

---

LETTER FROM THE BOARD

---

The logo for CapXon, featuring the word "CapXon" in white serif font on a blue rectangular background.

**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)**

*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. Hsieh King-Hu, Miles

Mr. Lu Hong Te

Mr. Tung Chin Chuan

*Registered office:*

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

*Principal place of business  
in Hong Kong:*

Room 1303, 13th Floor

OfficePlus @Wan Chai

No. 303 Hennessy Road

Wanchai

Hong Kong

31 August 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES LAW  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED**

**1. INTRODUCTION**

On 5 June 2020, the Offeror and the Company jointly announced that on 29 May 2020, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration therefor, the payment by the Offeror to the Scheme Shareholders in cash of the Cancellation Price for each Scheme Share so cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

---

## LETTER FROM THE BOARD

---

If the Proposal is approved and implemented, under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 25 to 26 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 27 to 57 of this Scheme Document; (iii) the Explanatory Statement set out on pages 58 to 78 of this Scheme Document; and (iv) the terms of the Scheme set out on pages 111 to 118 of this Scheme Document.

## 2. TERMS OF THE PROPOSAL

### Cancellation Price

Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$0.60 in cash for every Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

As at the Latest Practicable Date, no dividends or distribution declared by the Company was outstanding. The Company does not intend to declare any dividends or distribution during the offer period.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

### Comparison of value

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years. The Cancellation Price of HK\$0.60 per Scheme Share represents:

- a premium of approximately 79.1% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the Last Trading Day;

---

## LETTER FROM THE BOARD

---

- a premium of approximately 94.2% over the average closing price of approximately HK\$0.309 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 88.1% over the average closing price of approximately HK\$0.319 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 88.1% over the average closing price of approximately HK\$0.319 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 76.0% over the average closing price of approximately HK\$0.341 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 67.1% over the average closing price of approximately HK\$0.359 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 54.6% over the average closing price of approximately HK\$0.388 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 37.5% over the unaudited net asset value per Share in the Company of approximately RMB0.865 (or approximately HK\$0.960 equivalent) as at 31 December 2019, based on the audited net assets of the Group as stated in the consolidated statement of financial position of the Company included in its annual report for the financial year ended 31 December 2019, the RMB to HK\$ exchange rate of RMB1.00 to HK\$1.1101 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Date) and 844,559,841 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 9.1% over the closing price of HK\$0.550 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.580 per Share on 9, 12, 15, 17 and 24 June 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.250 per Share on 19 March 2020.

---

## LETTER FROM THE BOARD

---

### **Total consideration and financial resources**

On the basis of the Cancellation Price of HK\$0.60 per Scheme Share and 250,065,502 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$150,039,301.2, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation of the Scheme Shares using the proceeds of a facility of up to HK\$180 million granted by CTBC Bank Co., Ltd., a third party independent of the Offeror.

Elstone, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Scheme in accordance with its terms.

### **3. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

Your attention is drawn to the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 60 to 62 of this Scheme Document.

### **4. SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Shares, and the Company has 844,559,841 Shares in issue. As at the Latest Practicable Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the 844,559,841 Shares in issue. As at the Latest Practicable Date, the Scheme Shares, comprising 250,065,502 Shares, represent approximately 29.61% of the issued share capital of the Company.

As at the Latest Practicable Date, the Offeror holds 374,585,006 Shares (representing approximately 44.35% of the issued share capital of the Company). The Offeror Concert Parties hold in aggregate 219,909,333 Shares (representing approximately 26.04% of the issued share capital of the Company). The Offeror and the Offeror Concert Parties hold in aggregate 594,494,339 Shares (representing approximately 70.39% of the issued share capital of the Company). These Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting.

The Offeror is currently the controlling shareholder of the Company, and will, under the Scheme, cancel all Scheme Shares upon the Scheme becoming effective. Simultaneously with the cancellation of the Scheme Shares upon the Scheme becoming effective, by the application of reserve created as a result of the cancellation of the Scheme Shares to increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled, the Offeror's shareholding in the Company will increase from approximately 44.35% as at the Latest Practicable Date to approximately 73.96% upon the Scheme becoming effective.

## LETTER FROM THE BOARD

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	% <sup>(8)</sup>	Number of Shares	% <sup>(8)</sup>
the Offeror <sup>(1)</sup>	374,585,006	44.35%	624,650,508 <sup>(9)</sup>	73.96%
<i>Offeror Concert Parties<sup>(1)</sup> not subject to the Scheme</i>				
Mr. CT Lin <sup>(2)</sup>	101,657,378	12.04%	101,657,378	12.04%
Ms. Chou <sup>(3)</sup>	67,955,786	8.05%	67,955,786	8.05%
Hung Yu <sup>(4)</sup>	20,775,777	2.46%	20,775,777	2.46%
Mr. YY Lin <sup>(5)</sup>	13,161,622	1.56%	13,161,622	1.56%
Ms. IC Lin <sup>(6)</sup>	9,429,777	1.12%	9,429,777	1.12%
Ms. Liu <sup>(7)</sup>	6,928,993	0.82%	6,928,993	0.82%
sub-total:	219,909,333	26.04%	219,909,333	26.04%
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties				
	594,494,339	70.39%	844,559,841	100.00%
Independent Shareholders				
	250,065,502	29.61%	0	0.00%
Total number of Shares	844,559,841	100.00%	844,559,841	100.00%
Total number of Scheme Shares	250,065,502	29.61%	0	0.00%

*Notes:*

- Shares in which the Offeror and the Offeror Concert Parties are interested will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective.
- Mr. CT Lin is the Chairman and the President of the Company and an executive Director and the spouse of Ms. Chou.
- Ms. Chou is the Vice-President of the Company and an executive Director, and the spouse of Mr. CT Lin.
- Hung Yu is held by Ms. Chou as to approximately 53.06%, Mr. CT Lin as to approximately 37.04%, Mr. YY Lin as to approximately 4.94%, Ms. IC Lin as to approximately 2.47% and Ms. Liu as to approximately 2.49%.
- Mr. YY Lin is the Chief Executive Officer of the Company and an executive Director, the son of Mr. CT Lin and Ms. Chou and the spouse of Ms. Liu.
- Ms. IC Lin is an executive Director and the daughter of Mr. CT Lin and Ms. Chou.
- Ms. Liu is a non-executive Director and the spouse of Mr. YY Lin.
- All percentages in the above table are approximations.

---

## LETTER FROM THE BOARD

---

9. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares acquired and cancelled. Simultaneously with such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

As at the Latest Practicable Date, (i) none of the Offeror and any of the Offeror Concert Parties holds, owns, controls or has direction over any options, warrants or convertible securities in respect of the Shares, (ii) there are no outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date, (iii) there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror which might be material to the Proposal; (iv) there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; (v) none of the Offeror or the Offeror Concert Parties has received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM during the Relevant Period; and (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any of the Offeror or the Offeror Concert Parties has borrowed or lent.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Offeror and the Offeror Concert Parties will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

### **5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL**

You are urged to read carefully the section headed "Reasons for and benefits of the Proposal" in the Explanatory Statement on pages 68 to 70 of this Scheme Document.

### **6. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP**

You are urged to read the section headed "The Offeror's intentions in relation to the Group" in the Explanatory Statement on page 70 of this Scheme Document.

The Board has noted the intentions of the Offeror as disclosed in the above section in the Explanatory Statement.

---

## LETTER FROM THE BOARD

---

### 7. INFORMATION ON THE GROUP AND THE OFFEROR

#### **The Group**

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange with the stock code 0469. The Group is principally engaged in the business of manufacturing and sale of capacitors and aluminium foils.

#### **The Offeror**

The Offeror is an investment holding company incorporated in the British Virgin Islands and its only business is the holding of the Shares. The Offeror is interested in approximately 44.35% of the issued share capital of the Company. As at the Latest Practicable Date, the Offeror is owned as to approximately 25.93% by Mr. CT Lin, approximately 7.40% by Ms. Chou, approximately 25.93% by Mr. YY Lin, approximately 25.93% by Ms. IC Lin and approximately 14.81% by Ms. Liu immediately after completion of the Subscription.

### 8. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. In that case, all relevant requirements including the Shareholders' approval requirements under the Takeovers Code have been complied with, and the Company does not intend to retain its listing on the Stock Exchange and will make an application for the listing of Shares to be voluntarily withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 4:00 p.m. on Friday, 23 October 2020.

The Scheme Shareholders will be notified by way of an announcement, published in accordance with Rule 2.07C of the Listing Rules, of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme is set out in the section headed "Expected Timetable" on pages 12 to 14 of this Scheme Document, which also contain, among other things, further details of the Scheme.

### 9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions (7) to (10) has not been fulfilled or waived by the Offeror or any of the Conditions (1) to (6) cannot be fulfilled, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror

---

## LETTER FROM THE BOARD

---

nor any person who acted in concert with either of them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

### **10. OVERSEAS SHAREHOLDERS**

As at the Latest Practicable Date, there were 178 Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong. Those 178 Shareholders included 175 Shareholders in Taiwan, two Shareholders in the PRC and one Shareholder in the US. The Company has been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders.

If you are an overseas holder of the Scheme Shares, your attention is drawn to the section headed “Overseas Shareholders” in the Explanatory Statement on pages 72 to 73 of this Scheme Document.

### **11. INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, which comprises the independent non-executive Directors, namely Mr. Hsieh King-Hu, Miles, Mr. Lu Hong Te and Mr. Tung Chin Chuan, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the EGM.

Although Ms. Liu is a non-executive Director, she owned approximately 14.81% and approximately 2.49% of the Offeror and Hung Yu, respectively, and was directly interested in approximately 0.82% of the issued share capital of the Company as at the Latest Practicable Date. Ms. Liu is therefore regarded as being interested in the Proposal and will not form part of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out on pages 25 to 26 of this Scheme Document.

### **12. INDEPENDENT FINANCIAL ADVISER**

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.



---

## LETTER FROM THE BOARD

---

The full text of the letter from the Independent Financial Adviser is set out on pages 27 to 57 of this Scheme Document.

### **13. COURT MEETING AND EGM**

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the section headed “Court Meeting and EGM” in the Explanatory Statement on pages 74 to 75 of this Scheme Document, the section headed “Actions to be taken” on pages 1 to 5 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM on pages 119 to 121 and pages 122 to 124, respectively, of this Scheme Document.

### **14. ACTIONS TO BE TAKEN**

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages 1 to 5 of this Scheme Document and the section headed “Actions to be taken” in the Explanatory Statement on pages 75 to 78 of this Scheme Document.

### **15. RECOMMENDATIONS**

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee. The full text of the letter from the Independent Financial Adviser containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out on pages 27 to 57 of this Scheme Document. We would advise you to read this letter and the letter from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 27 to 57 of the Scheme Document, has set out its recommendations on pages 25 to 26 of this Scheme Document.

### **16. TAXATION**

It is emphasised that none of the Offeror, the Company, Elstone, the Independent Financial Adviser and the Share Registrar or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons or persons as a result of their acceptance or rejection of the Proposal. Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 74 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

---

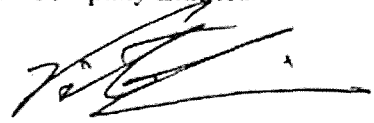
## LETTER FROM THE BOARD

---

### 17. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 25 to 26 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 27 to 57 of this Scheme Document, the Explanatory Statement, the Scheme, the notice of the Court Meeting and the notice of the EGM on pages 58 to 78, 111 to 118, 119 to 121 and 122 to 124, respectively, of this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully,  
By order of the Board  
Capxon International Electronic Company Limited  
Lin Chin Tsun  
*Chairman*

A handwritten signature in black ink, appearing to be 'Lin Chin Tsun', written in a cursive style. The signature is positioned to the right of the printed name and title.