 (audited and originally stated)	82,244	436,626	(30,753)	–	92,623	20,649	163,985	765,374	11,050	776,424
Adjustment *(Note 2)*	–	–	–	–	–	–	(920)	(920)	(33)	(953)
At 1 January 2013 (restated)	82,244	436,626	(30,753)	–	92,623	20,649	163,065	764,454	11,017	775,471
Profit for the period	–	–	–	–	–	–	11,845	11,845	567	12,412
Other comprehensive income (expenses) for the period	–	–	–	–	–	(588)	52	(536)	31	(505)
Total comprehensive income (expense)	–	–	–	–	–	(588)	11,897	11,309	598	11,907
Appropriation	–	–	–	–	286	–	(286)	–	–	–
At 30 June 2013 (unaudited)	82,244	436,626	(30,753)	–	92,909	20,061	174,676	775,763	11,615	787,378

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.

(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 incorporated in Taiwan is required to set aside 10% of its statutory net income each year for legal reserve, until the reserve balance has reached the paid-in share capital amount.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**65,701**	903
Net cash (used in) from investing activities		
Deposits paid for acquisition of property, plant and equipment	**(16,300)**	–
Purchase of property, plant and equipment	**(13,341)**	(26,463)
Release of pledged bank deposits	**26,156**	25,710
Proceeds from disposal of property, plant and equipment	**348**	19,713
Addition to land use rights	**–**	(9,041)
Proceeds from disposal of available-for-sale investments	**–**	7,003
Other investing cash flows	**1,063**	931
	(2,074)	17,853
Net cash (used in) from financing activities		
Repayment of bank borrowings	**(468,048)**	(481,860)
Interest paid	**(11,759)**	(19,972)
New bank borrowings raised	**455,909**	495,202
Advances drawn down from bills receivable discounted with recourse	**23,591**	38,691
Other financing cash flows	**(9,041)**	5,898
	(9,348)	37,959
Net increase in cash and cash equivalents	**54,279**	56,715
Cash and cash equivalents at 1 January	**124,373**	121,066
Effect of foreign exchange rate changes	**(3,045)**	(1,023)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**175,607**	176,758

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. Basis of Preparation

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

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

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs").

IFRS 10	*Consolidated Financial Statements;*
IFRS 11	*Joint Arrangements;*
IFRS 12	*Disclosure of Interests in Other Entities;*
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;*
IFRS 13	*Fair Value Measurement;*
IAS 19 (as revised in 2011)	*Employee Benefits;*
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures;*
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities;*
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income;*
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle; and*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine.*

2. Principal Accounting Policies *(continued)*

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The application of IFRS 10 has no effect on the Group as the Company has control over all group companies under IAS 27 and IFRS 10, and no additional investee ought to be consolidated under 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.

The application of IFRS 12 has no material impact on the disclosure requirement for the Group as the non-controlling interests of its subsidiaries are not material to the Group.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to IAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. In addition, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. Principal Accounting Policies *(continued)*

Amendments to IAS 34 *Interim Financial Reporting* *(as part of the Annual Improvements to IFRSs 2009–2011 Cycle)*

The Group has applied the amendments to IAS 34 *Interim Financial Reporting* as part of the Annual Improvements to IFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision makers (i.e. the executive directors of the Company) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there is no material change on the assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and total liabilities information as part of segment information.

IAS 19 *Employee Benefits (as revised in 2011)*

IAS 19 (as revised in 2011) changes 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.

Under the previous accounting policy, cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each financial year end date. 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.

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 and accelerate the recognition of past service costs. All actuarial gains and losses are 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 under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The application of this new accounting policy has insignificant impact to the Group's profit or loss, other comprehensive expense and earnings (loss) per share for the six months ended 30 June 2013 and 2012. Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2012 are not significantly restated. The impacts on the condensed consolidated statement of financial position as at 31 December 2012 and 1 January 2012 are described below.

2. Principal Accounting Policies *(continued)*

IAS 19 *Employee Benefits (as revised in 2011)* *(continued)*

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

Summary of the effect of changes in accounting policy in relation to IAS 19

The effect of the change in accounting policy in relation to IAS 19 described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2012, is as follows:

	31 December 2012 (originally stated) RMB'000	Adjustment RMB'000	31 December 2012 (restated) RMB'000
Defined benefit obligations	6,487	953	7,440
Non-controlling interests	11,050	(33)	11,017
Retained profits	163,985	(920)	163,065
Total effect on equity	175,035	(953)	174,082

The effect of the change in accounting policy in relation to IAS 19 described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2012, is as follows:

	1 January 2012 (originally stated) RMB'000	Adjustment RMB'000	1 January 2012 (restated) RMB'000
Defined benefit obligations	6,076	(259)	5,817
Non-controlling interests	10,338	9	10,347
Retained profits	166,956	250	167,206
Total effect on equity	177,294	259	177,553

3. Revenue and Segment Information

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

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 aluminium foils

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

For the six months ended 30 June 2013

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
External sales	397,321	80,850	478,171	–	478,171
Inter-segment sales	–	121,473	121,473	(121,473)	–
Segment revenue	397,321	202,323	599,644	(121,473)	478,171
Segment profit	27,769	11,929	39,698	(9,628)	30,070
Interest income					1,091
Unallocated corporate expenses					(4,599)
Finance costs					(11,759)
Profit before tax					14,803

3. Revenue and Segment Information *(continued)*

For the six months ended 30 June 2012

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
External sales	326,836	109,196	436,032	–	436,032
Inter-segment sales	–	114,521	114,521	(114,521)	–
Segment revenue	326,836	223,717	550,553	(114,521)	436,032
Segment profit	7,528	3,558	11,086	2,329	13,415
Interest income					949
Unallocated corporate expenses					(4,310)
Finance costs					(20,202)
Loss before tax					(10,148)

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

4. Income Tax Expense

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax	**7,239**	2,634
– Taiwan Corporate Income Tax	**305**	60
	7,544	2,694
(Over)underprovision in prior years		
– PRC Enterprise Income Tax *(Note (i))*	**(5,113)**	170
– Taiwan Corporate Income Tax	**79**	601
	(5,034)	771
Deferred tax – current period	**(119)**	15
	2,391	3,480

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For companies that were qualified for incentive tax rate of 15% under old law or regulations, their tax rates will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For 2013, the Group's subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25%. 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.

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

Note:

(i) The Group recognised an overprovision of PRC Enterprise Income Tax during the current period, mainly due to certain research and development expenses which were previously considered not deductible for the purpose of computing tax provision for the year ended 31 December 2012 subsequently allowed to be deductible by tax authorities upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

5. Profit (Loss) for the Period

Profit (loss) for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**38,014**	38,507
Amortisation of land use rights	**517**	511
Amortisation of intangible assets	**1,692**	1,675
Total depreciation and amortisation	**40,223**	40,693
Reversal of impairment loss on other receivables	**–**	(4,501)
Loss (gain) on disposal/written-off of property, plant and equipment	**2,092**	(1,440)
Gain on disposal of available-for-sale investments	**–**	(3)
Impairment loss on trade receivables	**115**	64
Net foreign exchange losses	**180**	2
Other gains and losses	**2,387**	(5,878)
Cost of inventories recognised as an expense (including write-down of inventories of RMB869,000 (six months ended 30 June 2012: RMB8,087,000))	**374,645**	360,973
Research and development costs (included in other expenses)	**6,585**	7,566
Interest income	**(1,091)**	(949)

6. Dividends

No dividends were paid, declared or proposed during both periods. The board of directors of the Company has determined that no dividend will be paid in respect of the interim period.

7. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company for the six months ended 30 June 2013 is based on the profit for the period attributable to owners of the Company of approximately RMB11,845,000 (six months ended 30 June 2012: loss for the period attributable to owners of the Company of RMB13,580,000) and on 844,559,841 ordinary shares in issue.

Diluted earnings per share is not presented for the six months ended 30 June 2013 as there were no potential ordinary shares outstanding during the six months ended 30 June 2013.

The computation of diluted loss per share for the six months ended 30 June 2012 did not assume the exercise of the Company's outstanding share options as the share options had been expired on 16 April 2012 and the exercise price of those options was higher than the Company's average share price for the six months ended 30 June 2012.

8. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB2,440,000 (six months ended 30 June 2012: RMB1,837,000) for cash proceeds of RMB348,000 (six months ended 30 June 2012: RMB409,000).

On 30 April 2012, the Group disposed of the first parcel of vacant freehold land situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan included in property, plant and equipment with a carrying amount of RMB16,436,000 for cash proceed of RMB19,304,000.

During the current interim period, the Group acquired property, plant and equipment, including construction in progress, of approximately RMB19,438,000 (six months ended 30 June 2012: RMB26,463,000) for the purposes of expanding the Group's business.

Included in property, plant and equipment are buildings in Baotou City, Inner Mongolia Autonomous Region, the PRC, with a carrying value of approximately RMB7,341,000 (31 December 2012: RMB7,653,000) for which the Group is in the process of obtaining the building ownership certificates.

9. Trade and Other Receivables

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
0–60 days	**200,910**	226,161
61–90 days	**69,555**	66,062
91–180 days	**76,338**	74,392
181–270 days	**6,344**	695
271–360 days	**–**	–
Over 360 days	**43**	263
	353,190	367,573

Included in trade and other receivables is bills receivable discounted to banks with full recourse with a maturity period of less than 120 days and a carrying value of approximately RMB12,274,000 (31 December 2012: RMB16,999,000). The Group recognised the respective liabilities as set out in note 11.

10. Trade and Other Payables

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
0–60 days	**90,859**	75,811
61–90 days	**25,804**	19,241
91–180 days	**32,254**	32,550
181–270 days	**4,701**	3,178
271–360 days	**2,306**	2,436
Over 360 days	**17,655**	18,217
	173,579	151,433

11. Bank Borrowings

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank borrowings	**467,597**	482,979
Advances drawn on bills receivable discounted with recourse *(Note)*	**12,274**	16,999
	479,871	499,978
Secured	**413,504**	403,122
Unsecured	**66,367**	96,856
	479,871	499,978
Carrying amount repayable:*		
Within one year	**459,252**	418,893
More than one year, but not exceeding two years	**619**	879
More than two years but not more than five years	**–**	206
	459,871	419,978
Carrying amount that contain a repayment on demand clause repayable within one year	**20,000**	80,000
	479,871	499,978
Less: Amounts due within one year shown under current liabilities	**(479,252)**	(498,893)
Amounts shown under non-current liabilities	**619**	1,085

* *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 banks with recourse (see note 9).

11. Bank Borrowings *(continued)*

During the current interim period, the Group obtained new borrowings in the amount of approximately RMB455,909,000 (six months ended 30 June 2012: RMB495,202,000). The new borrowings consist of variable-rate borrowings with effective interest rates ranging from 1.31% to 6.90% per annum, fixed-rate borrowings with effective interest rates ranging from 1.93% to 6.72% and are repayable within one year.

During the current interim period, the Group obtained advances drawn on bills receivable discounted with recourse amounting to approximately RMB23,591,000 (six months ended 30 June 2012: RMB38,691,000). The effective interest rates for the outstanding advances range from 4.60% to 5.50% per annum.

12. Capital Commitments

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**33,911**	13,611

13. Related Party Disclosures

(a) Related party transaction

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

Name of related party	Nature of transaction	**Six months ended 30 June 2013 RMB'000**	**Six months ended 30 June** 2012 RMB'000
Lin I Chu *(Note)*	Interest expense	**768**	210

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.

13. Related Party Disclosures *(continued)*

(b) Related party balances

Name of related parties	Relationship	30 June 2013 RMB'000	31 December 2012 RMB'000
Amounts due to related parties			
Chou Chiu Yueh	Director	**4**	5
Lin Chin Tsun	Director	**3,317**	3,387
Lin I Chu	Director	**20,359**	30,000
Lin Yuan Yu	Director	**1**	1
		23,681	33,393

Except for an unsecured amount due to Ms. Lin I Chu of approximately RMB20,359,000 (31 December 2012: RMB30,000,000) bearing variable interest at benchmark interest rate of loans determined by Bank of China Limited minus a fixed margin and repayable within one year, the remaining balances due to related parties at 30 June 2013 and 31 December 2012 were interest-free, unsecured and repayable on demand.

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

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantees provided by:		
Lin Chin Tsun *(Note)*	**211,431**	94,353
Lin Chin Tsun and Chou Chiu Yueh *(Note)*	**77,069**	72,319
Lin Chin Tsun, Chou Chiu Yueh, Lin Yuan Yu, Liu Fang Chun and Lin I Chu *(Note)*	**47,000**	40,990
Lin Chin Tsun and Lin Yuan Yu *(Note)*	**16,597**	67,992
Lin Chin Tsun and Lin I Chu *(Note)*	**9,904**	–
	362,001	275,654

13. Related Party Disclosures *(continued)*

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

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

The expiry dates of the above guarantees fall within the period from July 2013 to March 2015 (31 December 2012: March 2013 to March 2015).

As at 31 December 2012, Mr. Lin Yuan Yu pledged a property to a bank to secure banking facilities of USD1,300,000 (approximately RMB8,037,000) granted to the Group. The aforesaid security was released during the period.

During the period, Ms. Lin I Chu has pledged a property to a bank to secure banking facilities of NTD50,000,000 (approximately RMB10,310,000) granted to the Group. As at 30 June 2013, the Group utilised the facilities of approximately RMB9,904,000.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during both periods is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Short term benefits	**4,713**	4,779
Post-employment benefits	**138**	128
	4,851	4,907

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.

14. 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").

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 Group did not recognise any share option expense during both periods. The share options granted under the Pre-IPO Share Option Scheme were fully vested during the year ended 31 December 2010.

During the six months ended 30 June 2012, all options granted to executive, director and/or employee of the Group under the Pre-IPO Share Option Scheme were lapsed upon the end of the exercisable period. There were no options outstanding as at 30 June 2013 and 2012.

15. Pledge of Assets

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Property, plant and equipment	**160,305**	199,414
Land use rights	**21,731**	22,018
Bank deposits	**32,795**	58,951
Bills receivable	**2,070**	1,894
	216,901	282,277

In addition, there was bills receivable discounted with full recourse of RMB12,274,000 as at 30 June 2013 (31 December 2012: RMB16,999,000).

16. Contingent Liabilities

(a) 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 RMB88,115,000) suffered by the customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan, with interest from 1 January 2011 up to settlement date at 6% per annum and all arbitration related expenses. Capxon Taiwan rejected the claims charged by the customer and filed a request of arbitration to counterclaim JPY60,000,000 (approximately RMB3,744,000) 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.

Decision has not been reached in previous hearings on The Japan Commercial Arbitration Association as at 30 June 2013. 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 condensed consolidated financial statements.

16. Contingent Liabilities *(continued)*

(b) 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) Company Limited ("Capxon Shenzhen"), claiming product defect compensation of RMB12,877,000. The case has been pending first hearing results 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 condensed consolidated financial statements.

17. Non-Cash Transaction

During the current interim period, bills receivable discounted with recourse of RMB28,316,000 (six months ended 30 June 2012: RMB13,877,000) was set off with advances drawn on bills receivable discounted with recourse.

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2013, the interests or short positions of the Company's directors (the "Directors") and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive	Capacity and nature of interests	Number of issued shares held	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 30 June 2013.

(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.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executives of the Company and their associates had any personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial Shareholders

Other than interests disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, as at 30 June 2013, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity and nature of interests	Number of issued shares held directly	Approximate percentage of shareholding*
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 30 June 2013.*

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 June 2013, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Information on Share Option Scheme

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

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

Dividends

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Directors' securities transactions. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

Corporate Governance

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013, save as disclosed below:

– Code provision F.1.3 of the 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

Review by Audit Committee

The Company's audit committee is composed of all the three independent non-executive Directors. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 (including the accounting principles and practices), internal controls and financial reporting matters with the management of the Company.

On behalf of the Board
LIN Chin Tsun
Chairman

Hong Kong, 29 August 2013