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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Capxon International Electronic Company Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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The logo for CapXon, featuring the word "CapXon" in a white serif font on a black 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)**

**MAJOR TRANSACTION  
DISPOSAL OF LAND**

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A letter from the Board is set out on pages 5 to 14 of this circular.

27 September 2012

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following words and expressions shall have the following meanings:*

“Board”	the board of Directors
“Capxon Taiwan”	Capxon Electronic Industrial Company Limited (豐賓電子工業股份有限公司), a company limited by shares established in Taiwan, which is directly owned as to 96.54% by the Company
“Chiu Chau”	Chiu Chau Enterprise Co., Ltd. (久朝企業有限公司), a limited company established in Taiwan, together with its ultimate beneficial owners, are third parties independent of the Company and its connected persons
“Company”	Capxon International Electronic Company Limited (凱普松國際電子有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration One”	the consideration of NTD126,036,000 (equivalent to approximately RMB27,538,866) payable under the Sale and Purchase Deed One as described in the section headed “Principal terms of the Sale and Purchase Deeds” in the Letter from the Board of this circular
“Consideration Two”	the consideration of NTD99,010,000 (equivalent to approximately RMB21,633,685) payable under the Sale and Purchase Deed Two as described in the section headed “Principal terms of the Sale and Purchase Deeds” in the Letter from the Board of this circular
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Land as contemplated under the Sale and Purchase Deeds

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## DEFINITIONS

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“Disposed Land” various parcels of land bearing the following lot numbers situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 4,306.68 square metres

Lot No.	Approximate	Ownership Share	
	Site Area (sq.m.)	Shareholding	Share (%)
185-04	5,126.00	9,255/100,000	9.255
185-143	594.00	9,361/100,000	9.361
185-515	3,608.00	1/1	100
185-534	514.00	12,437/100,000	12.437
185-535	271.00	4,630/100,000	4.630
185-536	300.00	6,526/100,000	6.526
185-537	530.00	13,700/100,000	13.700

“First Parcels of Land” has the meaning as described in the section headed “Principal terms of the Sale and Purchase Deeds” in the Letter from the Board of this circular

“Group” the Company and its subsidiaries

“Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China

“JPY” Japanese Yen, the legal currency of Japan

“Land” collectively the First Parcels of Land and the Second Parcels of Land

“Latest Practicable Date” 21 September 2012, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“Little King” Little King Ind. Co., Ltd. (立肯企業股份有限公司), a limited company established in Taiwan

“Ms. Chou” Ms. Chou Chiu Yueh, an executive Director

“NTD” New Taiwan dollars, the legal currency of Taiwan

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## DEFINITIONS

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“Previous Consideration”	the consideration of NTD91,189,000 (equivalent to approximately RMB19,924,797) paid by Chiu Chau to Capxon Taiwan under the Previous Contract
“Previous Contract”	the sale and purchase contract in respect of the Disposed Land dated 30 April 2012 and entered into between Capxon Taiwan and Chiu Chau
“Previous Disposal”	the disposal of the Disposed Land at the Previous Consideration as contemplated under the Previous Contract
“RMB”	Renminbi, the legal currency of the People’s Republic of China
“Sale and Purchase Deed One”	the sale and purchase deed in respect of the First Parcels of Land dated 10 August 2012 and entered into between Capxon Taiwan as the seller and Little King as the buyer
“Sale and Purchase Deed Two”	the sale and purchase deed in respect of the Second Parcels of Land dated 10 August 2012 and entered into between Capxon Taiwan as the seller and Liao Chang, Hsiu-Yun and Liao, Shuo-Yen as the buyers
“Sale and Purchase Deeds”	collectively the Sale and Purchase Deed One and the Sale and Purchase Deed Two
“Second Parcels of Land”	has the meaning ascribed to it in the section headed “Principal terms of the Sale and Purchase Deeds” in the Letter from the Board of this circular
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	collectively the Consideration One and the Consideration Two, being the total sum of NTD225,046,000 (equivalent to approximately RMB49,172,551)
“Valuation Report”	the valuation report in respect of the Land dated 27 September 2012 and prepared by Savills

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## DEFINITIONS

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“Value Management”	Value Management Holding Limited, a limited liability company incorporated in the British Virgin Island and controlled by Ms. Chou and her spouse Mr. Lin Chin Tsun, an executive Director and chairman of the Company
“Savills”	Savills Valuation and Professional Services Limited, an independent valuer
“%”	per cent

*This circular contains translation of NTD to RMB and JPY to RMB at the rates of NTD1 = RMB0.2185 and JPY1 = RMB0.08079 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in NTD, JPY or RMB could be converted at such rate or at any other rate.*

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## LETTER FROM THE BOARD

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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)**

*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

*Principal Office:*

Room 1702, 17th Floor

CRE Building

No.303 Hennessy Road

Wanchai

Hong Kong

*Registered Office:*

Scotia Centre

4th Floor, P.O. Box 2804

George Town

Grand Cayman

Cayman Islands

27 September 2012

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION DISPOSAL OF LAND**

#### **INTRODUCTION**

It was announced on 10 August 2012 that Capxon Taiwan, a non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Deeds for the disposal of the Land at the Total Consideration.

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## LETTER FROM THE BOARD

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Reference is made to the announcement of the Company dated 30 April 2012 in relation to the Previous Disposal.

As one of the applicable percentage ratios in respect of the Previous Disposal was greater than 5% but less than 25%, the Previous Disposal constituted a discloseable transaction of the Company under the Listing Rules and was subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal, when considered separately or aggregated with the Previous Disposal, exceeds 25% but is less than 75%, the Disposal, when considered separately or aggregated with the Previous Disposal, constitutes a major transaction of the Company under the Listing Rules and is subject to approval by the Shareholders.

As at the Latest Practicable Date, Value Management and Ms. Chou, a closely allied group of Shareholders, hold approximately 44.35% and 8.05% of the entire issued share capital of the Company respectively. They together hold approximately 52.40% of the entire issued share capital of the Company. Since no Shareholder will be required to abstain from voting in respect of the Disposal, written approval of each of Value Management and Ms. Chou has been obtained for the purpose of approving the Sale and Purchase Deeds and the Disposal in lieu of an approval by the Shareholders at a Shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information relating to the Disposal.

### THE DISPOSAL

Reference is made to the announcement of the Company dated 30 April 2012 in relation to the Previous Disposal. On 30 April 2012, Capxon Taiwan as seller and Chiu Chau as buyer entered into the Previous Contract for the disposal of the Disposed Land at the Previous Consideration.

On 10 August 2012, Capxon Taiwan as seller entered into the Sale and Purchase Deeds for the disposal of the Land at the Total Consideration. The Land is situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 9,919.39 square metres.



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## LETTER FROM THE BOARD

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### Principal terms of the Sale and Purchase Deeds

#### *Sale and Purchase Deed One*

Date : 10 August 2012

Parties: : (i) Capxon Taiwan as seller  
(ii) Little King as buyer

Sale and Purchase : Capxon Taiwan agreed to sell and Little King agreed to purchase various parcels of land bearing lot numbers 185-517, 185-534, 185-535, 185-536, 185-537, 185-143 and 185-04 (collectively “First Parcels of Land”) all situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 5,555.32 square metres at the Consideration One.

Details of the First Parcels of Land are as follows:

Lot No.	Approximate Site Area (sq.m.)	Ownership Share	
		Shareholding	Share (%)
185-517	4,654.00	1/1	100
185-534	514.00	16,046/100,000	16.046
185-535	271.00	5,976/100,000	5.976
185-536	300.00	8,419/100,000	8.419
185-537	530.00	17,676/100,000	17.676
185-143	594.00	12,079/100,000	12.079
185-04	5,126.00	11,939/100,000	11.939

Land Administration Agent : The parties agreed to appoint and authorise an individual to be their land administration agent (the “Land Administration Agent”) for handling, among other things, the registration of real estate transfer, the mortgage and discharge, the application for loan and the repayment of loan in respect of the First Parcels of Land.

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## LETTER FROM THE BOARD

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Consideration One : The Consideration One of NTD126,036,000 (equivalent to approximately RMB27,538,866) was paid and deposited in the escrow account as designated by the parties by four instalments:

- (i) a sum of NTD12,600,000 (equivalent to approximately RMB2,753,100) as the first instalment was paid upon signing of the Sale and Purchase Deed One whereupon Capxon Taiwan delivered the original title documents to the Land Administration Agent for safe keeping;
- (ii) a sum of NTD12,600,000 (equivalent to approximately RMB2,753,100) as the second instalment was paid on 16 August 2012 whereupon the parties submitted the relevant signed and sealed transfer documents to the Land Administration Agent for processing;
- (iii) a sum of NTD12,600,000 (equivalent to approximately RMB2,753,100) as the third instalment was paid on 3 September 2012; and
- (iv) the balance of NTD88,236,000 (equivalent to approximately RMB19,279,566) was paid on 14 September 2012.

Save for the first instalment of the Consideration One which was settled by Little King by way of cheque, the second and third instalments and the balance of the Consideration One were paid by Little King via telegraphic transfer to the escrow account. The escrow expense would be borne by the parties in equal shares.

The existing loan of Capxon Taiwan in respect of the First Parcels of Land was repaid in full from part of the Consideration One and the existing mortgage of Capxon Taiwan has been discharged after settling the existing loan.

Before payment of the balance of the Consideration One by Little King, Capxon Taiwan would provide Little King with a letter of consents from owners of private roads in order to obtain their permitted usage of private roads.

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## LETTER FROM THE BOARD

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Completion : Completion of the Sale and Purchase Deed One took place on 19 September 2012.

Others : Capxon Taiwan would, at its own cost, appoint the Land Administration Agent to apply for the verification of the boundary of the First Parcels of Land whereas the weeding cost before such verification would be borne by the parties jointly. The parties agreed that no adjustment would be made to the Consideration One even if there was discrepancy on the actual area of the First Parcels of Land based on the results of such verification.

Signing and completion of the Sale and Purchase Deed One would be conditional upon signing and completion of the Sale and Purchase Deed Two.

### *Sale and Purchase Deed Two*

Date : 10 August 2012

Parties: : (i) Capxon Taiwan as Seller  
(ii) Liao Chang, Hsiu-Yun and Liao, Shuo-Yen as buyers

Sale and Purchase : Capxon Taiwan agreed to sell and Liao Chang, Hsiu-Yun and Liao, Shuo-Yen agreed to purchase various parcels of land bearing lot numbers 185-516, 185-534, 185-535, 185-536, 185-537, 185-143 and 185-04 (collectively “Second Parcels of Land”) all situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 4,364.07 square metres at the Consideration Two.

Details of the Second Parcels of Land are as follows:

Lot No.	Approximate Site Area (sq.m.)	Ownership Share	
		Shareholding	Share (%)
185-516	3,656.00	1/1	100
185-534	514.00	12,606/100,000	12.606
185-535	271.00	4,700/100,000	4.700
185-536	300.00	6,615/100,000	6.615
185-537	530.00	13,884/100,000	13.884
185-143	594.00	9,488/100,000	9.488
185-04	5,126.00	9,379/100,000	9.379

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## LETTER FROM THE BOARD

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Land Administration Agent : The parties agreed to appoint and authorise an individual to be the Land Administration Agent for handling, among other things, the registration of real estate transfer, the mortgage and discharge, the application for loan and the repayment of loan in respect of the Second Parcels of Land.

Consideration Two : The Consideration Two of NTD99,010,000 (equivalent to approximately RMB21,633,685) was paid and deposited in the escrow account as designated by the parties by four instalments:

- (i) a sum of NTD9,900,000 (equivalent to approximately RMB2,163,150) as the first instalment was paid upon signing of the Sale and Purchase Deed Two whereupon Capxon Taiwan delivered the original title documents to the Land Administration Agent for safe keeping;
- (ii) a sum of NTD9,900,000 (equivalent to approximately RMB2,163,150) as the second instalment was paid on 16 August 2012 whereupon the parties submitted the relevant signed and sealed transfer documents to the Land Administration Agent for processing;
- (iii) a sum of NTD9,900,000 (equivalent to approximately RMB2,163,150) as the third instalment was paid on 3 September 2012; and
- (iv) the balance of NTD69,310,000 (equivalent to approximately RMB15,144,235) was paid on 14 September 2012.

Save for the first instalment of the Consideration Two which was settled by Liao Chang, Hsiu-Yun and Liao, Shuo-Yen by way of cheque, the second and third instalments and the balance of the Consideration Two were paid by Liao Chang, Hsiu-Yun and Liao, Shuo-Yen via telegraphic transfer to the escrow account. The escrow expense would be borne by the parties in equal shares.

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## LETTER FROM THE BOARD

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The existing loan of Capxon Taiwan in respect of the Second Parcels of Land was repaid in full from part of the Consideration Two and the existing mortgage of Capxon Taiwan has been discharged after settling the existing loan.

Before payment of the balance of the Consideration Two by Liao Chang, Hsiu-Yun and Liao, Shuo-Yen, Capxon Taiwan would provide Liao Chang, Hsiu-Yun and Liao, Shuo-Yen with a letter of consents from owners of private roads in order to obtain their permitted usage of private roads.

Completion : Completion of the Sale and Purchase Deed Two took place on 19 September 2012.

Others : Capxon Taiwan would, at its own cost, appoint the Land Administration Agent to apply for the verification of the boundary of the Second Parcels of Land whereas the weeding cost before such verification would be borne by the parties jointly. The parties agreed that no adjustment would be made to the Consideration Two even if there was discrepancy on the actual area of the Second Parcels of Land based on the results of such verification.

Signing and completion of the Sale and Purchase Deed Two would be conditional upon signing and completion of the Sale and Purchase Deed One.

### Condition Precedent

The Sale and Purchase Deeds are subject to approval by the Shareholders in accordance with the requirement of the Listing Rules. Written approval of each of Value Management and Ms. Chou, a closely allied group of Shareholders, has been obtained for the purpose of approving the Sale and Purchase Deeds and the Disposal.

### TOTAL CONSIDERATION

The Consideration One and the Consideration Two were agreed after arm's length negotiations between Capxon Taiwan and the respective buyers, with reference to the comparable sales transactions of similar plots of land in the proximity as available.

### REASONS FOR THE DISPOSAL

The Group is principally engaged in the production and sales of aluminium electrolytic capacitors and aluminium foils, the major raw materials for the manufacturing of aluminium electrolytic capacitors.

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## LETTER FROM THE BOARD

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Little King is principally engaged in the development, production and sales of mesh fabrics.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Little King and its ultimate beneficial owners and each of Liao Chang, Hsiu-Yun and Liao, Shuo-Yen are third parties independent of the Company and its connected persons.

The Group acquired various parcels of land situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan comprising the Disposed Land and the Land (the "Acquired Land") in August 2011. It was the original intention of the Group to set up a production plant on the Acquired Land for production of solid state capacitors. However, in view of the rising construction and operating costs in Taiwan, the Directors intend to set up production lines for production of solid state capacitors in the Group's existing Shenzhen production plant. The Group completed the disposal of the Disposed Land to Chiu Chau, an independent third party, at the Previous Consideration in June 2012 and disposed of the Land to the respective buyers at the Total Consideration as contemplated in the Sale and Purchase Deeds. Completion of the Disposal took place on 19 September 2012. The Directors consider that the Disposal provides the Group with an opportunity to realise a gain of approximately NTD44,056,265 (equivalent to approximately RMB9,626,294), and together with the gain of approximately NTD9,233,106 (equivalent to approximately RMB2,017,434) made from the Previous Disposal, the Group is able to better allocate its resources so as to maximize the value to the Shareholders.

### POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Based on the carrying value of the Land of approximately NTD177,802,235 (equivalent to approximately RMB38,849,788) as at 9 August 2012, it is estimated that the Group will realise an expected gain from the Disposal of approximately NTD44,056,265 (equivalent to approximately RMB9,626,294) (subject to audit), being the difference between the Total Consideration and the carrying value of the Land as at 9 August 2012 after taking into account of, among other things, the estimated taxes and expenses attributable to the Disposal.

Save as disclosed herein, the Disposal will not have any material impact on the earnings, assets and liabilities of the Group.

### USE OF PROCEEDS

The Group intends to apply the net proceeds from the Disposal, after repayment of the bank loan relating to the Land and deduction of expenses directly attributable thereto, towards the Group's general working capital.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The operating environment for the Group's business will continue to be challenging in the year ahead due to the fierce competition and increasing operating costs. The Board, however, considers that there is still a great development potential in the high-end electronic products industry and expects that there will be an increasing demand for solid state capacitors in the future. However, in view of the rising construction and operating costs in Taiwan, the Directors intend to set up production lines for production of solid state capacitors in the Group's existing Shenzhen production plant, instead of building on the Acquired Land as originally planned. Having considered the reasons for the Disposal as stated above, the Board considers that it is in the interest of the Group to dispose of the Land, together with the Disposed Land in order to realize the gain in the rising property market. The Directors (including the independent non-executive Directors) expect that the Disposal, together with the Previous Disposal, will not have material impact on the business and operation of the Group and upon completion of the production lines in the Group's existing Shenzhen production plant, production of solid state capacitors at the expanded production capacity will bring forth positive effect on the Group's financial and trading prospects in the future.

### IMPLICATIONS UNDER THE LISTING RULES

The Acquired Land comprised the Disposed Land and the Land. The Previous Disposal was completed in June 2012 and the Disposal was completed on 19 September 2012. Since completion of the Previous Disposal and the Disposal is within a 12-month period, the Previous Disposal and the Disposal are therefore aggregated under Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Previous Disposal was greater than 5% but less than 25%, the Previous Disposal constituted a discloseable transaction of the Company under the Listing Rules and was subject to the notification and publication requirements under Chapter 14 of the Listing Rules. The Company issued an announcement dated 30 April 2012 in relation to the Previous Disposal.

As one of the applicable percentage ratios in respect of the Disposal, when considered separately or aggregated with the Previous Disposal, exceeds 25% but is less than 75%, the Disposal, when considered separately or aggregated with the Previous Disposal, constitutes a major transaction of the Company under the Listing Rules and is subject to approval by the Shareholders.

As at the Latest Practicable Date, Value Management and Ms. Chou, a closely allied group of Shareholders, hold approximately 44.35% and 8.05% of the entire issued share capital of the Company respectively. They together hold approximately 52.40% of the entire issued share capital of the Company. Since no Shareholder will be required to abstain from voting in respect of the Disposal, written approval of each of Value Management and Ms. Chou has been obtained for the purpose of approving the Sale and Purchase Deeds and the Disposal in lieu of an approval by the Shareholders at a Shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Deeds, together with the Previous Contract, have been negotiated on an arm's length basis and are on normal commercial terms which are fair and reasonable and that the Disposal, together with the Previous Disposal, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution for approving the Sale and Purchase Deeds and the Disposal if an extraordinary general meeting of the Company is required to be held to consider and approve the Sale and Purchase Deeds and the Disposal.

Your attention is also drawn to (i) the Valuation Report and (ii) the additional information set out in the appendices to this circular.

By Order of the Board

**Lin Chin Tsun**

*Chairman*



**1. THREE-YEAR FINANCIAL INFORMATION**

Financial information of the Group for each of the three years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012 are enclosed in the annual reports of the Company for the years ended 31 December 2009, 2010 and 2011 dated 15 April 2010, 25 March 2011 and 29 March 2012 and the interim report of the Company for the six months ended 30 June 2012 dated 29 August 2012 respectively, which are published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

**2. (i) INDEBTEDNESS**

At the close of business on 31 July 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding bank and other borrowings of approximately RMB654 million including advances drawn on bills receivable discounted with recourse of approximately RMB30 million (of the total bank and other borrowings, RMB170 million was unsecured and RMB484 million was secured by certain of the Group's assets, including properties and short-term bank deposits, as well as a Director's property).

Out of the RMB654 million outstanding borrowings and indebtedness, bank borrowings of approximately RMB411 million were guaranteed by certain Directors.

**(ii) CONTINGENT LIABILITIES**

- (a) During the year ended 31 December 2011, a customer filed a request for arbitration enclosing a statement of claim against Capxon Taiwan to The Japan Commercial Arbitration Association in Japan, claiming JPY1,412,106,000 (equivalent to approximately RMB114,084,000) suffered by the customer with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan. The case has been pending third hearing on The Japan Commercial Arbitration Association as at the Latest Practicable Date. The Directors, 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.
- (b) 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 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 second hearing on the court. The Directors, 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.

**Disclaimer**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 July 2012, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptable credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into RMB at the approximate exchange rates prevailing at the close of business on 31 July 2012.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 July 2012.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources available to the Group including the available credit facilities, the Group's internally generated funds and the net proceeds from the Disposal, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular.

**4. THE LAND AND VALUATION**

Savills, an independent property valuer, has valued the Land disposed of by the Group. The text of the letter and the valuation certificate are set out in Appendix II to this circular.



The Directors  
Capxon International Electronic Company Limited  
Room 1702, 17th Floor  
CRE Building  
No. 303 Hennessy Road  
Wanchai  
Hong Kong

Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong

T: (852) 2801 6100  
F: (852) 2530 0756

EA Licence: C-023750  
savills.com

27 September 2012

Dear Sirs,

**Re: Portions of eight parcels of land, namely Lot Nos. 185-4, 185-143, 185-516, 185-517, 185-534, 185-535, 185-536 and 185-537, Jiuzuliao, Longtan Township, Taoyuan County, the Republic of China (the “Property”)**

We refer to your instructions for us to value the Property situated in the Republic of China (“Taiwan”) which is intended to be disposed of by Capxon Electronic Industrial Co., Ltd. (“Capxon Taiwan”), which is a company-limited-by shares of Capxon International Electronic Company Limited (the “Company”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 10 August 2012 (“date of valuation”) for public circular purpose.

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

As advised by the Company, the Property was intended to be held by Capxon Taiwan for owner-occupation. In valuing the Property, we have adopted the Direct Comparison Approach by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

We have been provided with extracts of the title documents relating to the Property and have caused searches to be made in the Department of Land Administration. However, we have not inspected the original documents to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal adviser on Taiwan laws, Chuang, Lin & Wu International Law Firm, regarding the title to the Property.

We have relied to a considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site area, and other relevant information. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to our valuation. We were also advised that no material facts have been omitted from the information supplied.

We have inspected the Property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. We have not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumptions that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

Site inspection of the Property was carried out by Mr. Kempis Tai Kuang-ping on 7 August 2012. Mr. Tai is a Real Estate Appraiser of Taipei City.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in compliance with the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated in this report are in New Taiwan Dollars (“NTD”).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Anthony C K Lau**  
*MRICS MHKIS RPS(GP)*  
*Director*

*Note:* Anthony C K Lau is a qualified surveyor and has over 19 years’ post-qualification experience in the valuation of properties in Hong Kong and the People’s Republic of China, and extensive experience in the valuation of properties in Taiwan.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 10 August 2012
Portions of eight parcels of land, namely Lot Nos. 185-4, 185-143, 185-516, 185-517, 185-534, 185-535, 185-536 and 185-537, Jiuzuliao, Longtan Township, Taoyuan County, Taiwan	<p>The Property comprises the whole shareholding of two parcels of land, namely Lot Nos. 185-516 and 185-517, with a total site area of approximately 8,310.00 sq.m. (89,449 sq.ft.) and certain shareholding of six parcels of land with a total site area of approximately 7,335.00 sq.m. (78,954 sq.ft.).</p> <p>The Property comprises vacant land overgrown with vegetation.</p> <p>The Property is held under freehold land.</p>	The Property was vacant land as at the date of valuation.	NTD180,013,782

*Notes:*

- As advised by the Company, the Property was sold to Capxon Taiwan on 9 June 2011 under a Real Estate Sale and Purchase Deed at a consideration of NTD175,707,432. The said sale was completed in August 2011.
- Pursuant to the Real Estate Sale and Purchase Deed between Capxon Taiwan and Little King Ind. Co., Ltd. ("Little King") dated 10 August 2012, Capxon Taiwan agreed to sell parcels of land in Taiwan (see Note 4 for details) to Little King at a consideration of NTD126,036,000.
- Pursuant to the Real Estate Sale and Purchase Deed between Capxon Taiwan and Liao Chang, Hsiu-Yun and Liao, Shou-Yen ("Liao") dated 10 August 2012, Capxon Taiwan agreed to sell parcels of land in Taiwan (see Note 4 for details) to Liao at a consideration of NTD99,010,000.
- According to the land search record, the registered owner of the Property is Capxon Taiwan. The respective ownership shares held by Capxon Taiwan which were agreed to sell to different buyers are as follows:

**Parcels of land agreed to sell to Little King**

Lot No.	Approximate Site Area (sq.m.)	Ownership Share	
		Shareholding	Share (%)
185-4	5,126.00	11,939/100,000	11.939
185-143	594.00	12,079/100,000	12.079
185-517	4,654.00	1/1	100.00
185-534	514.00	16,046/100,000	16.046
185-535	271.00	5,976/100,000	5.976
185-536	300.00	8,419/100,000	8.419
185-537	530.00	17,676/100,000	17.676

## Parcels of land agreed to sell to Liao

Lot No.	Approximate Site Area (sq.m.)	Ownership Share	
		Shareholding	Share (%)
185-4	5,126.00	9,379/100,000	9.379
185-143	594.00	9,488/100,000	9.488
185-516	3,656.00	1/1	100.00
185-534	514.00	12,606/100,000	12.606
185-535	271.00	4,700/100,000	4.700
185-536	300.00	6,615/100,000	6.615
185-537	530.00	13,884/100,000	13.884

5. Except for Lot No. 185-143 which is zoned for access road, the remaining parcels of land are zoned for Type D Construction Land in General Agricultural District. Type D Construction Land in General Agricultural District is permitted for industrial use.
6. We have been provided with a legal opinion regarding the title to the Property issued by the Company's Taiwan legal adviser, which contains, inter alia, the following information:
  - i. Capxon Taiwan is the owner of the Property;
  - ii. the agreements on the transfer of the Property to both Little King and Liao are valid and binding; and
  - iii. the Property is subject to mortgages with a maximum mortgaged amount of NTD427,200,000.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Directors' and chief executives' interests and short positions in shares, underlying shares and debentures**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had, or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange:

#### *Long positions in shares of the Company*

Name of Director/ Chief Executive	Capacity and nature of interests	Number of shares held (a) and approximate percentage of shareholding (b) <sup>(1)</sup>	
		(a)	(b)
Mr. Lin Chin Tsun	Beneficial owner	101,657,378	66.90
	Interest of controlled corporation	395,360,783 <sup>(2)</sup>	
	Interest of spouse	67,955,786	
Ms. Chou	Beneficial owner	67,955,786	66.90
	Interest of controlled corporation	395,360,783 <sup>(2)</sup>	
	Interest of spouse	101,657,378	



Name of Director/ Chief Executive	Capacity and nature of interests	Number of shares held (a) and approximate percentage of shareholding (b) <sup>(1)</sup>	
		(a)	(b)
Mr. Lin Yuan Yu	Beneficial owner	13,161,622	46.73
	Interest of controlled corporation	374,585,006 <sup>(3)</sup>	
	Interest of spouse	6,928,993	
Ms. Lin I Chu	Beneficial owner	9,429,777	45.47
	Interest of controlled corporation	374,585,006 <sup>(3)</sup>	
Ms. Liu Fang Chun	Beneficial owner	6,928,993	46.73
	Interest of spouse	387,746,628	
Mr. Tung Chin Chuan	Beneficial owner	3,386,000	0.40
Ms. Hu Szu Jung, Carol	Beneficial owner	243,991	0.03

*Notes:*

- (1) This percentage has been compiled based on the total number of shares (i.e. 844,559,841 shares) of the Company in issue as at the Latest Practicable Date.
- (2) Value Management, of which Mr. Lin Chin Tsun and Ms. Chou are directors, owns 374,585,006 shares. Pursuant to the SFO, Value Management is deemed to be controlled by Mr. Lin Chin Tsun and Ms. Chou who accordingly are taken to be interested in the 374,585,006 shares held by Value Management.

In accordance with the SFO, each of Mr. Lin Chin Tsun and Ms. Chou 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 Value Management under the SFO.

### Interests of substantial shareholders in the share capital of the Company

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, or any options in respect of such capital.

*Long position in shares of the Company*

Name of Shareholder	Capacity and nature of interest	Number of issued shares held directly	Approximate percentage of shareholding <sup>(1)</sup>
Value Management	Beneficial owner	374,585,006	44.35

*Note:*

- (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 the Latest Practicable Date.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

### 4. COMPETING BUSINESS

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

### 5. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

No contract or arrangement subsisting at the date hereof in which a Director is materially interested and which is significant in relation to the business of the Group.

### 6. EXPERT

Name	Qualification
Savills	Property valuer

As at the Latest Practicable Date, Savills did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the Valuation Report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Savills did not have any interest, direct or indirect, in any assets which since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **7. LITIGATION**

Save as disclosed in the section headed “Contingent liabilities” in Appendix I of this circular, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **8. MATERIAL ADVERSE CHANGE**

The Directors confirm that there was no material adverse change in the financial position or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group was made up.

## **9. GENERAL**

- (a) The company secretary of the Company is Ms. Chan Yin Fung, a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and the Head office and principal place of business in Hong Kong is at Room 1702, 17th Floor, CRE Building, No. 303 Hennessy Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited of Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

**10. MATERIAL CONTRACTS**

Save for the following material contracts, the Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular:

- (a) the sale and purchase deed in respect of various parcels of land bearing lot numbers 185-516, 185-517, 185-4, 185-143, 185-534, 185-535, 185-536 and 185-537 all situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 9,919.40 square metres at a consideration of NTD175,707,432 dated 9 June 2011 and entered into between Capxon Taiwan as the purchaser and Yu Cheng Chung as the seller;
- (b) the sale and purchase deed in respect of various parcels of land bearing lot numbers 185-515, 185-4, 185-143, 185-534, 185-535, 185-536 and 185-537 all situated in Jiuzuliao, Longtan Township, Taoyuan County, Taiwan with an aggregate site area of approximately 4,306.71 square metres at a consideration of NTD76,292,568 dated 9 June 2011 and entered into between Capxon Taiwan as the purchaser and Chiu Yun Jung as the seller;
- (c) the Previous Contract; and
- (d) the Sale and Purchase Deeds.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal office of the Company at Room 1702, 17th Floor, CRE Building, No. 303 Hennessy Road, Wanchai, Hong Kong during normal business hours on any business day, from the date of this circular up to and including 12 October 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (c) the annual reports of the Company for the two financial years ended 31 December 2011 and the interim report of the Company for the six months ended 30 June 2012;
- (d) the Valuation Report, the text of which is set out in Appendix II to this circular;
- (e) the written consent from Savills referred to in the section headed “Expert” in this appendix; and
- (f) this circular.