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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

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
THE AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to (i) the announcement of Capxon International Electronic Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 April 2020 in respect of the Company's audited annual results for the year ended 31 December 2019 (the “**Audited Results Announcement**”); and (ii) the announcement of the Company dated 31 March 2020 in respect of the Company's unaudited annual results for the year ended 31 December 2019. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Audited Results Announcement.

In addition to the reconciliation of audited consolidated profit for the year from unaudited consolidated profit for the year (“**Profit Reconciliation**”) disclosed in the Audited Results Announcement, the board of directors of the Company (the “**Board**”) would like to provide shareholders of the Company and the market with additional information in relation to (i) explanations on the material adjustments made in the Profit Reconciliation; (ii) reconciliation of audited consolidated net assets as at 31 December 2019 from unaudited consolidated net assets as at 31 December 2019 (“**Financial Position Reconciliation**”); and (iii) explanations on the material adjustments made in the Financial Position Reconciliation as follows:

1. RECONCILIATION OF AUDITED CONSOLIDATED PROFIT FOR THE YEAR FROM UNAUDITED CONSOLIDATED PROFIT FOR THE YEAR

	<u>RMB'000</u>	<u>Notes</u>
Unaudited consolidated profit for the year as announced on 31 March 2020	110,276	
Add (Less):		
Adjustment of cost of sales	(16,000)	(a)
Release of deferred income	750	
Additional impairment losses under expected credit loss model, net of reversal	(1,769)	(b)
Directors' bonuses for the year (which have to be calculated according to the audited consolidated profit for the year after non-controlling interests)	(4,200)	(a)
Adjustment of income tax expense	3,409	(c)
Others	81	
Audited consolidated profit for the year	<u>92,547</u>	

Notes:

(a) To recognise the great effort and contribution made by the production staff of the manufacturing plants and the directors of the Company and having considered the current year's financial performance of the Group, staff bonuses and directors' bonuses amounting to RMB16,000,000 and RMB4,200,000 respectively were accrued and recognised in the audited consolidated profit for the year.

The above bonuses have not been included in the amount of employee benefit expenses disclosed in note 5 of the Audited Results Announcement, and the amounts of wages, salaries and allowances and amount capitalised in inventories as disclosed should be amended to RMB245,723,000 and RMB154,780,000 respectively.

(b) The amount represents additional impairment losses recognised in respect of trade receivables.

(c) The adjustment of income tax expense is due to the tax impact of adjustments on production costs and impairment losses and the recognition of deferred tax on accelerated tax depreciation.

2. RECONCILIATION OF AUDITED CONSOLIDATED NET ASSETS FROM UNAUDITED CONSOLIDATED NET ASSETS AS AT 31 DECEMBER 2019

	Audited Results RMB'000	Unaudited Results RMB'000	Differences RMB'000	Notes
Non-current assets				
Deposits paid for acquisition of property, plant and equipment	33,269	30,981	2,288	(d)
Deferred tax asset	2,190	-	2,190	(e)
Current assets				
Trade and other receivables	599,711	603,767	(4,056)	(f)
Current liabilities				
Trade and other payables	388,602	368,961	19,641	(g)
Contract liabilities	2,393	2,090	303	
Amounts due to related parties	3,979	3,723	256	
Tax liabilities	30,464	35,113	(4,649)	(h)
Non-current liabilities				
Deferred income	-	750	(750)	
Deferred tax liabilities	25,135	21,705	3,430	(i)
Consolidated net assets	730,374	748,183	(17,809)	

Notes:

- (d) The difference represents prepayment for acquisition of property, plant and equipment reclassified from trade and other receivables.
- (e) The difference represents deferred tax asset recognised relating to expected credit losses on trade receivables.
- (f) The difference mainly represents additional impairment losses recognised in respect of trade receivables and the reclassification adjustment mentioned in note (d) above.
- (g) The difference includes accrued bonuses for the year mentioned in note (a) above, and amounts reclassified to contract liabilities and amounts due to related parties.
- (h) The difference represents adjustment of PRC Enterprise Income Tax mentioned in note (c) above.
- (i) The difference mainly represents reclassification to deferred tax asset mentioned in note (e) above and additional deferred tax liabilities recognised in relation to item mentioned in note (c) above.

The above additional information does not affect other information contained in the Audited Results Announcement, and the content of the Audited Results Announcement remains unchanged.

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

Hong Kong, 21 May 2020

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.