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)
website: www.capxongroup.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	**2017**	**Change**
Revenue (RMB'000)	1,202,327	1,069,104	+12.46%
Profit (loss) for the year attributable to owners of the Company (RMB'000)	64,761	(2,040)	N/A
Basic earnings (loss) per share attributable to owners of the Company (RMB cents)	7.67	(0.24)	N/A
Dividends (HK cents per share)			
- Final	--	--	--
- Interim	--	5.00	N/A

The board of directors (the "Board") of Capxon International Electronic Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	3	1,202,327	1,069,104
Cost of sales		(861,459)	(798,445)
Gross profit		340,868	270,659
Other income		14,968	15,251
Other expenses		(38,233)	(49,648)
Other gains and losses		(1,203)	(38,156)
Impairment loss on deposits paid for acquisition of property, plant and equipment		-	(5,289)
Impairment loss on trade receivables, net of reversal		(3,047)	(2,614)
Impairment loss on other receivables		(1,755)	-
Distribution and selling costs		(80,486)	(70,900)
Administrative expenses		(102,551)	(85,663)
Interest on provision for damages		(8,756)	(8,834)
Finance costs		(7,205)	(1,703)
Profit before tax		112,600	23,103
Income tax expense	4	(48,955)	(24,915)
Profit (loss) for the year	5	63,645	(1,812)
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(16,538)	13,436
Total comprehensive income for the year		47,107	11,624
Profit (loss) for the year attributable to:			
Owners of the Company		64,761	(2,040)
Non-controlling interests		(1,116)	228
		63,645	(1,812)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		47,953	12,229
Non-controlling interests		(846)	(605)
		47,107	11,624
Earnings (loss) per share (RMB cents)	7		
- Basic		7.67	(0.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	2018	2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		491,426	447,276
Land use rights		21,667	22,352
Intangible assets		8	11
Pledged deposit in a financial institution		2,064	-
Deferred tax assets		-	267
Deposits paid for acquisition of property, plant and equipment		25,842	15,307
		541,007	485,213
CURRENT ASSETS			
Inventories		204,188	160,142
Land use rights		681	681
Trade and other receivables	8	435,047	452,203
Tax recoverable		795	2,056
Pledged bank deposits		2,818	1,205
Fixed bank deposits		28,221	-
Bank balances and cash		248,918	108,446
		920,668	724,733
CURRENT LIABILITIES			
Trade and other payables	9	289,459	268,338
Provision for damages		218,725	193,980
Contract liabilities		6,906	-
Bank and other borrowings		240,383	115,784
Amounts due to related parties		3,654	4,963
Tax liabilities		37,747	17,849
		796,874	600,914
NET CURRENT ASSETS		123,794	123,819
TOTAL ASSETS LESS CURRENT LIABILITIES		664,801	609,032
NON-CURRENT LIABILITIES			
Bank and other borrowings		10,114	-
Deferred income		750	750
Deferred tax liabilities		6,987	3,648
		17,851	4,398
NET ASSETS		646,950	604,634
CAPITAL AND RESERVES			
Share capital		82,244	82,244
Share premium and reserves		563,916	520,754
Equity attributable to owners of the Company		646,160	602,998
Non-controlling interests		790	1,636
TOTAL EQUITY		646,950	604,634

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by IASB for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as such comparative information was prepared under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue at a point in time when the control of capacitors and aluminum foils is transferred to the customers at the designated locations. Warranty is provided to customers for assuring that the product complies with agreed-upon specifications (i.e.

assurance-type warranties). Transportation and other related activities that occur before the customers obtain control of the related good are considered as fulfilment activities.

Information about the Group's performance obligations resulting from application of IFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES				
Trade and other payables	(a)	268,338	(1,842)	266,496
Contract liabilities	(a)	-	1,842	1,842

Note:

(a) As at 1 January 2018, advances from customers of RMB1,842,000 in respect of the contracts with customers previously included in trade and other payables were reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	As reported	Reclassification	Amounts without application of IFRS 15
		RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES				
Trade and other payables	(a)	289,459	6,906	296,265
Contract liabilities	(a)	6,906	(6,906)	-

Note:

(a) Prior to the application of IFRS 15, advances from customers were classified as trade and other payables. For illustrative purpose of the table above, advance from customers of RMB6,906,000 are reclassified from trade and other payables to contract liabilities.

Impact on the consolidated statement of cash flows

	As reported RMB'000	Reclassification RMB'000	Amounts without application of IFRS 15 RMB'000
Increase in trade and other payables	28,047	5,064	33,111
Increase in contract liabilities	5,064	(5,064)	-

2.2 *IFRS 9 Financial Instruments and the related amendments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as such comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of trade receivables from goods subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Trade receivables from goods RMB'000	Accumulated losses RMB'000
Closing balance at 31 December 2017 - IAS 39		403,036	(11,213)
Effect arising from initial application of IFRS 9			
Remeasurement			
Impairment under ECL model	(a)	(4,791)	(4,791)
Opening balance at 1 January 2018		398,245	(16,004)

Note:

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits, pledged deposit in a financial institution, fixed bank deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB4,791,000 has been recognised against accumulated losses. The additional loss allowance is charged against the trade receivables from goods through the loss allowance account.

Loss allowances for trade receivables from goods as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables from goods RMB'000
At 31 December 2017 - IAS 39	18,188
Amount remeasured through opening accumulated losses	4,791
At 1 January 2018	22,979

2.3 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item but the line items that were not affected by the changes have not been included.

	31 December 2017 RMB'000 (Audited)	IFRS 9 RMB'000	IFRS 15 RMB'000	1 January 2018 RMB'000 (Restated)
Trade and other receivables	452,203	(4,791)	-	447,412
Trade and other payables	268,338	-	(1,842)	266,496
Contract liabilities	-	-	1,842	1,842
Accumulated losses	(11,213)	(4,791)	-	(16,004)

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

Geographical markets and product type information

	For the year ended 31 December 2018		
	Capacitors RMB'000	Aluminium foils RMB'000	Total RMB'000
Geographical markets			
The People's Republic of China ("PRC")	991,652	26,439	1,018,091
Taiwan	17,771	-	17,771
Other Asian countries (Note)	122,218	3,282	125,500
Europe (Note)	39,239	-	39,239
America and Africa	1,726	-	1,726
Revenue from contracts with customers	1,172,606	29,721	1,202,327

Note: The countries of the external customers included in these categories comprise Korea, Japan, Vietnam, Singapore, Germany 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.

The Group is principally engaged in manufacturing and sale of capacitors and aluminium foils under its own brand name. Revenue is recognised when the control of the goods is transferred, being when the goods have been shipped to customer's designated location. The normal credit term is 30 to 180 days upon delivery. A contract liability is recognised when a deposit from customer is received but revenue has yet been recognised. Sales-related warranties associated with the goods cannot be purchased separately and they serve as assurances that the goods sold comply with agreed-upon specifications.

The contracts for capacitors and aluminium foils are for periods of one year or less. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

All revenue generated by the Group is recognised at a point in time.

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 aluminium foils

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 2018

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Elimination RMB'000	Total RMB'000
External sales	1,172,606	29,721	1,202,327	-	1,202,327
Inter-segment sales	-	202,425	202,425	(202,425)	-
Segment revenue	1,172,606	232,146	1,404,752	(202,425)	1,202,327
Segment profit	133,829	25,003	158,832	(5,143)	153,689
Interest income					1,402
Unallocated corporate expenses					(16,426)
Finance costs					(7,205)
Interest on provision for damages					(8,756)
Exchange loss arising on retranslation of provision for damages					(10,104)
Profit before tax					112,600

For the year ended 31 December 2017

	Capacitors RMB'000	Aluminum foils RMB'000	Segment total RMB'000	Elimination RMB'000	Total RMB'000
External sales	1,045,836	23,268	1,069,104	-	1,069,104
Inter-segment sales	-	106,406	106,406	(106,406)	-
Segment revenue	1,045,836	129,674	1,175,510	(106,406)	1,069,104
Segment profit (loss)	95,250	(58,984)	36,266	(1,154)	35,112
Interest income					762
Unallocated corporate expenses					(11,538)
Finance costs					(1,703)
Interest on provision for damages					(8,834)
Exchange gain arising on retranslation of provision for damages					9,304
Profit before tax					23,103

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, interest income, finance costs, interest on provision for damages and foreign exchange (loss) gain arising on retranslation of provision for damages. However, the related bank balances and the bank and other 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 is not allocated to segments while tax liabilities, deferred tax liabilities, tax recoverable 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.

Segment assets and liabilities

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

	2018 RMB'000	2017 RMB'000
Segment assets		
Capacitors	1,330,744	949,403
Aluminum Foils	430,270	534,322
Total segment assets	1,761,014	1,483,725
Elimination - inter-segment balances	(349,168)	(284,075)
Unallocated assets	49,829	10,296
Consolidated assets	1,461,675	1,209,946
Segment liabilities		
Capacitors	577,429	301,583
Aluminum Foils	345,824	391,981
Total segment liabilities	923,253	693,564
Elimination - inter-segment balances	(349,168)	(284,075)
Unallocated liabilities	240,640	195,823
Consolidated liabilities	814,725	605,312

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

- all assets, other than pledged deposit in a financial institution, other receivables and bank balances of the Company, are allocated to reportable segments; and

- all liabilities, other than other payables and accruals and other borrowings of the Company and provision for damages of the Company's subsidiary in Taiwan, are allocated to reportable segments.

Geographical information

The geographical information about the Group's non-current assets (excluding pledged deposit in a financial institution and deferred tax assets) by geographical location of the assets are detailed below:

	2018 RMB'000	2017 RMB'000
The PRC	527,390	473,992
Taiwan	11,553	10,954
	538,943	484,946

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

	2018	2017
	RMB'000	RMB'000
Revenue from external customers:		
The PRC	1,018,091	902,834
Taiwan	17,771	16,583
Other Asian countries	125,500	120,284
Europe	39,239	27,877
America and Africa	1,726	1,526
	1,202,327	1,069,104

Information about major customers

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

4. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
Current tax:		
- PRC Enterprise Income Tax	30,029	11,585
- Taiwan Corporate Income Tax	1,983	3,093
PRC dividend withholding tax	13,030	10,504
	45,042	25,182
Deferred tax	3,913	(267)
	48,955	24,915

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was passed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, except for Capxon Electronic (Shenzhen) Co., Ltd. (豐賓電子(深圳)有限公司) ("Capxon Shenzhen"), a subsidiary of the Company, the tax rate of the Group's subsidiaries in the PRC is 25%.

In March 2018, Capxon Shenzhen was approved for 1 year as enterprise that satisfied the condition as high technology development enterprise and was subject to a preferential tax rate of 15% in 2017.

Under the Income Tax Law in the Taiwan, the corporate income tax rate of the Group's subsidiaries in the Taiwan is 20% (2017: 17%).

5. PROFIT (LOSS) FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Employee benefit expenses (including directors' emoluments):		
Wages, salaries and allowances	222,107	206,509
Retirement benefit scheme contributions	17,502	14,528
	239,609	221,037
Less: amount capitalised in inventories	(142,949)	(135,305)
	96,660	85,732
Amortisation of intangible assets (included in administrative expenses)	4	142
Amortisation of land use rights	685	684
Depreciation of property, plant and equipment		
- capitalised in inventories	37,160	35,266
- recognised in administrative expenses	3,132	2,267
- recognised in other expenses	1,671	10,315
Total depreciation and amortisation	42,652	48,674
Auditor's remuneration (including audit and non-audit services)	1,797	1,633
Cost of inventories recognised as an expense (including reversal of write-down of inventories of RMB150,000 (2017: RMB6,473,000))[#]	861,459	798,445
Research and development costs	35,835	34,494

[#] During the year ended 31 December 2018 and 2017, certain aged inventories relating to the cessation of operation by the subsidiary of the Company, Capxon Electronic Technology (Qinghai) Co. Ltd. (凱普松電子科技(青海)有限公司) were sold at above net realisable values. As a result, a reversal of write-down of inventories of RMB150,000 (2017: RMB6,473,000) has been recognised and included in the cost of sales in the current year.

6. DIVIDEND

During the year ended 31 December 2017, an interim dividend of HK$0.05 per share amounting to HK$42,227,992.05 (equivalent to RMB36,630,000) in aggregate was paid to the ordinary shareholders.

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

7. EARNINGS (LOSS) PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	64,761	(2,040)

	2018	2017
Number of shares		
Number of ordinary shares for the purposes of basic earnings (loss) per share	844,559,841	844,559,841

Diluted earnings (loss) per share is not presented for the years ended 31 December 2018 and 2017 as there were no potential ordinary shares outstanding during both years.

8. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables		
- goods	406,569	421,224
Less: allowance for credit loss	(22,674)	(18,188)
Total trade receivables	383,895	403,036
Other receivables	5,668	5,861
Less: allowance for credit loss	(897)	(694)
	4,771	5,167
Advances to suppliers	15,352	16,961
Value added tax recoverable	9,962	11,430
Prepayments and deposits	19,960	14,699
Others	1,107	910
	46,381	44,000
Total trade and other receivables	435,047	452,203

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB383,895,000 and RMB398,245,000 respectively.

The normal credit term is 30 to 180 days upon delivery. The following is an aged analysis of the trade and bills receivables net of allowance for credit loss presented based on the invoice dates at the end of the reporting period.

	2018 RMB'000	2017 RMB'000
0 - 60 days	279,751	220,953
61 - 90 days	45,895	81,700
91 - 180 days	54,349	96,059
181 - 270 days	3,900	4,314
Over 360 days	-	10
	383,895	403,036

9. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade and bills payables	211,227	206,082
Advances from customers	-	1,842
Payroll payables	23,816	19,137
Accruals	9,183	8,138
Payable to PRC government authorities	22,626	22,626
Payable for acquisition of property, plant and equipment	-	5,064
Other tax payable	8,833	2,235
Others	13,774	3,214
	289,459	268,338

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 dates at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
0 - 60 days	104,838	131,682
61- 90 days	42,283	28,020
91 - 180 days	42,672	23,945
181 - 270 days	4,127	2,601
271 - 360 days	1,444	2,185
Over 360 days	15,863	17,649
	211,227	206,082

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

A summary of the financial results of the Group for the year ended 31 December 2018 (the "Year") is as follows:

- Revenue increased by approximately 12.46% to approximately RMB1,202,327,000.
- Gross profit increased by approximately 25.94% to approximately RMB340,868,000.
- Profit for the Year attributable to owners of the Company amounted to approximately RMB64,761,000 (for the year ended 31 December 2017: loss of RMB2,040,000).

During the Year under review, the Group's revenue was approximately RMB1,202,327,000, representing an increase of approximately 12.46% over the corresponding period of last year. Sales of capacitors for the Year were approximately RMB1,172,606,000, representing an increase of approximately 12.12% as compared to RMB1,045,836,000 in the corresponding period of last year. The Group's year-on-year increase in sales came from a better performance of the Group as a result of the launch and sale of the Group's newly developed solid-state capacitors, high-voltage capacitors and charging piles. Sales of aluminum foils for the Year were approximately RMB29,721,000, representing an increase of approximately 27.73% as compared to RMB23,268,000 in the corresponding period of last year. Such increase was mainly attributable to the slow recovery of economic climate in general and the excessive demand in the aluminum foils market where, in particular, large capacitor manufacturers secured the majority of aluminum foils, leaving a shortfall in aluminum foils supply for medium and small capacitor manufacturers. During the Year, the gross profit margin of the Group increased from approximately 25.32% for the corresponding period of last year to approximately 28.35% for the Year.

Business Review

Although 2018 was in the mid-to-late stage of the current wave of economic expansion and recovery of the global economy continued, factors of potential unrest still existed due to market uncertainties such as the China-US trade issue, Brexit, financial risks in emerging markets caused by continuous interest rate hikes in the US, geopolitical tensions, rise of protectionism and the aging of world population. Since the financial tsunami in 2018, the output gap of developed countries has been gradually dissipating, and the loose monetary policy has also been gradually back to normalcy. Nevertheless, the amount of piling debts around the world has reached a new high after a decade and become a potential concern for the next recession. 2018 ended amidst the "collision" of black swans and grey rhinos coupled with a flurry of events.

As the electronics industry confronts numerous uncertainties, our life has been slowly filled up with the increasingly popular artificial intelligence ("AI"), digital ecosystems, biohackers, transparent immersive experience and the ubiquitous infrastructure. Continuous advancement of technologies, particularly wearable devices and unmanned vehicles, will keep transforming human life and competition and thereby increase the requirements for technical upgrade and the demand for electronic parts and components. Furthermore, stricter environmental protection requirements prevented some aluminum foils suppliers from supplying enough aluminum foils to capacitor manufacturers, resulting in higher unit prices of electronic parts and components.

➢ *Manufacture and sale of aluminum foils*

During the Year, after satisfying the Group's internal production demand, the Group's external sales of aluminum foils amounted to approximately RMB29,721,000, representing an increase of approximately 27.73% as compared to the external sales of aluminum foils of approximately RMB23,268,000 in the corresponding period of last year.

The increasingly stringent environmental regulations in Mainland China have restricted the production capacity of aluminum foils suppliers, causing the continuous shortfall and higher production cost of aluminum foils. Meanwhile, the majority of production capacity remains dominated by large-scale capacitor manufacturers. In response to such industrial characteristics, having assessed the market dynamics and considered potential factors, the Group decided to expand its production capacity as planned so as to ensure a stable supply of aluminum foils for its capacitor plants and meet the demand of market customers. Accordingly, in 2018, the Group built 20 new production lines for high-pressure formed foils, all of which have commenced production to secure the stable internal supply for the Group and meet the demand from external markets.

Aluminum foils are the major raw material of capacitors, and the Group has excellent production processing technologies for formed foils and a stable production capacity. Currently, it has completed various key research and development ("R&D") projects and quality control techniques. Besides, the Group remains active in exploring markets with high added value to prepare for future market changes. The Group will stay attentive to and cautiously respond to the future developments in the aluminum foils market.

Currently, the Group has completed the following key R&D projects and quality control techniques on aluminum foils:

➢ Etched aluminum foils

- *Upgrading the high-speed production line for etched aluminum foils*

  Targeting the existing problem in the high-speed production line for etched aluminum foils, we upgraded the driveline system and tension control system of the production line in 2018, in an effort to improve product quality and production stability.

- *Acid recycling and reuse*

  As of the end of 2018, we had installed fifteen sets of equipment for sulphuric acid recycling and another 15 sets for nitric acid recycling, and gradually increased the proportion of recycled acid in the liquid supply to production lines. This has effectively lowered our acid consumption during production and significantly reduced our waste acid treatment at the sewage treatment center.

➢ Formed foils

- We further optimized the production technology for special formed foils of Yaskawa, reduced the leakage current ratio to a level similar to that of their Japanese counterparts, and realized mass production. We have finished installing a production line dedicated to manufacturing special formed foils with a low leakage current ratio, which is expected to commence production in April 2019; and

- We have started our R&D work on boron reduction technology, with some results delivered by our laboratory. The laboratory stage is expected to complete in March 2019 and we can then proceed to manufacture samples.

During the Year, the Group has taken the following measures for environmental improvements in aluminum foils production:

1. The energy-saving transformation for roasting furnaces was completed, saving approximately 400kwh per production line per day and 360,000kwh for 30 production lines per month;

2. The transformation for recycling reclaimed water was completed and put into operation, saving approximately 300 tons of water per day and 9,000 tons per month;

3. The facilities of phosphoric acid recycling have completed installation and are under commissioning. Currently, 2 production lines have been put into use and operated gradually. Upon their operation, such facilities are expected to save 10% cost on phosphoric acid in 2019 and save approximately RMB300,000 of sewage treatment cost each year; and

4. The test equipment for boric acid recycling have completed installation and is expected to be on trial by the end of March 2019.

➢ *Manufacture and sale of capacitors*

In respect of capacitors, the Group recorded external sales of approximately RMB1,172,606,000 for the Year, which accounted for approximately 97.53% of the Group's total external sales and represented an approximately 0.29% slight decrease from approximately 97.82% of the Group's total external sales for the corresponding period of last year.

While the passive component industry is about to enter its moderate growth stage in view of the global sales growth of smartphones, there is a considerable potential demand from other application markets or high-end application fields such as automobile, high-end smart home appliances, smart electricity meters, safety control systems and industrial control. As such, we are cautiously optimistic about the passive component industry for the years to come. Besides, in response to the growing business opportunities in the application of AI, edge computing and internet as well as the wearable devices and unmanned vehicles, visionary technologies such as 5G, AI and visual machinery will bring the smart devices to a new era of diversity. In respect of the R&D for mass production of capacitor, the Group primarily worked on high-end products such as variable-frequency drives, servo drives, chargers for communication bases and communication terminal products and in-vehicle electronic applications during the Year, with great results already achieved in addressing relevant demand. In the future, the Group will commit more efforts to meeting the requirements for special tailor-made products, including miniaturization, high capacity, high voltage, high frequency and high temperature. The Group will also take steps to develop custom-made products that cater to the front-end demand of the market and can be applied across different sectors, promote market application of capacitors in various fields, renovate technologies and products ahead of the trend and expand the global market share of its capacitor products.

Currently, the Group has completed the following key R&D projects and quality control techniques on capacitors:

- The guide pin department has independent production of guide pins, which produced a better effect upon trial manufacturing of samples. Such pins have started trial application to products with the specification of 6.3*4.4, with an evident effect on reducing ESR. Heat-resistant tapes have undergone effective improvement to lower the cost;
- Tin-bismuth alloy CP wires: Tin-bismuth alloy CP wire samples have been produced, with trial manufacturing of guide pins conducted and the customer terminal test completed;
- Mass production has taken place for large liquid-state SMD capacitors with the specifications of 16x21.5 and 18x16.5, to make up for Capxon's shortfall in large SMD capacitors;
- In respect of liquid-state capacitor products, 650WV ultra-high-voltage products have been produced;
- Snap-in products have been expanded to accommodate the voltage specifications of 85℃/550V&600V and 105℃/550V for variable-frequency drives for industrial purpose, servo drives,

photovoltaic energy drives, UPS, professional power supplies, wind power and special military power supplies, with ripple current improved by up to 20%;

- Ultra-high-voltage high-capacitance positive foils have been developed to meet the demand for miniaturization of ultra-high 500-550V horn-shaped products, while the development of 150℃ heat-resistant tapes has been completed in respect of guide-pin products;
- New dispersion fluid has been introduced to solid-state capacitors. The application of dispersion in manufacturing processes not only reduced processing procedures and product costs, but also improved production efficiency, yield and the market competitiveness of products;
- Automated production management systems, which boosted information integration, production efficiency and utilization;
- Anti-vibration products have been developed with a view to improving product application to the in-vehicle sphere;
- Currently, our self-developed high-voltage immersion fluid for solid-state capacitors has been put into production, coupled with special electrolytic paper, which can bolster product performance and effectively lower costs; and
- In respect of hybrid capacitors, we have developed 150℃ products which passed the AECQ-200 2000-hour test (with the standard hours of 1000H), while continuing to develop 135/145℃ products.

Liquidity and Financial Resources

➢ *Cash flows*

The Group's cash demand was primarily attributable to the acquisition of property, plant and equipment, the costs and expenses relating to operating activities, and repayment of bank loan interest and borrowings. During the Year, the Group obtained cash resources from its operating activities and financing activities.

During the Year, the Group had a total net cash inflow of approximately RMB136,704,000 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 RMB146,520,000, which was mainly due to the profit before tax for the Year of approximately RMB112,600,000 together with the changes in the flow of funds as a result of the adjustments for items such as finance costs and depreciation as well as the movements in items such as inventories, receivables and payables.

Net cash outflow from investing activities was approximately RMB129,967,000, which was mainly due to the payment of approximately RMB112,745,000 for the purchase of machinery and equipment.

Net cash inflow from financing activities was approximately RMB120,151,000, which was mainly due to the borrowings of approximately RMB409,338,000 from banks, repayment of bank borrowings of approximately RMB280,653,000 and payment of interest on borrowings which amounted to approximately RMB7,225,000.

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB248,918,000 (31 December 2017: RMB108,446,000), which were mainly held in Renminbi and U.S. Dollars (31 December 2017: Renminbi, U.S. Dollars and Euro).

➢ *Borrowings*

As at 31 December 2018, the Group had bank and other borrowings of approximately RMB250,497,000 (31 December 2017: RMB115,784,000), which were mainly denominated in U.S. Dollars, New Taiwan

Dollars, Japanese Yen, Euro and Renminbi (31 December 2017: U.S. Dollars, New Taiwan Dollars, Japanese Yen and Euro). Among such bank borrowings of approximately RMB200,266,000 (31 December 2017: RMB74,070,000) was subject to fixed interest rates. Below is an analysis of the repayment profile of bank and other borrowings:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	240,383	115,784
More than one year but not exceeding two years	7,018	-
More than two years but not exceeding five years	3,096	-
	250,497	115,784

Pledge of Assets

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank deposits	2,818	1,205
Deposit in a financial institution	2,064	-
Land use rights	11,159	-
Property, plant and equipment	79,272	10,864
	95,313	12,069

Financial Ratios

As at 31 December 2018, the Group's gearing ratio (net debt divided by the sum of equity attributable to owners of the Company and net debt) amounted to approximately 31.82%, representing a slight increase of approximately 0.06% as compared to 31.76% as at 31 December 2017.

Below sets out 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	
	2018	2017
Inventory turnover	77 days	72 days
Trade and bills receivable turnover	119 days	126 days
Trade and bills payable turnover	88 days	89 days

The Group will continue to improve the management of its inventories, trade receivables and trade payables in order to achieve even more efficient use of its funds.

Capital Commitments

As at 31 December 2018, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately RMB8,278,000 (31 December 2017: RMB18,934,000).

Material Proceedings

During the year ended 31 December 2011, a customer (the "Customer") filed an arbitration claim against the Company's subsidiary Capxon Electronic Industrial Company Limited ("Capxon Taiwan") with the Japan Commercial Arbitration Association (the "Arbitration Association"), claiming damages of JPY1,412,106,000 (equivalent to RMB87,959,000 (2017: RMB81,375,000)) allegedly suffered by the Customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan, plus interest accrued thereon from 1 January 2011 up to the settlement date at 6% per annum and all arbitration related expenses. Capxon Taiwan rejected the claims and filed a counterclaim for JPY60,000,000 (equivalent to RMB3,737,000 (2017: RMB3,458,000)) for damages caused, plus interest from 16 November 2011 up to the settlement date at 6% per annum and all arbitration related expenses.

In August 2014, an arbitral award was made against Capxon Taiwan which was ordered to pay to the Customer damages in an aggregate sum of ("Arbitral Award"):

(i) damages of JPY2,427,186,647 (equivalent to RMB151,172,000 (2017: RMB139,871,000));

(ii) interest on deferred payment of (i) above and such interest calculated at 6% per annum on (a) JPY1,311,973,002 (equivalent to RMB81,713,000 (2017: RMB75,605,000)) accrued from 1 January 2011 until payment in full; (b) JPY942,366,339 (equivalent to RMB58,693,000 (2017: RMB54,305,000)) accrued from 1 July 2012 until payment in full; and (c) JPY172,847,306 (equivalent to RMB10,766,000 (2017: RMB9,961,000)) accrued from 1 December 2012 until payment in full; and

(iii) arbitration related expenses of JPY23,618,062 (equivalent to RMB1,471,000 (2017: RMB1,361,000)).

In October 2014, Capxon Taiwan filed a petition to the Tokyo District Court for the annulment of the Arbitral Award. In January 2016, the Tokyo District Court issued its decision in relation to the Arbitral Award, whereby it dismissed the petition of Capxon Taiwan and upheld the original decision regarding the Arbitral Award. Capxon Taiwan lodged a further appeal to the Tokyo High Court for the annulment of the Arbitral Award in February 2016. In February 2017, the Tokyo High Court rejected the appeal, and Capxon Taiwan then filed to the Japan Supreme Court an extraordinary appeal and to the Tokyo High Court a request for a permission to file an appeal. In March 2017, the Tokyo High Court rejected Capxon Taiwan's request for a permission to file an appeal. In May 2017, the Japan Supreme Court issued its decision, whereby it dismissed the extraordinary appeal of Capxon Taiwan and upheld the original decision of the Arbitration Association regarding the Arbitral Award.

In September 2017, the Customer filed an application to the High Court of the Hong Kong Special Administrative Region ("HK Court") to enforce the Arbitral Award in Hong Kong. An enforcement order was made in October 2017 and subsequently a charging order nisi was made in November 2017 by the HK Court. Capxon Taiwan applied to the HK Court to oppose against the charging order nisi in February 2018 and to set aside the enforcement order in March 2018. In May 2018, the HK Court dismissed Capxon Taiwan's application to set aside the enforcement order and adjourned the charging order proceedings to November 2018 for Capxon Taiwan and the Customer to file further evidence.

In September 2018, the Customer applied to the HK Court for discovery of documents and disclosure of certain information of Capxon Taiwan and Lancom Limited, a subsidiary of Capxon Taiwan, by way of summons which is scheduled to be heard on 26 September 2019.

The final decision of the charging order hearing has not been reached by the HK Court as of the date of this announcement.

In November 2017, the Customer also filed an application to the Taiwan Shilin District Court for the recognition of the Arbitral Award in Taiwan. In March 2018, the Taiwan Shilin District Court issued a decision granting the recognition of the Arbitral Award. In April 2018, the shareholders of Capxon Taiwan passed a resolution to voluntarily wind up Capxon Taiwan and appointed liquidator pursuant to the Laws of Taiwan. As at 31 December 2018, certain property, plant and equipment in Taiwan, with carrying value of RMB10,995,000 (31 December 2017: nil), were distrained by the Taiwan Shilin District Court for enforcing the Arbitral Award. The relevant property, plant and equipment were still used by the Group as at 31 December 2018. Subsequent to 31 December 2018, under the instruction issued by the Taiwan Shilin District Court, the relevant property, plant and equipment was in auction, and Capxon Technology Limited, a wholly owned subsidiary of the Company, was awarded to purchase the relevant property, plant and equipment. As at the date of this announcement, the wind up procedures are still in progress.

The outcome from the HK Court cannot be determined at this stage and the wind up of Capxon Taiwan is still in progress. Therefore, an aggregate amount of JPY3,511,811,817 (2017: JPY3,366,180,618), equivalent to RMB218,725,000 (2017: RMB193,980,000), was provided at 31 December 2018 in respect of damages, interest and arbitration related expenses as a result of the Arbitral Award.

Foreign Exchange Fluctuations

The Group's revenue from operations is principally denominated in U.S. Dollars and Renminbi, while its expenses are mainly denominated in Japanese Yen, Renminbi, U.S. Dollars and New Taiwan Dollars. As the revenue and expenses are denominated in various currencies, the exposure to exchange risks was mostly managed through natural hedges. However, where there is a relatively large fluctuation in the exchange rates of Renminbi and Japanese Yen, the Group will still be indirectly affected.

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

Employment and Remuneration Policy

As at 31 December 2018, the Group had approximately 2,341 employees in total. Salary, bonus and fringe benefits are determined with reference to the prevailing market terms, and the individual employee's performance, qualification and experience. During the Year, staff costs (including directors' emoluments) amounted to approximately RMB239,609,000 (for the year ended 31 December 2017: RMB221,037,000).

Compliance with Laws and Regulations

As far as the Company is concerned, it has complied with the relevant laws and regulations that have a significant impact on the business and operations of the Group in all material respects during the Year.

Future Strategies and Planning

Industry trends for 2019 focus on:

1. Popularity of AI: AI technology will undoubtedly be the most important technology trend in the future, covering AI platforms, autonomous driving, robots, drones, etc. Manufacturing, retail, gold investment and medical institutions will invariably make considerable investments in the R&D and design of such application systems.
2. Digital ecosystems: In addition to the popularity of AI, digital ecosystems will replace the old partitioned technological architecture and enable the transition into ecosystem platforms. Humans and technology will be bridged by the establishment of platforms including block chains, digital twins and Internet of Things ("IoT"), which can deliver better security and efficiency for the financial industry.

3. Biohackers: “Super humans” maybe emerged from humans over the next decade. Bringing about great transformations to the future of mankind, these biohackers may produce such novelties as biochips, artificial tissue cultivation, brain-computer interface, augmented reality or mixed reality.
4. Transparent immersive experience: It means that the relationship among people, businesses and objects will become transparent, with smart life emerging as an extension. This includes 4D printing, edge AI, connected homes and self-repair systems.
5. Ubiquitous infrastructure: Environmental technologies that enable such infrastructure include 5G, deep neural network, neuromorphic hardware and quantum computing.

With the advent of cloud computing and its various related technologies and widespread application, an infrastructure computing environment has taken shape that remains perpetually connected, easy to access and impose no restrictions. Undoubtedly, 5G is the most eye-catching infrastructure technology, building end-to-end industry chains and commercial targets. Apparently, with the fast-changing technologies and the acceleration of development, human life is about to enter an era featuring ubiquitous smart applications. Accordingly, industries need to catch up in order to confront technological transformations. As such, we will also transform our business based on the following objectives:

- *Human resources:* Streamlining labor demand, and tackling higher labor cost of production lines and improving labor efficiency through education, training and more automation equipment.

- *Production equipment:* Installing more automation equipment, with trial production to take place.

- *Material costs:* Consolidating common materials to cut inventory backlog.

- *Material development:* Developing fundamental materials – coated high-capacitance foils and high-voltage solid-state materials.

- *Verification and delivery:* Strengthening application exchanges at the customer side to promptly understand the development dynamics of products, establishing state-of-the-art electronic application laboratories to simulate product application for end customers, and pre-determining the potential pattern of failure on capacitor performance and the reasons thereof, in order to improve the quality of capacitors and meet the demand.

- *Technical reforms:*

  Currently, the Group expects to develop the following key technologies in relation to aluminum foils and capacitors in 2019:

  - *Aluminum foils*

    - Capacity ramp-up: Developing new formation additives to ramp up the capacity of newly developed aluminum foils.
    - Energy conservation: Adjusting operational procedures to optimize formation formulas and mitigate power consumption.
    - Conducting R&D on energy-saving technology for the production line of ultra-high-voltage (above 700V) formed foils.

➢ *Capacitors*

- Conducting online surveillance of the aging process and improving product application in the new energy field, the anti-vibration performance and heat-dissipation design of products in view of the triple-belt design of double-bottom aluminum cases, as well as the application fields of products.
- Completing the development of new electric polymer material specific to the low-temperature characteristic of solid-state capacitors, to substantially bolster the high-frequency low-resistance performance of customer-side application.
- Making good development in photovoltaic and new energy application in the capacitor market, enhancing the development of ultra-high-voltage products for photovoltaic inverters and new energy vehicles, and managing to introduce 550V/5000Hrs photovoltaic inverters to the European photovoltaic application market.
- Passing third-party test in relation to large high-voltage Snap-in capacitors for in-vehicle chargers.
- Passing client test in relation to semi-solid aluminum electrolytic capacitors for vehicles.

Future Prospects

In 2019, there is no question that the evolution of technology has been ushered into an era of comprehensive intelligence functions. While AI has generated unlimited possibilities for a "smart" life, edge computing mainly addresses such issues as the computing workload of cloud-based platforms for the upper level, the communication and transmission expenses for the middle level, and the real-time control for the lower level of the IoT. This equips the lower-level control equipment or the middle-level gateway with certain computing function, which in turn enables the IoT system to act more quickly at a lower cost for building and operation. Furthermore, the introduction of AI will empower peripheral equipment with computing function and learning capability so that the entire system can acquire real intelligence through constant trial and error. Undoubtedly, when technology turns the world upside down, industries and human resources are bound to embrace the upgrade of this trend. The advent of AI also represents the necessity of transformation. As a member of the industry, the Group is seeking opportunities of transformation. At the same time, it remains attentive to the irrational factors of the market, the smooth adjustment of production-marketing supply chains, the higher cost in U.S. Dollars, and the reduced momentum in international trade arising from China-US trade tensions.

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 continue to focus on its existing industries and R&D innovation, strive for excellence, control costs effectively and enhance manufacturing efficiency, all in a bid to maintain its competitiveness in the industry. With our technological R&D and product innovation services, the Group will maintain a stable relationship with its existing customers. The Group will also attempt to develop a production-marketing model that integrates different industries, proactively explore markets in Europe and America to meet mass production planning, as well as stabilize the value and revenue from the manufacturing industry, in order to reward the Company's shareholders for their support with profits.

OTHER INFORMATION

DIVIDEND

During the year ended 31 December 2017, the Board declared an interim dividend of HK$0.05 per share, amounting to a total of HK$42,227,992.05 (equivalent to approximately RMB 36,630,000) which was paid to the shareholders of the Company on 11 December 2017. No interim dividend was declared by the Board during the Year.

The Board does not recommend the payment of any final dividend for the Year (2017: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Upon specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the Year.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Year, save as disclosed below:

(i) Code provision A.6.7 of the CG Code stipulates that independent non-executive directors should also attend general meetings. Mr. Tung Chin Chuan, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 31 May 2018 due to personal reasons.

(ii) 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 is also involved in handling the financial reporting matters of the Group, it simplifies the reporting process if she reports to the chief financial officer, who in turn reports to the board chairman on matters concerning 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 Year.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the Year.

ANNUAL REPORT

The 2018 annual report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and on the Company's website (www.capxongroup.com).

DIRECTORS

As at the date of this announcement, the Board is composed of four executive directors, namely Mr. Lin Chin Tsun (Chairman and President), Ms. Chou Chiu Yueh (Vice-President), Mr. Lin Yuan Yu (Chief Executive Officer) and Ms. Lin I Chu, one non-executive director, namely Ms. Liu Fang Chun and three independent non-executive directors, namely Mr. Hsieh King-Hu, Miles, Mr. Lu Hong Te and Mr. Tung Chin Chuan.

By order of the Board
Capxon International Electronic Company Limited
Lin Chin Tsun
Chairman

Hong Kong, 28 March 2019