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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Capxon International Electronic Company Limited.

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**VALUE MANAGEMENT HOLDING LIMITED**

**價值管理控股有限公司**

*(Incorporated in the British Virgin Islands  
with limited liability)*

**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: 0469)**

**(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**

**Financial Adviser to the Offeror**



**Elstone Capital Limited**

**Independent Financial Adviser to the Independent Board Committee**



**SOMERLEY CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 15 to 24 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal is set out on pages 25 to 26 of this Scheme Document. A letter from Somerley, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 27 to 57 of this Scheme Document. An Explanatory Statement is set out on pages 58 to 78 of this Scheme Document.

The actions to be taken by the Shareholders are set out on pages 1 to 5 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 23 September 2020 at 10:00 a.m. and 11:30 a.m. (both in Hong Kong time) respectively (or, in the case of the EGM, as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages 119 to 121 and 122 to 124 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages 1 to 5 of this Scheme Document. Completion and return of the forms of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked by operation of law. This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

**PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM**

Please refer to the section headed "Actions to be taken" of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

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*The Proposal is made solely through this Scheme Document to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law. It contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Proposal is made.*

*The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are nationals. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.*

**NOTICE TO US INVESTORS**

*The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law and is subject to Hong Kong disclosure requirements, which are different from those of the US. The Scheme must be approved by the requisite majority of shareholders and sanctioned by the Grand Court. The financial information included in this Scheme Document (if any) has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.*

*The shares of the Cayman Islands company are listed on the Hong Kong stock exchange and are not listed on a United States national securities exchange or registered under the United States Exchange Act of 1934, as amended (the “Exchange Act”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the Exchange Act. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules.*

*This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the US.*

*The receipt of cash pursuant to the Proposal by a US Scheme Shareholder as consideration for the cancellation of their Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Scheme Shareholder is urged to consult their independent professional adviser immediately regarding the potential tax consequences of the Proposal.*

*It may be difficult for US Scheme Shareholders to enforce their rights and claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court’s judgement.*

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*The Scheme as set out in this Scheme Document has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the Commission or any such state regulatory authority passed on the adequacy or accuracy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.*

*Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at <http://www.hkexnews.hk> and by the Company at <http://www.capxongroup.com>.*

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## CONTENTS

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	Page
<b>ACTIONS TO BE TAKEN</b> .....	1
<b>DEFINITIONS</b> .....	6
<b>EXPECTED TIMETABLE</b> .....	12
<b>LETTER FROM THE BOARD</b> .....	15
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	25
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	27
<b>EXPLANATORY STATEMENT</b> .....	58
<b>APPENDIX I – FINANCIAL INFORMATION RELATING TO THE GROUP</b> .....	79
<b>APPENDIX II – PROPERTY VALUATION REPORT</b> .....	84
<b>APPENDIX III – GENERAL INFORMATION</b> .....	100
<b>THE SCHEME</b> .....	111
<b>NOTICE OF COURT MEETING</b> .....	119
<b>NOTICE OF EGM</b> .....	122

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## ACTIONS TO BE TAKEN

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**This Scheme Document contains important information and you should carefully read this Scheme Document in full, including the Letter from the Board, the Letter from the Independent Board Committee, the Letter from the Independent Financial Adviser and the Appendices, before making any decision.**

### 1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 18 September 2020 to Wednesday, 23 September 2020 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 17 September 2020.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Monday, 21 September 2020 or any adjournment thereof, and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:30 a.m. on Monday, 21 September 2020) or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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## ACTIONS TO BE TAKEN

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### 2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM in respect of the Scheme.** The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to

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## ACTIONS TO BE TAKEN

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provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are an Independent Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once for or once against the Scheme in accordance with the majority instructions received from the CCASS Participants. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. If you are a Beneficial Owner and wish to be counted individually in the calculation of the “majority in number” requirement at the Court Meeting, you should make arrangements for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

### 3. PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting and the EGM, the Company will firmly implement precautionary measures at the Court Meeting and/or the EGM, including:

- (a) compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and/or the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) each attendee will be required to wear a surgical face mask at all times throughout the Court Meeting and/or the EGM within the venue of the Court Meeting and/or the EGM;

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## ACTIONS TO BE TAKEN

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- (c) the Shareholders attending in person at the venue of the Court Meeting and/or the EGM in excess of the 20 persons limit (or such prevailing limit from time to time) under the Regulation will be accommodated in separate room(s) and/or partitioned area(s) in the same room at the venue of the Court Meeting and/or the EGM, with not more than 20 persons (including supporting staff for the Court Meeting and/or the EGM) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the Shareholders;
- (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM; and
- (e) any person who (i) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (ii) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (iii) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (iv) has been in close contact with any person subject to (i), (ii) or (iii) above; or (v) has any flu-like symptoms shall not attend the Court Meeting and/or the EGM but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent that such person(s) is legally permitted to be present at the meeting venue under applicable laws and regulations. Shareholders who fall under the above categories are advised to exercise their voting rights by appointing the chairman of the Court Meeting and/or the EGM as his/her proxy to vote on the relevant resolution at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

**The Company would like to further remind the Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Monday, 21 September 2020) or any adjournment thereof, and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:30 a.m. on Monday, 21 September 2020) or any adjournment thereof, with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. If the pink form of proxy for use at the Court Meeting is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept it.**



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## ACTIONS TO BE TAKEN

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Subject to the development of the COVID-19 situation or any directive(s) that may be further issued by the Hong Kong Government, the Company may implement and/or adjust the precautionary measures for the Court Meeting and/or the EGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate. In any event, the Shareholders will not be deprived of their right of voting on the resolution(s) to be proposed at the Court Meeting and/or the EGM.

#### **4. EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

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## DEFINITIONS

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*In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:*

“acting in concert”	has the meaning given in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Announcement”	the announcement jointly issued by the Offeror and the Company on 5 June 2020 in relation to the Proposal
“Announcement Date”	5 June 2020
“Approval Principles”	《在大陸地區從事投資或技術合作審查原則》(Principles for Approval of Investment or Technological Collaboration in Mainland China) published by MOEAIC on 12 March 2019
“associates”	has the meaning given in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for any members of the Group to carry on its business
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Cancellation Price”	the cancellation price of HK\$0.60 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands

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## DEFINITIONS

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“Company”	Capxon International Electronic Company Limited 凱普松國際電子有限公司 (stock code: 0469), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
“Condition(s)”	the conditions of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement
“Court Meeting”	a meeting of the Independent Shareholders to be convened at the direction of the Grand Court at 10:00 a.m. on Wednesday, 23 September 2020 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Directors”	the directors of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Law
“EGM”	an extraordinary general meeting of the Company to be held at 11:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on Wednesday, 23 September 2020 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong and any adjournment thereof to be held after the Court Meeting for the purpose of approving (i) the reduction of the share capital of the Company by the cancellation and extinguishment of the Scheme Shares; and (ii) simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (i) above, the restoration of the number of issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares by issuing such number of new Shares which is equivalent to the number of Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Elstone”	Elstone Capital Limited, a licensed corporation permitted under SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in respect of the Scheme and the Proposal

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## DEFINITIONS

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“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 58 to 78 of this Scheme Document
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hung Yu”	Hung Yu Investment Co., Ltd. 虹祐投資股份有限公司, a company incorporated in Taiwan which is owned as to approximately 53.06% by Ms. Chou, approximately 37.04% by Mr. CT Lin, approximately 4.94% by Mr. YY Lin, approximately 2.47% by Ms. IC Lin and approximately 2.49% by Ms. Liu
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Scheme and the Proposal, a registered institution under the SFO, registered to carry on Type 1 (Dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties
“Independent Shares”	Shares held by the Independent Shareholders
“Investment Limit”	the maximum aggregate annual amount of investment for each individual Taiwan investor in mainland China according to the Approval Principles
“Investor Participant”	a person admitted to participate in CCASS as an investor participant

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## DEFINITIONS

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“Last Trading Date”	29 May 2020, being the last full trading day prior to the suspension of trading of Shares pending the issue of the Announcement
“Latest Practicable Date”	28 August 2020, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	21 November 2020 or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the Grand Court may direct
“Meeting Record Date”	Wednesday, 23 September 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM
“MOEAIC”	Ministry of Economic Affairs of Taiwan (經濟部投資審議委員會)
“Mr. CT Lin”	Mr. Lin Chin Tsun, the chairman of the Board and an executive Director
“Mr. YY Lin”	Mr. Lin Yuan Yu, an executive Director
“Ms. Chou”	Ms. Chou Chiu Yueh, an executive Director
“Ms. IC Lin”	Ms. Lin I Chu, an executive Director
“Ms. Liu”	Ms. Liu Fang Chun, a non-executive Director
“Offeror”	Value Management Holding Limited 價值管理控股有限公司, a company incorporated in the British Virgin Islands which 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

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## DEFINITIONS

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“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. CT Lin, Ms. Chou, Hung Yu, Mr. YY Lin, Ms. IC Lin and Ms. Liu
“Offeror Director(s)”	the director(s) of the Offeror
“Offeror Shareholder(s)”	the shareholder(s) of the Offeror
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC”	the People’s Republic of China (for the purpose of this Announcement, excluding Hong Kong, the Macao Special Administrative Region and the Republic of Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Registered Owner”	any person (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 5 December 2019, being the date falling six months prior to the date of the Announcement and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement to be proposed under section 86 of the Companies Law for the implementation of the Proposal as set out on pages 111 to 118 of this Scheme Document, with or subject to any modification thereof or addition thereof or condition approved or imposed by the Grand Court
“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it

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## DEFINITIONS

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“Scheme Record Date”	Wednesday, 21 October 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Shareholders”	registered holders of the Scheme Shares
“Scheme Shares”	Shares, other than those directly or indirectly held by the Offeror and the Offeror Concert Parties
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Share Registrar”	Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s share registrar
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 350,000 shares of the Offeror at US\$1.00 per share by Mr. CT Lin, representing approximately 25.93% of the total number of issued shares of the Offeror immediately following completion
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“TW Agent”	the agent of the Offeror Shareholders for handling the application for approval from MOEAIC on the Proposal
“US” or the “United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

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## EXPECTED TIMETABLE

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

**Hong Kong time**  
*(unless otherwise stated)*

Latest time for lodging transfers of Shares  
in order to qualify for entitlement to attend and vote  
at the Court Meeting and the EGM . . . . . 4:30 p.m. on Thursday,  
17 September 2020

Register of members of the Company closed for  
determining entitlement to attend and vote  
at the Court Meeting and the EGM (*Note 1*) . . . . . Friday, 18 September 2020 to  
Wednesday, 23 September 2020  
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

- Court Meeting (*Note 2*) . . . . . 10:00 a.m. on Monday,  
21 September 2020
  
- EGM (*Note 2*) . . . . . 11:30 a.m. on  
Monday, 21 September 2020

Meeting Record Date . . . . . Wednesday, 23 September 2020

Court Meeting (*Notes 2 and 3*) . . . . . 10:00 a.m. on Wednesday, 23 September 2020

EGM (*Notes 2 and 3*) . . . . . 11:30 a.m. on Wednesday, 23 September 2020  
(or immediately after the conclusion or  
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and  
the EGM posted on the website of the Stock Exchange . . . . . no later than 7:00 p.m. on  
Wednesday, 23 September 2020

Expected latest time for trading of  
Shares on the Stock Exchange . . . . . 4:10 p.m. on Monday, 5 October 2020

Grand Court hearing of the petition for  
the sanction of the Scheme (*Note 5*) . . . . . Thursday, 8 October 2020  
*(Cayman time)*



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## EXPECTED TIMETABLE

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Announcement of (1) the results of the Grand Court hearing for the petition for the sanction of the Scheme, (2) the expected Effective Date and (3) the expected date of withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange . . . . . Friday, 9 October 2020

Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme . . . . . 4:30 p.m. on Tuesday, 13 October 2020

Register of members of the Company closed for determining entitlement to qualify under the Scheme (*Note 4*) . . . . . from Wednesday, 14 October 2020 onwards

Scheme Record Date . . . . . Wednesday, 21 October 2020

Effective Date (*Note 5*) . . . . . Wednesday, 21 October 2020  
(*Cayman time*)

Announcement of (1) the Effective Date and (2) the withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange . . . . . no later than 8:30 a.m. on Thursday, 22 October 2020

Withdrawal of listing of the Shares on the Stock Exchange becomes effective . . . . . 4:00 p.m. on Friday, 23 October 2020

Cheques for the cash payment under the Proposal to be despatched (*Note 6*) . . . . . on or before Friday, 30 October 2020

*Notes:*

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy shall be deemed to have been revoked by operation of law.
3. If a tropical cyclone warning signal No. 8 or above or “extreme conditions” caused by super typhoons is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the rescheduled meetings.

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## EXPECTED TIMETABLE

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4. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.
5. When all the conditions to the Proposal are satisfied or waived (as applicable), a copy of the order of the Grand Court sanctioning the Scheme will be delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, at which point it shall become effective and binding on the Offeror, the Company and all Scheme Shareholders.
6. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Elstone, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

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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. 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.

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## LETTER FROM THE BOARD

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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;

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## LETTER FROM THE BOARD

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- 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.

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## LETTER FROM THE BOARD

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### **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.

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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*



**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)**

31 August 2020

To the Independent 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**

We refer to the joint announcement dated 5 June 2020 issued by the Offeror and the Company and the document dated 31 August 2020 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme, details of which are set out in the letter from the Board on pages 15 to 24 of the Scheme Document and the Explanatory Statement on pages 58 to 78 of the Scheme Document.

Somerley, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser on pages 27 to 57 of the Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 27 to 57 of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve the Scheme and implement the Proposal.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 section headed “Letter from the Independent Financial Adviser” of the Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (a) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (b) the Independent Shareholders to vote, at the EGM, in favour of (i) the special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to, simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (i) above, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror.

The Independent Board Committee draws the attention of the Independent Shareholders to (i) the letter from the Board set out on pages 15 to 24 of the Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 27 to 57 of the Scheme Document, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations to the Independent Board Committee; and (iii) the Explanatory Statement set out on pages 58 to 78 of the Scheme Document.

Yours faithfully,

**The Independent Board Committee**

**Mr. Hsieh King-Hu, Miles**  
*Independent*  
*non-executive Director*

**Mr. Lu Hong Te**  
*Independent*  
*non-executive Director*

**Mr. Tung Chin Chuan**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee regarding the Proposal and the Scheme prepared for the purpose of incorporation in this Scheme Document.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor China Building  
29 Queen's Road Central  
Hong Kong

31 August 2020

*To: the Independent Board Committee*

Dear Sirs,

**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  
PROPOSED WITHDRAWAL OF LISTING OF  
CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the Scheme Document dated 31 August 2020, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 5 June 2020, the Company and the Offeror 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 thereof, the payment to the Scheme Shareholders of the Cancellation Price of HK\$0.60 in cash for each Scheme Share so cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

The Independent Board Committee comprising the following independent non-executive Directors, namely Mr. Hsieh King-Hu, Miles, Mr. Lu Hong Te and Mr. Tung Chin Chuan, has been established to make a recommendation to the Independent Shareholders as to (i) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (ii) whether to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal. As disclosed in the letter from the Board in the Scheme Document, although Ms. Liu in her capacity acts as 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Practicable Date. Ms. Liu is therefore regarded as being interested in the Proposal and will not form part of the Independent Board Committee. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

We are not associated with the Company, the Offeror, or any party acting, or presumed to be acting, in concert with any of them and we did not act as an independent financial adviser to other transactions of the Company in the last two years. Accordingly, we are considered eligible to give independent advice on the Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete. We have reviewed, among other things, the annual reports of the Company for each of the two years ended 31 December 2018 (the “**2018 Annual Report**”) and 31 December 2019 (the “**2019 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2020 published on 25 August 2020 (the “**2020 Interim Results Announcement**”), the property valuation report prepared by Vincorn Consulting and Appraisal Limited (the “**Valuer**”), the trading performance of the Shares on the Stock Exchange up to the Latest Practicable Date, and information set out in the Scheme Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document and will continue to be true up to the respective time of the Court Meeting and the EGM, and Independent Shareholders will be informed of any material change as soon as possible.

We have not considered the tax and regulatory implications on the Independent Shareholders of the implementation of the Proposal since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### **PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME**

#### **The Proposal and the Scheme and the Cancellation Price**

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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consideration therefor, the payment by the Offeror to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share so cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

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.

### **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 disclosed in the Explanatory Statement, 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.

As disclosed in the Explanatory Statement, **the Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

According to the Explanatory Statement, 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.

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.

### **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. As disclosed in the Explanatory Statement, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Conditions of the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (2)
  - (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (b) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- (3)
  - (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (b) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to, simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (a) above, increase in the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror;
- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the issued share capital of the Company;
- (6) all necessary Authorisations in connection with the Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities and remaining in full force and effect without modification, in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (7) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of Shares from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remained in effect;
- (8) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (9) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal); and
- (10) save as publicly announced prior to the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

### **Approval from MOEAIC on the Proposal required**

The Company is incorporated in the Cayman Islands, and the operations of the Group are mainly in the PRC. The Offeror Shareholders and their concert parties are Taiwan citizens, and increase of the interests of the Offeror in the Company is considered as overseas and mainland China investments by Taiwan citizens.

The Offeror Shareholders have, through their TW Agent, made enquiries with the Investment Commission of MOEAIC and obtained a reply therefrom that an approval from MOEAIC is required in respect of the Proposal. The obtaining of the approval from MOEAIC will be part of Condition (6) as stated above.

As disclosed in the Explanatory Statement, the Offeror Shareholders have applied for and obtained the approval from MOEAIC on the Proposal based on the post-Subscription shareholding of the Offeror as at the Latest Practicable Date. In relation to Condition (6), apart from the aforementioned, the Offeror is not aware of any other Authorisations which is necessary for the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Proposal. In respect of the Conditions (7) to (10) the Offeror is not currently aware of any Authorisations or consents which are required, and any other matter that would constitute a breach to Conditions (7) to (10).

The Offeror reserves the right to waive Conditions (7) to (10) either in whole or in part, either generally or in respect of any particular matter. Conditions (1), (2), (3), (4), (5) and (6) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, 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), failing which the Proposal and the Scheme will lapse.

The Company has no right to waive any of the Conditions.

As disclosed in the Explanatory Statement, the Proposal has been approved by the Offeror Directors, but is not required to be approved by the shareholders of the Offeror.

As further disclosed in the Explanatory Statement, assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around Wednesday, 21 October 2020 (Cayman Islands time).

### **Scheme of Arrangement under Section 86 of the Companies Law and the Court Meeting**

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be ordering a meeting of a class of members being the Scheme Shareholders.

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the EGM.

### **Shareholding structure of the Company and effect of the Proposal and the Scheme**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$150,000,000 divided into 1,500,000,000 Shares, and the Company had 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the Offeror held 374,585,006 Shares (representing approximately 44.35% of the issued share capital of the Company); the Offeror Concert Parties held in aggregate 219,909,333 Shares (representing approximately 26.04% of the issued share capital of the Company); and the Offeror and the Offeror Concert Parties held 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 the controlling shareholder of the Company, and will, under the Scheme, cancel all Scheme Shares in the Company 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.

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 the entire 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.

### **Warnings:**

**Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

#### ***1. Information of the Group***

##### **1.1. Background information of the Group**

The Company is a limited liability company incorporated in the Cayman Islands. The Shares have been listed on the Stock Exchange since 7 May 2007. The Group engages in two operating segments, namely the manufacture and sale of capacitors and the manufacture and sale of aluminum foils under its own brand name.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1.2. Financial information of the Group

#### (i) Financial performance

Set out below is a summary of the Group's consolidated financial performance for the three years ended 31 December 2017, 2018 and 2019 ("FY2017", "FY2018" and "FY2019" respectively), and for the six months ended 30 June 2019 and 2020 ("1H2019" and "1H2020" respectively) (collectively, the "Period") as extracted from the 2018 Annual Report, the 2019 Annual Report and the 2020 Interim Results Announcement:

	For the six months ended		For the financial year ended		
	30 June		31 December		
	2020	2019	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
<i>Capacitors</i>	611,340	554,647	1,288,397	1,172,606	1,045,836
<i>Aluminum foil</i>	29,785	42,304	79,464	29,721	23,268
	<u>641,125</u>	<u>596,951</u>	<u>1,367,861</u>	<u>1,202,327</u>	<u>1,069,104</u>
Cost of sales	(465,951)	(431,257)	(986,075)	(861,459)	(798,445)
Gross profit	175,174	165,694	381,786	340,868	270,659
Distribution and selling costs	(42,444)	(34,680)	(78,740)	(80,486)	(70,900)
Administrative expenses	(52,053)	(49,007)	(120,507)	(102,551)	(85,663)
Other income and expenses (net)	(20,431)	(18,945)	(28,267)	(23,265)	(34,397)
Impairment losses under expected credit loss model, net of reversal	(11,977)	(3,470)	(12,304)	-	-
Impairment loss on trade and other receivables, net of reversal	-	-	-	(4,802)	(2,614)
Impairment loss on deposits paid for acquisition of property, plant and equipment	-	-	-	-	(5,289)
Other gains/losses	(892)	(5,175)	(2,272)	(1,203)	(38,156)
Interest on provision for damages	(4,734)	(4,477)	(9,224)	(8,756)	(8,834)
Finance costs	(5,418)	(4,888)	(9,220)	(7,205)	(1,703)
Profit before tax	37,225	45,052	121,252	112,600	23,103
Income tax expense	(9,585)	(12,489)	(28,705)	(48,955)	(24,915)
Profit/(loss) for the year	<u>27,640</u>	<u>32,563</u>	<u>92,547</u>	<u>63,645</u>	<u>(1,812)</u>
Profit/(loss) attributable to:					
Owners of the Company	27,824	32,615	92,731	64,761	(2,040)
Non-controlling interests	(184)	(52)	(184)	(1,116)	228
	<u>27,640</u>	<u>32,563</u>	<u>92,547</u>	<u>63,645</u>	<u>(1,812)</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Revenue*

Total revenue of the Group had shown a gradual upward trend during the three financial years ended 31 December 2019, increasing by approximately 12.5% from approximately RMB1,069.1 million in FY2017 to approximately RMB1,202.3 million in FY2018 and by another 13.8% to approximately RMB1,367.9 million in FY2019. The largest contributor to the Group's total revenue is the manufacturing and sales of capacitors, which represented over 90% of total revenue for each of the three financial years ended 31 December 2019.

Revenue generated from the capacitor segment increased by approximately 12.1% in FY2018 mainly due to the launch and sale of the Group's newly developed solid-state capacitors, high voltage capacitors and charging piles. Revenue from the Group's aluminum foil segment increased by approximately 27.7% in FY2018 mainly because of the increase in demand and expansion in production. Revenue generated from the manufacture and sale of capacitors increased by approximately 9.9% in FY2019 mainly due to increase of sales to new customers. Sales of aluminum foils on the other hand increased by approximately 167.7% in FY2019 mainly because of the benefits derived from the Group's upgrading of technologies concerning production line as well as the function and quality of products which strengthened customers' confidence in use and thus improving the sales of aluminum foils.

Total revenue of the Group for 1H2020 had also shown an increase by approximately 7.4% from approximately RMB597.0 million in 1H2019 to approximately RMB641.1 million in 1H2020, being consistent with the growth trend as demonstrated by the prior three financial years. Revenue generated from the capacitor segment increased by approximately 10.2% from approximately RMB554.6 million in 1H2019 to approximately RMB611.3 million in 1H2020, mainly attributable to the increase in demand for local made capacitors by some domestic customers as an alternative to foreign sources due to logistic complications as a result of COVID-19 outbreak. However, revenue from the Group's aluminum foil segment dropped by approximately 29.6% from approximately RMB42.3 million in 1H2019 to approximately RMB29.8 million in 1H2020, as a result of the decrease in purchase orders due to the outbreak of COVID-19 pandemic in China.

### *Gross profit*

Gross profit increased by approximately 25.9% in FY2018 from approximately RMB270.7 million in FY2017 to approximately RMB340.9 million in FY2018 mainly in line with the improvements in revenue as well as lower costs associated with the manufacturing process as a result of technology advancement. The Group's gross profit for FY2019 reported a further increase of approximately 12.0% and this was mainly in line with the improvements in total revenue for the year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Gross profit increased by approximately 5.7% from approximately RMB165.7 million in 1H2019 to approximately RMB175.2 million in 1H2020 which was in line with the overall improvements in total revenue.

### *Net profit attributable to owners of the Company*

The Group reported a net profit attributable to owners of the Company of approximately RMB64.8 million in FY2018 as compared to a net loss attributable to owners of the Company of approximately RMB2.0 million in FY2017 mainly as a result of (i) the absence in FY2018 of an one-off impairment loss of approximately RMB5.3 million recognised on deposits paid for acquisition of property, plant and equipment in FY2017; (ii) a drop in other losses recognised in FY2018 by approximately RMB37.0 million compared to FY2017 as a result of an one-off loss of approximately RMB18.0 million recognised in FY2017 relating to the termination of a co-operation agreement and a smaller net foreign exchange loss recognised in FY2018 as compared to that of FY2017; and (iii) the smaller other net expenses recognised in FY2018 as a result of the drop in depreciation costs relating to property, plant and equipment from approximately RMB10.3 million recognised in FY2017 to approximately RMB1.7 million recognised for FY2018. Such decline in depreciation costs was due to the cessation of a subsidiary of the Company during FY2017.

Net profit attributable to owners of the Company increased from approximately RMB64.8 million in FY2018 to approximately RMB92.7 million in FY2019 mainly as a result of increase in revenue as described above as well as lower distribution and selling costs incurred during the year partly off-set by the increase in administrative expenses and the recognition of an impairment loss on trade and other receivables (net of reversal).

The Group reported a lower net profit attributable to owners of the Company of approximately RMB27.8 million in 1H2020 as compared to the net profit attributable to owners of the Company of approximately RMB32.6 million in 1H2019 mainly as a result of (i) the increase in of distribution and selling costs by approximately RMB7.8 million in 1H2020 due to increases in staff costs and commission fee paid; (ii) increase in administrative expenses of approximately RMB3.0 million in 1H2020 mainly due to increases in costs relating to counter measures against COVID-19 such as isolation of employees and transportation to minimize disruptions to the Group's operation; and (iii) a growth of impairment losses under expected credit loss model by approximately RMB8.5 million in 1H2020 mainly relating to deposits paid that have become credit-impaired.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2018 and as at 31 December 2019, as extracted from the 2019 Annual Report and the consolidated financial position of the Group as at 30 June 2020 as extracted from the 2020 Interim Results Announcement:

	<b>30 June 2020</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	536,989	519,674	491,426
Right-of-use assets	37,006	29,138	–
Land use rights	–	–	21,667
Deposits paid for acquisition of property, plant and equipment	34,802	33,269	25,842
Pledged deposit in a financial institution	15,000	2,090	2,064
Other non-current assets	2,988	2,194	8
	<u>626,785</u>	<u>586,365</u>	<u>541,007</u>
<b>Current assets</b>			
Inventories	233,947	215,489	204,188
Trade and other receivables	579,058	599,711	435,047
Other current assets	4,572	2,373	3,613
Fixed bank deposits	100,000	45,000	28,221
Bank balances and cash	190,343	177,445	248,918
	<u>1,107,920</u>	<u>1,040,018</u>	<u>920,668</u>
<b>TOTAL ASSETS</b>	<b>1,734,705</b>	<b>1,626,383</b>	<b>1,461,675</b>
<b>Current liabilities</b>			
Trade and other payables	360,361	388,602	289,459
Provision for damages	242,622	232,159	218,725
Bank and other borrowings	236,083	189,517	240,383
Other current liabilities	31,195	41,234	48,307
	<u>870,261</u>	<u>851,512</u>	<u>796,874</u>
<b>Non-current liabilities</b>			
Lease liabilities	7,682	3,242	–
Deferred income	–	–	750
Deferred tax liabilities	29,552	25,135	6,987
Bank and other borrowings	76,485	16,120	10,114
	<u>113,719</u>	<u>44,497</u>	<u>17,851</u>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>30 June 2020</b>	<b>As at 31 December</b>	
	<i>RMB'000</i>	<b>2019</b>	<b>2018</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>TOTAL LIABILITIES</b>	<b>983,980</b>	<b>896,009</b>	<b>814,725</b>
<b>Equity</b>			
Share capital	82,244	82,244	82,244
Share premium and reserves	667,948	647,547	563,916
	<u>          </u>	<u>          </u>	<u>          </u>
Equity attributable to owners of the Company	750,192	729,791	646,160
Non-controlling interests	533	583	790
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EQUITY</b>	<b>750,725</b>	<b>730,374</b>	<b>646,950</b>

Non-current assets of the Group as at 31 December 2018, 31 December 2019 and 30 June 2020 mainly comprised, among others, property, plant and equipment. Balance of total non-current assets slightly increased by approximately 8.4% from approximately RMB541.0 million as at 31 December 2018 to approximately RMB586.4 million as at 31 December 2019. Such increase was mainly due to the increase of around 5.8% in carrying value of property, plant and equipment from approximately RMB491.4 million as at 31 December 2018 to approximately RMB519.7 million as at 31 December 2019 mainly attributable to purchases of new equipment during the year. Balance of total non-current assets slightly increased by approximately 6.9% from approximately RMB586.4 million as at 31 December 2019 to approximately RMB626.8 million as at 30 June 2020, which was mainly attributable to: (i) the further increase in carrying value of property, plant and equipment by approximately RMB17.3 million mainly as a result of new equipment purchased during the period for the purpose of business expansion of the Group; and (ii) the increment of approximately RMB12.9 million in the non-current pledged deposit in a financial institution as at 30 June 2020 as a result of increases in bank and other borrowing which require pledged deposit.

As at each of 31 December 2018, 31 December 2019 and 30 June 2020 respectively, current assets of the Group mainly comprised inventories, trade and other receivables and bank balances and cash. Balance for total current assets as at 31 December 2019 increased by approximately 13.0% mainly because of the increases in trade and other receivables of approximately 37.9% from approximately RMB435.0 million as at 31 December 2018 to approximately RMB599.7 million as at 31 December 2019 which are generally in line with the corresponding increase in revenue. Total current assets further increased by approximately 6.5% as at 30 June 2020 mainly attributable to the increases in fixed bank deposits and bank balances and cash by approximately 122.2% and 7.3% following the drawdowns from existing and new bank and other borrowings made during the period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Current liabilities of the Group as at 31 December 2018, 31 December 2019 and 30 June 2020 mainly comprised, among other things, trade and other payables, provision for damages as well as bank and other borrowings. The balance as at 31 December 2019 increased from approximately RMB796.9 million as at 31 December 2018 to approximately RMB851.5 million as at 31 December 2019, representing a 6.9% growth and such increment was mainly a result of the increases in (i) trade and other payables of approximately 34.2%; and (ii) provision for damages of approximately 6.2%. The increase in the balance for trade and other payables was mainly attributable to and was generally in line with the expanded business operations of the Group.

The balance for provision for damages is in relation to an ongoing prolonged proceeding against the Company's subsidiary Capxon Electronic Industrial Co., Ltd ("**Capxon Taiwan**") (the "**Litigation**") in relation to an arbitration claim filed by a customer (the "**Claimant**") in 2011 for damages totaling 2,427,186,647 Japanese Yen (approximately equal to RMB151.2 million) (the "**Arbitration**"). We note that relevant payables/provisions for damages relating to the Litigation have been accrued/provided for in the consolidated accounts of the Group since 2014. Based on the disclosures in the 2020 Interim Results Announcement, the legal proceedings in the High Court of Hong Kong (the "**HK Court**") in relation to matters relevant to the Arbitration are still on-going and the winding up procedures of Capxon Taiwan are still in progress.

The balance as at 30 June 2020 increased from approximately RMB851.5 million as at 31 December 2019 to approximately RMB870.3 million as at 30 June 2020, representing a small increase of around 2.2% and such increment was mainly a result of increases in (i) provision for damages of approximately 4.5% in relation to the ongoing proceeding against Capxon Taiwan as mentioned above; and (ii) bank and other borrowings of around 24.6% mainly as a result of higher financing need of the Group.

Non-current liabilities of the Group as at 31 December 2018, 31 December 2019 and 30 June 2020 mainly comprised deferred tax liabilities and bank and other borrowings. The balance for total non-current liabilities of the Group as at 31 December 2019 increased from approximately RMB17.9 million as at 31 December 2018 to approximately RMB44.5 million as at 31 December 2019 mainly as a result of increases in deferred tax liabilities and increase in bank borrowings. Total non-current liabilities of the Group as at 30 June 2020 increased from approximately RMB44.5 million as at 31 December 2019 to approximately RMB113.7 million as at 30 June 2020 mainly as a result of increases in bank and other borrowings by approximately RMB60.4 million due to higher financing need of the Group.

As disclosed in the 2019 Annual Report, gearing ratio (as represented by the net debt (including trade payables) divided by the sum of equity attributable to owners of the Company and net debt) was approximately 37.1% as at 31 December 2019, representing an increase of approximately 5.3% as compared to that of 31 December 2018. Such increase was mainly due to the increase in trade and bills payable of approximately RMB75.9 million and the decrease in cash and cash

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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equivalents of approximately RMB71.5 million. As disclosed in the 2020 Interim Results Announcement, gearing ratio (as represented by the net debt (including trade payables) divided by the sum of equity attributable to owners of the Company and net debt) was approximately 40.28% as at 30 June 2020, representing an increase of approximately 3.2% as compared to that of 31 December 2019. Such increase was mainly due to the increase in bank and other borrowings of approximately RMB106.9 million.

Equity attributable to owners of the Company (“NAV”) increased by approximately 12.9% from approximately RMB646.2 million as at 31 December 2018 to approximately RMB729.8 million as at 31 December 2019, and slightly increased further by around 2.8% to approximately RMB750.2 million as at 30 June 2020. NAV per Share, based on the total number of issued Shares of 844,559,841 as at the Latest Practicable Date, was approximately RMB0.864 (equivalent to approximately HK\$0.959) as at 31 December 2019 and approximately RMB0.888 (equivalent to approximately HK\$0.986) as at 30 June 2020. Save for the interim dividend of HK\$0.05 per Share for FY2017 paid to Shareholders in December 2017, no other dividend has been declared and paid by the Company to its Shareholders during the Period.

### 1.3. Valuation on property interests of the Group

The property interests of the Group (including but not limited to, interests in land and buildings held by the Group) (collectively, the “**Properties**”) have been valued by the Valuer. The full text of the valuation report and certificate of the Properties for their respective market value in existing state as at 30 June 2020 (the “**Valuation Report**”) is set out in Appendix II to the Scheme Document. According to the Valuation Report, the total market value in existing state of the Properties attributable to the Group in the PRC and Taiwan was approximately RMB702.5 million (equivalent to approximately HK\$779.8 million) as at 30 June 2020 (the “**Valuation**”). We understand from the management of the Group that all of the Properties since their construction and/or acquisition have been and are currently occupied by the Group as its own production bases, office uses or staff dormitory. As stated in the Valuation Report, the property interests held by the Group do not comprise land being developed or with immediate development potential.

We have reviewed the Valuation Report and discussed with the Valuer the methodology of and bases and assumptions adopted for the valuations and the adjustments made to arrive at the Valuation. We noted that the Valuer has valued those Properties which are located in the PRC, being the properties referred to under group 1 as set out under the Valuation Report involving purpose-built industrial plants with limited comparable sales in the market, using the cost approach. As disclosed in the Valuation Report, such approach is based on an estimate of the value for the existing use of the land by referencing with the available land sale transactions in the locality, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. For the remaining Properties which are located in Taiwan under group 2, we noted that the Valuer adopted the market approach, and such approach involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. According to the Valuer, recent market sales

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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evidence relating to properties that are similar to the Properties in Taiwan is generally available. We have reviewed and understand that the market data was derived from the sale of three properties located in the same building(s) and/or areas within close proximity to those Properties in Taiwan that were transacted within the past three years. Based on our review, we noted that each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted to arrive at the appropriate unit rate for the subject by making percentage adjustments to the unit rate based on various factors, such as time, location, building age, building quality. The above valuation methodologies are, in our opinion, commonly used and reasonable approaches in establishing the respective market value of the Properties.

As further disclosed in the Valuation Report, based on the legal opinion provided to the Valuer by the Group's PRC legal adviser, certain portion of the Properties in group 1 have not yet been granted with proper title certificate(s) of building ownership rights, and such portion of the Properties are not freely transferable as at 31 May 2020. As such, the Valuer has not attributed any commercial value to that portion of the property. We understand from the PRC legal adviser, Tian Yuan Law Firm, and as stated in its PRC legal opinion that it is unlikely for the Company to obtain the relevant title certificate(s) for the ownership of the building and land use rights as the construction of such Properties have not strictly complied with the relevant PRC regulations.

Further to the above, in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules, we have assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for the Valuation. We note that Mr. Vincent Cheung, the responsible person in charge of the Valuation, is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong and a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People's Republic of China, who has over 23 years of experience in the valuation of properties of similar magnitude and nature in the subject region. We have been confirmed by both the Company and the Valuer that neither of them is aware of any relationship which may render the Valuer not independent and we are satisfied that the Valuer is independent from the Company. Furthermore, the Valuer has also confirmed that it is an independent third party to the Offeror. In addition, we have also reviewed the Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion of the market value on the Properties. Nothing has come to our attention that the Company has made any formal or informal representation to the Valuer that contravenes our understanding of the Valuation. The Valuer has also confirmed that the Valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Listing Rules; and Rule 11 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.4. Adjusted NAV

In evaluating the Proposal and the Scheme, we have taken into account the adjusted consolidated NAV (the “**Adjusted NAV**”), which is provided by the Company and calculated based on the unaudited consolidated NAV as at 30 June 2020, adjusted with reference to the Valuation as at 30 June 2020. Details of the adjustment are set out in the table below.

	<i>RMB'000</i>
Consolidated NAV as at 30 June 2020	750,192
<i>Add:</i>	
Revaluation surplus arising from the Valuation ( <i>Note 1</i> )	<u>264,103</u>
Adjusted NAV	<u><u>1,014,295</u></u>
<b>Adjusted NAV per Share (HK\$) (<i>Note 2</i>)</b>	1.33
<b>Cancellation Price (HK\$)</b>	0.60
<b>Discount represented by the Cancellation Price to Adjusted NAV per Share</b>	<b>54.9%</b>

*Notes:*

1. This represents a revaluation surplus calculated by reference to the fair value of the Properties as at 30 June 2020 as disclosed in the Valuation Report, net of the book value of such Properties as of 30 June 2020 and the associated deferred tax in the relevant jurisdictions.
2. Based on 844,559,841 Shares in issue as at the Latest Practicable Date.

As set out in the above table, the Cancellation Price of HK\$0.60 per Share represents a discount of approximately 54.9% to the Adjusted NAV per Share of approximately HK\$1.33.

The appreciation in value of the Properties represented by the Valuation as shown above was mainly attributable to the fact that most of the Properties have been stated at cost in the consolidated financial statements of the Group since their construction or acquisition in accordance with the accounting policy adopted by the Group. We also note that all of the Properties since the completion of their constructions or their acquisitions have been and are currently occupied by the Group for its own operations, as factories, offices or as staff dormitories. According to the Directors, the Group has no intention to dispose of or transfer the relevant property interests and accordingly, such appreciation amount is unlikely to be realised. As also set out in the Explanatory Statement, it is the intention of the Offeror that the Group shall maintain its existing business, which principally comprises the manufacture and sale of capacitors and aluminum foils, and the Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal. Having

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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considered the aforesaid, we consider that the appreciation in value of the Properties is not of material relevance in considering the underlying value of the Group and accordingly, we have assigned less weight to the Adjusted NAV in comparison to our overall analyses.

### 2. *Prospects of the Group*

As discussed in detail in section headed “1.2 Financial information of the Group” above, the Group is principally engaged in the manufacturing and sales of capacitors and aluminum foils which are the principal raw materials used for the production of capacitors. Although from a commercial perspective, passive components such as capacitors and aluminum foils will likely benefit from the ongoing developments in 5G related technology, artificial intelligence, blockchains and cloud, however, the industry prospect for this sector remains uncertain as it is being affected by, among others, the intensifying China and US tension particularly in the technology sector. As discussed in the 2019 Annual Report, most passive components such as the components produced by the Group are in a relatively mature stage of their product lifetime and as such, there is a high correlation between industry fluctuation and the general economic cycle.

We have noted from each of the 2018 Annual Report and the 2019 Annual Report that the Group’s revenue derived from its external customers in the PRC represented approximately 84.4%, 84.7% and 86.7% for each of FY2017, FY2018 and FY2019, respectively. Furthermore, we noted from the 2018 Annual Report and the 2019 Annual Report that approximately 97.7%, 97.9% and 97.6% of the Group’s non-current assets (excluding pledged deposit in a financial institution and deferred tax asset) were located in the PRC for each of FY2017, FY2018 and FY2019, respectively. As a majority of the Group’s business operations are conducted in the PRC, we consider the outlook of the Group’s business would also largely depends on, among others, the economic prospects of the PRC as a whole. In this respect, we note from the national data published by the National Bureau of Statistics of China, gross domestic product (“GDP”) of China have recorded a drop of around 6.8% in the first quarter of 2020 as compared to the corresponding period last year. On 22 May 2020, China government further announced in 中國第十三屆全國人民代表大會第三次會議中國總理李克強作政府工作報告 that no GDP target will be set for the year 2020, for the first time since 1990. We have discussed and understand from the management of the Group that the Group’s main products, being aluminum capacitors, are normally purchased by its customers for the purpose of manufacturing electronic devices such as communication equipment and other telecommunication tools for their export sales to international clients, including, but not limited to the US. In the midst of the intensifying China and US tension particularly on the evolving policies of the US government’s sanctions on, among others, telecommunications components and products manufactured in China in general, and the impacts of COVID-19 pandemic on the China’s economy and the world are yet to unfold, it is expected these factors will cast uncertainty on the Group’s ability to maintain its business performance in the past. Given the above circumstances, the business prospects of the Company in the near future could be subject to challenges.

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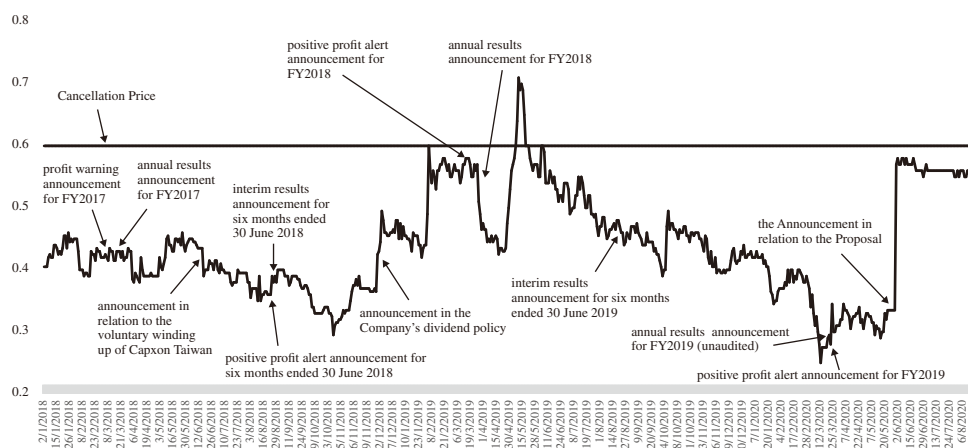
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Analysis on price performance and trading liquidity of the Shares

#### 3.1. Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from 2 January 2018 to the Latest Practicable Date (the “**Review Period**”), and the announcements of the Company relating to certain corporate events that took place during the Review Period. The Review Period, which covers a period of over 24 months, is considered to represent a sufficient period of time to provide a general overview of the recent market performance of the Shares for the purpose of this analysis:



Source: Bloomberg

The closing prices of the Shares ranged from HK\$0.25 to HK\$0.71 during the period between 2 January 2018 and the Last Trading Day (both dates inclusive, the “**Pre-announcement Period**”), with an average of around HK\$0.43.

Share closing prices exhibited a general decreasing trend during the year of 2018. The Share closing price fluctuated within a tight range of approximately HK\$0.39 and approximately HK\$0.46 between 2 January 2018 and 28 March 2018. The Share closing price remained the same at HK\$0.43 on 3 April 2018 after the publication of the Company’s annual results announcement for FY2017 on 29 March 2018. The Share closing price subsequently declined by approximately 10.5% on 4 April 2018 and further by approximately 1.3% to approximately HK\$0.38 on 6 April 2018. Closing price of the Share thereafter stabilised within a range of HK\$0.38 and HK\$0.46 between 9 April 2018 and 15 June 2018 until the publication of an inside information announcement by the Company on 19 June 2018 in relation to the voluntary winding up of its subsidiary, Capxon Taiwan, after which the Share closing price slightly increased by approximately 2.6% from HK\$0.39 as at market close on 19 June 2018 to approximately HK\$0.40 as at market close on 20 June 2018. Trading in the Shares then continued sideways until the publication of the Company’s interim results announcement for the six month period ended 30 June 2018 on 30 August 2018. The Share closing price then moderately increased by approximately 5.3% from approximately HK\$0.38 on 30 August 2018 to approximately HK\$0.40 on 31 August 2018. The Share closing price then remained within the range of approximately HK\$0.295 and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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HK\$0.425 between September 2018 and December 2018 until the publication of the Company's dividend policy on 14 December 2018. The Share price closed up by approximately 3.5% subsequent to the publication of the Company's announcement on 14 December 2018 and further increased by approximately 11.2% to HK\$0.495 on 17 December 2018. Closing price per Share then fluctuated in the range between HK\$0.420 and HK\$0.490 until 4 February 2019, with a remarkable soar by around 22.4% from HK\$0.490 on 4 February 2019 to HK\$0.600 each on 8 February 2019. We are advised by the Company that it was not aware of any reasons for such significant increase in Share price.

Since then, closing price per Share fluctuated in a narrow range between HK\$0.53 and HK\$0.58 each until 28 March 2019. The Share closing price declined from HK\$0.57 on 28 March 2019 by approximately 10.5% to HK\$0.51 on 29 March 2019 following the publication of its annual results announcement for FY2019 after trading hours on 28 March 2019 and led a further declining trend until the end of April 2019. In early May 2019, the Share closing price surged remarkably from approximately HK\$0.475 each on 2 May 2019 and reached its peak for the Review Period of HK\$0.710 each on 15 May 2019. However, we are advised by the Company that the Company was not aware of any reasons for the significant increase in Share price and liquidity during the said period. Since then, the Share closing price then showed a gradual downward trend and further dropped to its trough of HK\$0.250 on 19 March 2020. It gradually recovered by around 38.0% to HK\$0.345 on 31 March 2020, being the first trading day immediately after the publication of the positive profit alert announcement by the Company on 30 March 2020. The Share closing price then fluctuated in a range between HK\$0.290 and HK\$0.345 during April and May 2020, and the trading of the Share closed at HK\$0.335 on 29 May 2020, being the Last Trading Date.

Trading in the Shares was suspended from 1 June to 5 June 2020 pending the release of the Announcement in relation to the Proposal. Following the publication of the Announcement after trading hours on 5 June 2020 and the resumption of trading on 8 June 2020, the Share closing price increased by around 70.1% to HK\$0.570 on 8 June 2020. Since then the Share closing price fluctuated in a narrow range within HK\$0.540 and HK\$0.580, and the Share closing price as at Latest Practicable Date was HK\$0.550.

In summary, the Cancellation Price of HK\$0.60 per Scheme Share represents:

- (i) 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;
- (ii) 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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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; and
- (viii) a premium of approximately 9.1% over the closing price of HK\$0.550 per Share as at the Latest Practicable Date.

The Share price following the publication of the Announcement is likely to be driven by the Proposal and the Scheme. As such, we consider that there is no assurance that the Share price will remain at the current levels if the Proposal and the Scheme do not take place or lapse.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.2. Trading liquidity of the Shares

Set out below in the table are the average daily trading volume of the Shares and the percentages of the average daily trading volume to the total issued Shares and the public float of the Company, respectively during the Review Period:

	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total issued Shares (Note 1)	Approximate % of average daily trading volume to the public float of the Company (Note 2)
<b>2018</b>			
January	540,301	0.06%	0.22%
February	294,006	0.03%	0.12%
March	243,048	0.03%	0.10%
April	585,000	0.07%	0.23%
May	330,193	0.04%	0.13%
June	237,200	0.03%	0.09%
July	165,905	0.02%	0.07%
August	201,876	0.02%	0.08%
September	133,789	0.02%	0.05%
October	255,619	0.03%	0.10%
November	99,636	0.01%	0.04%
December	904,542	0.11%	0.36%
<b>2019</b>			
January	140,364	0.02%	0.06%
February	2,688,471	0.32%	1.08%
March	1,969,333	0.23%	0.79%
April	1,201,192	0.14%	0.48%
May	3,122,776	0.37%	1.25%
June	488,753	0.06%	0.20%
July	429,818	0.05%	0.17%
August	1,156,461	0.14%	0.46%
September	252,952	0.03%	0.10%
October	385,810	0.05%	0.15%
November	323,429	0.04%	0.13%
December	709,556	0.08%	0.28%

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total issued Shares (Note 1)	Approximate % of average daily trading volume to the public float of the Company (Note 2)
<b>2020</b>			
January	745,200	0.09%	0.30%
February	1,018,200	0.12%	0.41%
March	930,727	0.11%	0.37%
April	274,316	0.03%	0.11%
From 1 May to 29 May 2020 (being the Last Trading Day)	335,000	0.04%	0.13%
Average during the Pre-announcement Period	683,436	0.08%	0.27%
From 8 June 2020 to the Latest Practicable Date (Note 3)	2,127,220	0.25%	0.85%

*Source: Website of the Stock Exchange*

*Notes:*

1. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company as at the end of each month or as at the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public is calculated based on the total number of issued Shares excluding those held by the Offeror and the Offeror Concert Parties, as at the end of each month or as at the Latest Practicable Date, as applicable.
3. 8 June 2020, being the date of the first trading day immediately following the publication of the Announcement.

From the table above, which outlines the average daily trading volume of the Shares as a percentage of the total issued Shares and as a percentage of the public float of the Company, save for the relatively higher liquidity in February, March and May 2019, we note that the average daily trading volume of the Shares has been generally thin. The average daily trading volume of the Shares during the Pre-announcement Period was 683,436 Shares, representing around 0.08% of the total issued share capital of the Company and around 0.27% of the public float of the Company. The publication of the Announcement heightened the trading activity, with the average daily trading volume of the Shares increasing to approximately 2,127,220 Shares (representing around 0.25% and 0.85% of the total issued Share capital and of the Shares held by the public respectively) in the period from 8 June 2020 to the Latest Practicable Date. The increased trading volume of the Shares was still relatively thin. Independent Shareholders should note that the improvement in liquidity of the Shares subsequent to the publication of the Announcement may not be sustainable if the Proposal and the Scheme do not take place or lapse.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the historical thin trading volume of the Shares, it is uncertain whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares. The Proposal and the Scheme, therefore, represent an opportunity for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Cancellation Price if they so wish.

#### 4. *Historical discount of market price of the Shares to the NAV per Share*

We note that the Cancellation Price of HK\$0.60 represents a discount of (i) approximately 37.43% to the audited NAV per Share of approximately RMB0.864 (equivalent to approximately HK\$0.959) as at 31 December 2019; and (ii) approximately 39.15% to the unaudited NAV per Share of approximately RMB0.888 (equivalent to approximately HK\$0.986) as at 30 June 2020. In assessing the reasonableness of the discount to the NAV per Share represented by the Cancellation Price, we have looked at the performance of the Shares against the NAV per Share since 31 March 2017 (being the date of the first trading day after the Group released on 30 March 2017 its audited annual results for the financial year ended 31 December 2016) which we consider to be a reasonably sufficient period of time to provide a general overview of the recent market performance of the Shares as compared to the NAV per Share for the purpose of this analysis:

Period	Published consolidated NAV per Share HK\$	Closing price per Share			Premium/(Discount) to NAV per Share		
		Highest	Lowest	Average	Highest	Lowest	Average
		HK\$	HK\$	HK\$	Approx. %	Approx. %	Approx. %
31 Mar 2017 <sup>(1)</sup> to 31 Aug 2017	0.82 <sup>(2)</sup>	0.55	0.41	0.47	(32.93)	(50.00)	(42.68)
1 Sep 2017 <sup>(1)</sup> to 29 Mar 2018	0.81 <sup>(2)</sup>	0.53	0.34	0.41	(34.57)	(58.02)	(49.38)
3 Apr 2018 <sup>(1)</sup> to 30 Aug 2018	0.79 <sup>(2)</sup>	0.46	0.35	0.40	(41.77)	(55.70)	(49.37)
31 Aug 2018 <sup>(1)</sup> to 28 Mar 2019	0.81 <sup>(2)</sup>	0.60	0.30	0.43	(25.93)	(62.96)	(46.91)
29 Mar 2019 <sup>(1)</sup> to 28 Aug 2019	0.85 <sup>(2)</sup>	0.71	0.43	0.52	(16.47)	(49.41)	(38.82)
29 Aug 2019 <sup>(1)</sup> to 31 Mar 2020 <sup>(4)</sup>	0.89 <sup>(2)</sup>	0.50	0.25	0.41	(43.82)	(71.91)	(53.93)
1 Apr 2020 <sup>(1)</sup> to 29 Apr 2020 <sup>(5)</sup>	0.98 <sup>(2)</sup>	0.35	0.30	0.32	(64.29)	(69.39)	(67.35)
4 May 2020 <sup>(1)</sup> to 29 May 2020 <sup>(3)</sup>	0.96 <sup>(2)</sup>	0.34	0.29	0.31	(64.58)	(69.79)	(67.71)
						Simple average	(52.02)

*Notes:*

- The first trading day immediately after the Company released its full year or interim results announcements.
- Based on the equity attributable to the Shareholders as extracted from the Company's respective annual reports or interim reports, divided by the total number of Shares in issue as at the respective period-end date.
- Being the Last Trading Day.
- Being the date of the publication of the unaudited annual results announcement of the Company for FY2019.
- Being the date of the publication of the audited annual results announcement of the Company for FY2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the analysis set out above, we note that, since 31 March 2017, being the date for which the Company published its annual results announcement for the year ended 31 December 2016 up to the Last Trading Date, the average closing price of the Shares for each of the respective periods indicated above have traded at a discount (the “**Average Discount(s)**”) to the then NAV per Share. As shown above, the Average Discounts ranged from approximately 38.82% to approximately 67.71%, with an average of approximately 52.02%.

The discounts represented by the Cancellation Price of approximately 37.43% and approximately 39.15% to the audited NAV per Share as at 31 December 2019 and 30 June 2020 respectively, are close to the low end of the range of the Average Discounts as shown above.

### 5. *Peer companies*

As discussed under the section “1.1. Background information of the Group” above, the Group is mainly engaged in the manufacture and sale of capacitors and aluminum foils which are the principal raw materials used for the manufacture of capacitors under its own brand name. This is a unique industry among Hong Kong listed companies. We have conducted an exercise to identify entities whose shares are listed on the Stock Exchange which are primarily engaged in the manufacture and sale of capacitors with over 50% of its total revenue generated from such business in its latest financial year. Based on the said criteria, we have identified only one comparable entity, being Man Yue Technology Holdings Limited (stock code: 894, “**Man Yue**”).

In conducting our analysis, we compared the price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”) of the Company implied by the Cancellation Price and those of Man Yue using the latest publicly available financial information. We consider the use of PER and PBR analyses appropriate because these ratios are widely accepted methods to evaluate a profitable manufacturing business.

	<b>Market capitalisation as at the Latest Practicable Date (<i>approx.</i> <i>HK\$ million</i>)</b>	<b>PER as at the Latest Practicable Date (<i>times</i>)</b>	<b>PBR as at the Latest Practicable Date (<i>times</i>)</b>
Man Yue Technology Holdings Limited (Stock code: 894)	164.1	5.20	0.13
The Company (based on the Cancellation Price)	506.7	4.92	0.61

*Source: Website of the Stock Exchange*

*Note:* The PERs are calculated based on their respective latest audited consolidated profits attributable to owners of the respective companies for the financial year ended 31 December 2019, while the PBRs are calculated based on their respective latest published equity attributable to owners of the respective companies. The PBR of Man Yue as shown is based on the consolidated net asset value attributable to equity holders as at 31 December 2019 which is the latest published consolidated net asset value attributable to equity holders as at 4:30 p.m. on the Latest Practicable Date. The PBR of the Company is based on the NAV as at 30 June 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown from the table above, the PBR implied by the Cancellation Price of approximately 0.61 times is significantly higher than that of Man Yue of around 0.13 times as at the Latest Practicable Date, which is considered favourable, whereas the PER of the Company is comparable to that of Man Yue.

Nevertheless, having stated the above, even though the PBR and PER represented by the Cancellation Price are favourable and comparable respectively comparing with its market comparable, given that we are only able to identify one comparable, we have placed less weight on this factor in our overall analysis.

### **6. *Privatisation precedents***

We have compared the Proposal and the Scheme to privatisation proposals of other companies whose shares are listed on the Main Board of the Stock Exchange announced since 1 January 2019, approximately 18 months before the date of the Announcement, and up to the Latest Practicable Date, including privatisation by way of scheme of arrangement and general offer with an intention to privatise the subject companies, but excluding privatisation proposals which were not/yet to be approved (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria.

Although the business nature, financial performance and position and scale of the companies listed below may vary and some aspects of pricing may be industry-specific, we consider that, in light of our selection criteria, the recent successful privatisation exercises of the Main Board listed companies under similar market conditions and sentiments can provide us with a comparative analysis of the cancellation price and the then prevailing market prices as well as a general overview of the recent market trend of the pricing of this type of transaction in the Hong Kong equity capital market as a whole. Based on the aforesaid, we regard the comparison of the Proposal with the Privatisation Precedents has reference value and is one of our analyses in assessing the fairness and reasonableness of the Cancellation Price.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

The table below illustrates the premium represented by the offer/cancellation price over the respective last trading day and the respective 10 days, 30 days, 60 days, 90 days, 120 days and 180 days average share prices in respect of the Privatisation Precedents:

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK (\$)	Last trading day (%)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the						Remarks
					Last 10 trading days (%)	Last 30 trading days (%)	Last 60 trading days (%)	Last 90 trading days (%)	Last 120 trading days (%)	Last 180 trading days (%)	
21-Jun-20	China Baofeng (International) Limited (3966.HK)	Photovoltaic power generation and lighting products	2.60	27.50	61.49	52.00	42.90	39.00	36.80	30.70	
20-Apr-20	Allied Properties (H.K.) Limited (56.HK)	Property investment, property development, hospitality related activities and financial services	1.92	34.30	40.15	39.10	33.30	29.73	28.00	23.10	Note 1
3-Apr-20	Elec & Eltek International Company Limited (1151.HK and E16.SI)	Fabrication and distribution of double-sided, multi-layer and high density interconnect printed circuit boards	18.07	70.47	46.79	41.50	41.17	45.02	47.39	54.44	
20-Mar-20	Li & Fung Limited (494.HK)	Consumer goods design, development, sourcing and logistics	1.25	150.00	135.85	95.20	72.70	62.10	57.00	43.80	
27-Feb-20	Wheelock and Company Limited (20.HK)	Property development and investment businesses in Hong Kong, the PRC and Singapore, hotel operations and container terminal operations	71.9	52.20	49.20	45.20	43.90	45.08	48.13	45.20	Note 2



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK (\$)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the							Remarks
				Last trading day (%)	Last 10 trading days (%)	Last 30 trading days (%)	Last 60 trading days (%)	Last 90 trading days (%)	Last 120 trading days (%)	Last 180 trading days (%)	
20-Jan-20	BBI Life Sciences Corporation (1035.HK)	Life sciences research products and services, and DNA synthesis products in the PRC	3.5	16.28	31.43	42.45	46.10	47.92	55.65	56.68	
12-Dec-19	Joyce Boutique Group Limited (647.HK)	Retail and wholesale distribution of leading international fashion, accessory and beauty product brands	0.28	91.78	100.00	82.17	62.70	47.37	40.00	32.20	
27-Nov-19	China Agri-Industries Holdings Limited (606.HK)	Oilseeds processing, rice processing and trading, wheat processing and brewing materials	4.25	34.07	40.92	53.17	64.73	72.49	72.62	70.00	
1-Nov-19	Springland International Holdings Limited (1700.HK)	Operation of department stores and supermarkets in the PRC	2.3	63.10	64.40	56.80	55.40	53.20	51.30	48.60	
20-Oct-19	Dah Chong Hong Holdings Limited (1828.HK)	Integrated motor and consumer products distribution in Asia	3.7	37.55	42.31	54.81	56.12	54.17	49.80	41.22	
3-Oct-19	Huaneng Renewables Corporation Limited (958.HK)	Wind power and solar power generation	3.17	18.73	18.28	29.92	40.27	43.44	44.09	41.52	

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK (\$)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the							Remarks
				Last trading day (%)	Last 10 trading days (%)	Last 30 trading days (%)	Last 60 trading days (%)	Last 90 trading days (%)	Last 120 trading days (%)	Last 180 trading days (%)	
2-Oct-19	AVIC International Holdings Limited (161.HK)	High-tech electronic products, retails and consumer products business and international engineering, trading and logistics	9	29.12	58.09	81.31	88.63	100.00	96.08	92.08	
12-Aug-19	TPV Technology Limited (903.HK)	Monitor and television manufacturer	3.86	41.39	50.78	54.50	74.66	87.38	104.23	138.79	Note 3
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (1135.HK)	Satellite transmission services and transponder capacity in the Asia Pacific region	10.22	23.43	33.42	44.44	50.44	56.52	63.52	70.96	
18-Jun-19	C.P. Lotus Corporation (121.HK)	Operation of large scale hypermarket stores located in the northern, southern and eastern parts of the PRC	0.11	10.00	12.00	29.40	30.30	26.50	28.10	21.90	
14-Jun-19	China Automation Group Limited (569.HK)	Safety and critical control system and control valves specialised for petrochemical industries, and hospital business	1.5	23.97	36.86	47.78	47.49	46.63	45.49	42.45	

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK (\$)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the								Remarks
				Last trading day (%)	Last 10 trading days (%)	Last 30 trading days (%)	Last 60 trading days (%)	Last 90 trading days (%)	Last 120 trading days (%)	Last 180 trading days (%)		
4-Apr-19	China Hengshi Foundation Company Limited (1197.HK)	Research and development, production and sales of various fiberglass fabrics	2.5	10.62	16.82	17.37	19.05	24.38	25.63	27.55		
28-Mar-19	China Power Clean Energy Development Company Ltd (735.HK)	Development, construction, owning and management of clean energy power plants in the PRC	5.45	41.90	60.80	78.10	94.00	101.90	105.70	88.58	Note 4	
				<b>135.85</b>	<b>95.20</b>	<b>94.00</b>	<b>101.90</b>	<b>105.70</b>	<b>138.79</b>			
				<b>10.00</b>	<b>17.37</b>	<b>19.05</b>	<b>24.38</b>	<b>25.63</b>	<b>21.90</b>			
				<b>43.13</b>	<b>49.98</b>	<b>52.51</b>	<b>53.55</b>	<b>55.53</b>	<b>53.88</b>			
<b>5 June 2020</b>	<b>The Company</b>		<b>79.1</b>	<b>94.2</b>	<b>88.1</b>	<b>88.1</b>	<b>76.0</b>	<b>67.1</b>	<b>54.6</b>			

Source: Bloomberg and the website of the Stock Exchange

Note 1: The cancellation price of HK\$1.92 represents the scheme cash consideration of HK\$0.42 per scheme share and the scheme cash dividend of HK\$1.50 per ordinary share of the company.

Note 2: The cancellation price of HK\$71.90 represents the scheme cash consideration of HK\$2.00 per scheme share and the value (based on their closing prices on the last trading day) of the Wharf Real Estate Investment Company Limited (1997.HK) share and The Wharf (Holdings) Limited (4.HK) share to be distributed per scheme share.

Note 3: The cancellation price of HK\$3.86 represents the cash consideration for scheme share listed on The Stock Exchange of Hong Kong Limited. The scheme shareholder who holds scheme shares listed on the Singapore Exchange Securities Trading Limited is entitled to the equivalent of HK\$3.86 in Singapore dollar.

Note 4: The cash alternative of HK\$5.45 for each scheme share had been used for the purpose of this comparison. The reference value of the share alternative which implies a consideration for each ordinary scheme share of around HK\$3.77 to HK\$5.39 as disclosed in the scheme document, is not adopted in our analysis.

Note 5: Premiums/(discounts) shown above for certain trading periods were independently calculated as they were not published in the respective scheme/composite documents. The premiums/(discounts) (rounded to the nearest two decimal places) were derived by comparing the average closing share price (rounded to two decimal places) and the respective cancellation price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the table above, the average premium of the Privatisation Precedents over the last trading day share price, 10 days, 30 days, 60 days, 90 days, 120 days and 180 days share price averages were approximately 43.13%, 49.98%, 52.51%, 53.55%, 54.60%, 55.53% and 53.88% respectively. We note that the premiums represented by the Cancellation Price over the Share closing price on the Last Trading Day, and the average Share closing prices for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days are all above the respective average premiums of the Privatisation Precedents, which are considered favourable.

### DISCUSSION OF PRINCIPAL REASONS AND FACTORS

We consider that the terms of the Proposal and the Scheme, including the Cancellation Price, to be fair and reasonable so far as the Independent Shareholders are concerned after taking into account all of the above principal factors and reasons, in particular:

- (1) as the impacts of the COVID-19 pandemic and intensifying China and US tension on the China's and the world economy are yet to unfold, the business prospects of the Group is subject to challenges and uncertainties as discussed in the section headed "2. Prospects of the Group" above and there is no guarantee that the existing profitability of the Group can be maintained;
- (2) the Cancellation Price represents a significant premium over the prevailing market prices of the Shares and in particular, it is also significantly higher than the average Share closing price for the Pre-announcement Period of around HK\$0.43 per Share;
- (3) given the generally thin trading volume of the Shares as discussed in the section headed "3.2 Trading liquidity of the Shares" above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Scheme Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Scheme Shareholders can receive by the disposal of their Shares in the open market. The Proposal and the Scheme, therefore, represent an opportunity and a viable alternative exit for the Scheme Shareholders, particularly, for those who are holding a large quantity of Shares, to dispose of their entire holdings at a price that represents a significant premium over the prevailing market prices of the Shares, if they so wish;
- (4) as illustrated in the "4. Historical discount of market price of the Shares to the NAV per Share" above, although the Cancellation Price represents discounts to the NAV per Share as at 31 December 2019 and 30 June 2020 respectively, however, such discounts are close to the low end of the range of the Average Discounts;
- (5) as also discussed in the section headed "5. Peer companies", the PBR and PER represented by the Cancellation Price are favourable and comparable respectively by comparing with its market comparable, Man Yue; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (6) as discussed in the section headed “6. Privatisation precedents” above, the premiums represented by the Cancellation Price under the Proposal and the Scheme over the last trading day and the average Share closing prices for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days Share price averages are above the corresponding average premiums of the Privatisation Precedents.

### OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal, including the Cancellation Price, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM respectively to approve and implement the Scheme.

The Shares have been trading in the market below the Cancellation Price since 8 June 2020 up to the Latest Practicable Date when they closed at HK\$0.55. However, there is still a possibility that the Share price may exceed the Cancellation Price in the period since the Latest Practicable Date and up to 5 October 2020, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than HK\$0.60 per Share. Independent Shareholders should also keep in mind that, if applicable, dealings in the Shares will be suspended from 6 October 2020, being the day immediately following the expected last day for dealing in the Shares on the Stock Exchange, and up to the withdrawal of listing of the Shares from the Stock Exchange.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Kenneth Chow**  
*Managing Director*

*Mr. Kenneth Chow is a licensed person registered with the SFC and a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance industry.*

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## EXPLANATORY STATEMENT

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*This Explanatory Statement constitutes the statement required under Order 102, rule 20 (4) (e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).*

### SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES

#### 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.

The Offeror has confirmed in the Announcement that the Cancellation Price will not be increased and that the Offeror did not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

As at the Latest Practicable Date, the Offeror held 374,585,006 Shares (representing approximately 44.35% of the issued share capital of the Company); the Offeror Concert Parties held in aggregate 219,909,333 Shares (representing approximately 26.04% of the issued share capital of the Company); and the Offeror and the Offeror Concert Parties held 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 purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

Particular attention is drawn to (a) a letter from the Board set out on pages 15 to 24 of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out on pages 25 to 26 of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out on pages 27 to 57 of this Scheme Document; and (d) the Scheme set out in the section headed “The Scheme” to this Scheme Document.

#### THE PROPOSAL

The Proposal will be implemented by way of the Scheme. 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 SCHEME

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.

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## EXPLANATORY STATEMENT

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The Scheme provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders will be entitled to receive from the Offeror:

HK\$0.60 in cash . . . . .for every Scheme Share

**The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.**

The Cancellation Price of HK\$0.60 per Scheme Share represents:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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; and
- (h) 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 the Company included in its annual report 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 Announcement Date; and
- (i) 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.

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## EXPLANATORY STATEMENT

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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.

### 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.

### CONDITIONS OF THE PROPOSAL

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (2)
  - (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (b) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- (3)
  - (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and
  - (b) the passing of an ordinary resolution by a simple majority of the votes cast by the



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## EXPLANATORY STATEMENT

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Shareholders present and voting in person or by proxy at the EGM to, simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (a) above, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror;

- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the issued share capital of the Company;
- (6) all necessary Authorisations in connection with the Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities and remaining in full force and effect without modification, in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;
- (7) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of Shares from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remained in effect;
- (8) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (9) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal); and

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## EXPLANATORY STATEMENT

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- (10) save as publicly announced prior to the Announcement Date, there having not been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

### **Approval from MOEAIC on the Proposal required**

The Company is incorporated in the Cayman Islands, and the operations of the Group are mainly in the PRC. The shareholders of the Offeror and its concert parties are Taiwan citizens, and increase of the interests of the Offeror in the Company is considered as overseas and mainland China investments by Taiwan citizens.

The Offeror Shareholders have, through their TW Agent, made enquiries with the Investment Commission of MOEAIC and obtained a reply therefrom that an approval from MOEAIC is required in respect of the Proposal. The obtaining of the approval from MOEAIC will be part of Condition (6) as stated above.

On 2 July 2020, the TW Agent received a written reply from MOEAIC, clarifying and confirming its view in respect of the Proposal, that:

- (a) the Proposal is considered as overseas investments as well as mainland China investments by Taiwan citizens; and
- (b) the Proposal is deemed to be investments made by the Offeror Shareholders as individuals.

According to the Approval Principles published by MOEAIC, the Investment Limit for each individual Taiwan investor in mainland China shall not exceed US\$5.00 million. After a further enquiry made with MOEAIC on 20 July 2020, MOEAIC confirmed its final view that the Investment Limit applies to each Offeror Shareholder individually, that is, the Investment Limit for the Offeror Shareholders cannot be aggregated to allow a maximum investment amount of US\$20.00 million.

The Company estimated that the approximate amount of investments in mainland China by the Offeror as at 31 December 2019 was (for the purpose of calculation of the Investment Limit under the Approval Principles only) approximately US\$18.78 million. As each of Mr. YY Lin and Ms. IC Lin owned approximately 35% of the shareholding in the Offeror before completion of the Subscription, the approximate deemed amount of investment in mainland China made by each of them amounted to approximately US\$6.57 million and exceeded the Investment Limit.

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## EXPLANATORY STATEMENT

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### Subscription for shares in the Offeror by Mr. CT Lin

In order to comply with the Investment Limit under the Approval Principles, Mr. CT Lin subscribed for 350,000 shares of the Offeror at US\$1.00 per share under the Subscription, such that the deemed approximate amounts of investment in mainland China under the Proposal of each of Mr. CT Lin, Mr. YY Lin, Ms. IC Lin, Ms. Liu and Ms. Chou will be within the Investment Limit upon completion of the Proposal. On 27 July 2020, the Subscription was irrevocably settled with the subscription shares allotted and issued to Mr. CT Lin. The shareholding of the Offeror Shareholders and their corresponding deemed approximate amount of investment in mainland China after the completion of the Subscription and as at the Latest Practicable Date are set out below:

Shareholders of Offeror <sup>(Note)</sup>	Shareholding in the Offeror after the Subscription		Approximate deemed amount of investment in mainland China
	<i>Shares</i>	<i>(%)</i>	<i>(US\$ million)</i>
Mr. CT Lin	350,000	25.93	4.87
Mr. YY Lin	350,000	25.93	4.87
Ms. IC Lin	350,000	25.93	4.87
Ms. Liu	200,000	14.81	2.78
Ms. Chou	100,000	7.40	1.39
<b>Total:</b>	<b>1,350,000</b>	<b>100.00%</b>	<b>18.78</b>

*Note:* Mr. CT Lin, Ms. Chou, Mr. YY Lin, Ms. Liu and Ms. IC Lin are family members. Mr. CT Lin and Ms. Chou are the parents of Mr. YY Lin and Ms. IC Lin. Ms. Liu is the spouse of Mr. YY Lin.

As advised by the TW Agent, based on their enquiry with MOEAIC, the Subscription will be regarded as a mere increase of overseas investments by Mr. CT Lin but will not be regarded as an increase in investments in mainland China so long as the proceeds from the Subscription received by the Offeror will not be invested by it in mainland China. The Subscription was completed for compliance with the MOEAIC regulatory requirements to lower the deemed amount of investment in mainland China per each Offeror Shareholder, and therefore should be acceptable to MOEAIC for the purpose of complying with the Investment Limit under the Approval Principles.

### Offeror's funding for the Proposal not affected

The Offeror has obtained a confirmation from CTBC Bank Co., Ltd. that the granting of the facility of up to HK\$180 million to it for financing the cash required for cancellation of the Scheme Shares will not be affected by the Subscription.

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## EXPLANATORY STATEMENT

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On such basis, Elstone, the financial adviser to the Offeror, is satisfied that taking into account the effect of the Subscription, 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.

### **Consultation with the SFC on the Subscription**

The Offeror has consulted the Executive who indicated that the Subscription will not affect the proceeding of the Proposal.

### **Approval from MOEAIC obtained**

The Subscription was completed on 27 July 2020. The Offeror Shareholders have applied for and obtained the approval from MOEAIC on the Proposal based on the post-Subscription shareholding of the Offeror as at the Latest Practicable Date.

In relation to Condition (6), apart from the aforementioned, the Offeror is not aware of any other Authorisations which is necessary for the Proposal. In respect of the Conditions (7) to (10) the Offeror is not currently aware of any Authorisations or consents which are required, and any other matter that would constitute a breach to Conditions (7) to (10).

The Offeror reserves the right to waive Conditions (7) to (10) either in whole or in part, either generally or in respect of any particular matter. Conditions (1), (2), (3), (4), (5) and (6) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, 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), failing which the Proposal and the Scheme will lapse.

The Company has no right to waive any of the Conditions.

The Proposal has been approved by the Offeror Directors, but is not required to be approved by the Offeror Shareholders.

When and only if the Conditions are satisfied or waived (as applicable), the Company shall deliver to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law a copy of the order of the Grand Court sanctioning the Scheme, whereupon the Scheme will become effective and binding on the Company and all the Scheme Shareholders. Assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around Wednesday, 21 October 2020 (Cayman Islands time).

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## EXPLANATORY STATEMENT

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Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

### SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$150,000,000 divided into 1,500,000,000 Shares, and the Company had 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 held 374,585,006 Shares (representing approximately 44.35% of the issued share capital of the Company); the Offeror Concert Parties held in aggregate 219,909,333 Shares (representing approximately 26.04% of the issued share capital of the Company); and the Offeror and the Offeror Concert Parties held 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 the controlling shareholder of the Company, and will, under the Scheme, cancel all Scheme Shares in the Company 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.

## EXPLANATORY STATEMENT

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, President and an executive Director and the spouse of Ms. Chou.
- Ms. Chou is the Vice-President and an executive Director, and the spouse of Mr. CT Lin.
- Hung Yu is held by Ms. Chou as to 53.06%, Mr. CT Lin as to 37.04%, Mr. YY Lin as to 4.94%, Ms. IC Lin as to 2.47% and Ms. Liu as to 2.49%.
- Mr. YY Lin is the Chief Executive Officer 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.
- 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

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## EXPLANATORY STATEMENT

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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, and (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.

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.

### **SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND THE COURT MEETING**

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be ordering a meeting of a class of members being the Scheme Shareholders.

### **ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying any requirements under the Companies Law as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Independent Shareholders. As at the Latest Practicable Date, the number of votes representing 10% of the votes attached to all the Scheme Shares held by the Independent Shareholders (rounded down to the nearest number of votes) was 25,006,550.

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## EXPLANATORY STATEMENT

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### **BINDING EFFECT OF THE SCHEME**

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and EGM.

If the Scheme becomes effective:

- (a) all the Scheme Shares will be cancelled whereupon the issued share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as documents or evidence of title;
- (b) simultaneously with the cancellation and reduction referred to in (a), the issued share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the credit arising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the above-mentioned new Shares which shall be allotted and issued, credited as fully paid, to the Offeror; and
- (d) the Offeror will pay the Cancellation Price of HK\$0.60 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsel appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

### **REASONS FOR AND BENEFITS OF THE PROPOSAL**

#### **(i) Low trading liquidity of the Shares**

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 727,523 Shares for the 24 months up to and including the Last Trading Day, representing less than approximately 0.09% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company's ability to raise further funds from the equity market for the Group's business developments.

#### **(ii) Lack of benefit from maintaining the listing status of the Company**

The Company has not utilised its listing status for any equity fund raising activities in recent years, nor has it been able to attract any prospective strategic or financial investors to further



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## EXPLANATORY STATEMENT

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commit any resources. The listing status is not expected to provide any benefit to the Company in the near term but would involve administrative, compliance and other listing-related costs and expenses being incurred. The Proposal entails the privatisation and delisting of the Company, and is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

**(iii) Unfavourable recent judgement against the Group imposing further downward pressure on the trading price**

As disclosed in the announcement published by the Company on 15 May 2020 and its previous annual reports, a Taiwan subsidiary of the Group (“**Capxon Taiwan**”) has been involved in a prolonged legal proceeding as the defendant with one of its customers (the “**Claimant**”) in respect of its arbitration claim since 2011. On 3 August 2020, the Company disclosed that on 30 July 2020, on application by the Claimant, the High Court of Hong Kong made an order entitled “Injunction Prohibiting Disposal of Assets in Hong Kong” (the “**Injunction Order**”) against Lancom Limited (a direct wholly-owned subsidiary of Capxon Taiwan and an indirect non-wholly owned subsidiary of the Company) and the Company, with notice to Mr. CT Lin and Ms. Chou. The Company further disclosed on 20 August 2020 that, on 19 August 2020, the Company received a sealed copy of the order made by the High Court of Hong Kong at the further hearing held on 7 August 2020 regarding the Injunction Order, at which it was ordered, among others, that the substantial hearing in relation to the Injunction Order be adjourned to 7 October 2020, and the Injunction Order be continued with variations to the scope thereof. On 23 August 2020, the Company published a supplemental announcement, in which it was disclosed that the Board was of the view that the Injunction Order (as amended by the aforesaid order made on 7 August 2020) did not have an adverse impact on the Group’s business operations as a whole in view of the reasons set out therein, and that the Injunction Order (assuming to remain in force on the Effective Date) will not prevent or restrict the implementation of the Scheme in accordance with its terms based on the opinion of its legal counsel. For further details, see paragraphs headed 11. Litigation “in Appendix III General Information” to this Scheme Document. Although the Group has set aside provisions for the potential financial impact from this legal proceeding, the unfavourable court judgement is believed to have resulted in downward pressure on the Company’s trading price, which has dropped by approximately 6.4% from HK\$0.315 on 15 May 2020, to HK\$0.295 on 18 May 2020. The Proposal would allow the Scheme Shareholders to exit from their investments in the Company to avoid the uncertainty involved in the relevant legal proceeding.

**(iv) Proposal allowing the management to focus on addressing uncertainties in recent socio-economics**

As mentioned in the Company’s audited annual results announcement for the year ended 31 December 2019 dated 29 April 2020, the lockdown due to the outbreak of COVID-19 in the PRC has brought the Group’s manufacturing activities to a stand-still, in particular at its Yichang Production Plant in the PRC since February 2020. The duration and long term effect of the COVID-19 pandemic remains uncertain. In addition, uncertainties faced by the Group is exacerbated by (i) the intensified Sino-US trade disputes, (ii) uncertain price movements of the aluminum foils in light of the recent decrease in the second half of 2019, (iii) the inherent uncertainties of results from the Group’s continuous research and development expenses, and (iv) drastically changing market outlook with the introduction of the 5G, artificial intelligence (“**AI**”)

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## EXPLANATORY STATEMENT

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and internet of things (“IoT”) technology, among others. The Proposal can effectively free the Offeror and the management from the on-going regulatory constraints and the pressure from market expectations on the Company’s stock price, and can refocus the management efforts on formulating the Group’s long-term growth strategies, provide more flexibilities as a privately operated business; and will also allow the public Shareholders to avoid the abovementioned uncertainties by continuing to hold the Shares.

**(v) An opportunity for Scheme Shareholders to realise their investment at premiums to the recent trading price levels**

Since the Company’s listing in May 2007, the Share price has, for most of the time, been (i) below its initial public offering offer price and (ii) suffering from a discount of around 50% to 80% from its net asset values as stated in the financial statements of its prior year’s annual reports and interim reports. Against the abovementioned (i) low trading liquidity, (ii) unfavorable legal proceeding and (iii) increasing level of uncertainties faced by the Group’s operations, the Proposal provides the Scheme Shareholders an opportunity to realise their investments in the Company for cash with the Cancellation Price, which is set at premiums to the recent trading levels as set out in the paragraph headed “The Scheme” above. The Cancellation Price represents a premium of approximately (i) 79.1% over the closing price of the Shares on the Last Trading Day; (ii) 94.2% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 88.1% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 88.1% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; and (v) 67.1% over the average closing price of the Shares for the 120 trading days up to and including the Last Trading Day.

### **THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP**

It is the intention of the Offeror for the Group to maintain its existing business upon the privatisation of the Company. As stated in the Company’s latest interim report, the Group will take a cautious approach to stock purchasing and business expansion. The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

### **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn.

**If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it 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. The Offeror has no intention to seek such consent.**

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## EXPLANATORY STATEMENT

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### INFORMATION ABOUT 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.

### INFORMATION ABOUT THE COMPANY

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 selling capacitors.

Your attention is drawn to the section headed “Appendix I — Financial information relating to the Group” and the section headed “Appendix III — General information” of this Scheme Document.

### WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror simultaneously) and the share certificates for 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 withdrawn voluntarily 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 Shares and the day on which the Scheme and the withdrawal of listing of Shares on the Stock Exchange will become effective.

### REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Wednesday, 21 October 2020, it is proposed that the register of members of the Company will be closed from Wednesday, 14 October 2020 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Tuesday, 13 October 2020.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme

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## **EXPLANATORY STATEMENT**

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Record Date for each Scheme Share as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Wednesday, 21 October 2020 (Cayman time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Friday, 30 October 2020.

Cheques for the payment of the Cancellation Price will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Elstone, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Wednesday, 21 October 2020 (Cayman time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

### **OVERSEAS SHAREHOLDERS**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be

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## EXPLANATORY STATEMENT

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the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the receipt of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document will not be despatched to such overseas Scheme Shareholders, if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. The Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. In such a case, the Offeror and the Company reserve the right to make arrangements in respect of the Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such Shareholders to receive or see that notice.

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. Further announcement(s) will be made if restrictions apply to any overseas Scheme Shareholders.

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## EXPLANATORY STATEMENT

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### TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, professional advisers and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal.

### COURT MEETING AND EGM

The Grand Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be subject to the approval by the Independent Shareholders, whose names appear in the register of members of the Company as at the Meeting Record Date, at the Court Meeting in the manner referred to in the section headed “Conditions of the Proposal” above in this Explanatory Statement.

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 Chairman is the person appointed by the Court required to convene the Court Meeting. Mr. CT Lin, an executive Director has been designated as the Chairman of the Court Meeting, or, failing him, Ms. Chou, also an executive Director, or, failing her, any other Director to act as Chairman of the Court Meeting.

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, approving (i) the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (i) above, the restoration of the number of issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares by issuing such number of new Shares which is equivalent to the number of Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote in respect of the resolutions at the EGM. The Offeror has indicated that,

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## EXPLANATORY STATEMENT

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if the Scheme is approved at the Court Meeting, at the EGM, the Offeror will vote in favour of the special resolution to be proposed to approve the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and the ordinary resolution to be proposed to approve a restoration of the number of issued Shares to its former amount by issuing to the Offeror such number of new Shares as is equal to the number of the Scheme Shares cancelled.

Notice of the Court Meeting is set out on pages 119 to 121 of this Scheme Document. The Court Meeting will be held on at 10:00 a.m. on Wednesday, 23 September 2020 at the time and place specified in the notice.

Notice of the EGM is set out on pages 122 to 124 of this Scheme Document. The EGM will be held at the same place and on the same date at 11:30 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

Please refer to the section headed “Actions to be taken” of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

### ACTIONS TO BE TAKEN

#### Actions to be taken by Shareholders

For the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 18 September 2020 to Wednesday, 23 September 2020 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m., on Thursday, 17 September 2020.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the**

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## EXPLANATORY STATEMENT

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**time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Monday, 21 September 2020) or any adjournment thereof, and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:30 a.m. on Monday, 21 September 2020 or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

### **Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.



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## EXPLANATORY STATEMENT

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In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM in respect of the Scheme.** The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are an Independent Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for or once against the Scheme in accordance with the majority instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. If you are a Beneficial Owner and wish to be counted individually in the calculation of the “majority

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## EXPLANATORY STATEMENT

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in number” requirement at the Court Meeting, you should make arrangements for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

### EXERCISE YOUR RIGHT TO VOTE

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

Your attention is drawn to the following:

- (a) the paragraph headed “15. Recommendations” in the letter from the Board of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in this Scheme Document.

### FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Elstone, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

### LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the unaudited consolidated financial information of the Group for each of the six months ended 30 June 2019 and 30 June 2020. The figures for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 are extracted from the annual reports of the Company for the respective years and the figures for each of the six months ended 30 June 2019 and 30 June 2020 are extracted from the interim report of the Company for the six months ended 30 June 2019 and the interim results announcement of the Company for the six months ended 30 June 2020.

The auditors' reports issued by the auditors of the Company, Deloitte Touche Tohmatsu, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated financial statements of the Group for each of the six months ended 30 June 2019 and 30 June 2020.

#### Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

	(Audited)			(Unaudited)	
	For the year ended 31 December			For six months ended	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,069,104	1,202,327	1,367,861	596,951	641,125
Cost of sales	(798,445)	(861,459)	(986,075)	(431,257)	(465,951)
Gross profit	270,659	340,868	381,786	165,694	175,174
Profit before tax	23,103	112,600	121,252	45,052	37,225
Income tax expense	(24,915)	(48,955)	(28,705)	(12,489)	(9,585)
Profit (loss) for the year attributable to owners of the Company	(2,040)	64,761	92,731	32,615	27,640
Profit (loss) for the year attributable to non-controlling interest	228	(1,116)	(184)	(52)	(184)
Other comprehensive (expense) income	13,436	(16,538)	(9,123)	(4,719)	(7,289)
Total comprehensive income (expense) for the year attributable to owners of the Company	12,229	47,953	83,631	27,896	20,401
Total comprehensive income (expense) for the year attributable to non-controlling interests	(605)	(846)	(207)	(52)	(50)
Earnings (loss) per share (RMB cents) (Basic)	(0.24)	7.67	10.98	3.86	3.29

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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	(Audited)			(Unaudited)	
	For the year ended 31 December			For six months ended	
	2017	2018	2019	30 June 2019	2020
Total amount of dividends paid to					
shareholders of the Company	HK\$42,227,992	-	-	-	-
Dividends per share	HK\$0.05	-	-	-	-

### 2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”), and (ii) the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out on pages 47 to 109 of the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report 2019**”), which was published on 14 May 2020. The Annual Report 2019 is posted on the Company’s website at <http://www.capxongroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>. Please also see below a direct link to the Annual Report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400491.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2018 are set out on pages 46 to 103 of the annual report of the Company for the year ended 31 December 2018 (the “**Annual Report 2018**”), which was published on 25 April 2019. The Annual Report 2018 is posted on the Company’s website at <http://www.capxongroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>. Please also see below a direct link to the Annual Report 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425383.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2017 are set out on pages 45 to 95 of the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”), which was published on 24 April 2018. The Annual Report 2017 is posted on the Company’s website at <http://www.capxongroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>. Please also see below a direct link to the Annual Report 2017:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0424/ltn20180424349.pdf>

The 2020 Interim Financial Statements are set out in the interim results announcement of the Company for the six months ended 30 June 2020 (the “**Interim Results Announcement 2020**”), which was published on 25 August 2020. The Interim Results Announcement 2020 is posted on the

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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Company's website at <http://www.capxongroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>. Please also see below a direct link to the Interim Results Announcement 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0825/2020082500789.pdf>

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019 (the “**2019 Interim Financial Statements**”) are set out on pages 23 to 56 of the interim report of the Company for the six months ended 30 June 2019 (the “**Interim Report 2019**”), which was published on 9 September 2019. The Interim Report 2019 is posted on the Company's website at <http://www.capxongroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>. Please also see below a direct link to the Interim Report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0919/2019091900309.pdf>

The 2019 Financial Statements and 2020 Interim Financial Statements (but not any other part of the Annual Report 2019 and Interim Results Announcement 2020 in which they appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

### 3. STATEMENT OF INDEBTEDNESS

#### Statement of Indebtedness

As at the close of business on 30 June 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the indebtedness of the Group was as follows:

- (a) Bank borrowings of approximately RMB209,921,000 in total, of which RMB186,382,000 were secured by the letters of guarantee issued by another bank, the Group's property, plant and equipment and right-of-use assets, and guaranteed by a wholly-owned subsidiary and a director of the Company, bank borrowings of RMB22,346,000 were secured by Group's property, plant and equipment or Group's pledged bank deposit and guaranteed by certain directors of the Company and a bank borrowing of RMB1,193,000 was secured by Group's pledged bank deposit and the property of certain directors and guaranteed by certain directors of the Company;
- (b) Other borrowings of approximately RMB102,647,000 in total, of which RMB95,859,000 were secured by the Group's property, plant and equipment and pledged deposit in a financial institution and guaranteed by wholly-owned subsidiaries of the Company and certain directors of the Company, and other borrowing of RMB6,788,000 was secured by the Group's pledged deposit in a financial institution and guaranteed by a director of the Company;
- (c) Non-trade amounts due to related parties of approximately RMB4,069,000 were unsecured and unguaranteed; and
- (d) Lease liabilities amounting to approximately RMB16,220,000 were secured by rental deposits and unguaranteed.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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In addition, the Group is involved in an arbitration claim against the Company's subsidiary in Taiwan by one of its customers. An aggregate amount of RMB242,622,000 was provided for as at 30 June 2020, in respect of damages, interest and arbitration related expenses. For details of the status of this arbitration claim, please see paragraphs headed "11. Litigation" in "Appendix III — General Information" to this Scheme Document.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, intra-group guarantees and normal trade payables in the ordinary course of business, as at the close of business on 30 June 2020, the Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

#### 4. MATERIAL CHANGE

The Directors confirm that, save for the following matters, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (1) as disclosed in the Interim Results Announcement 2020:
  - (i) as compared to the corresponding period in 2019, the Company recorded (a) an increase in impairment losses under the expected credit loss model, net of reversal, by approximately 245.2% for the six months ended 30 June 2020 ("1H2020") as a result of deposits paid that has become credit-impaired; (b) an increase in distribution and selling costs by approximately 22.4% in 1H2020 due to increases in staff costs and commission fee; and (c) an improvement in other gains and losses by approximately 82.8% in 1H2020 as a result of among others, reporting of a foreign exchange gain as compared to a foreign exchange loss in the corresponding period in 2019; and
  - (ii) the increase in the total (current and non-current) bank and other borrowings by approximately 52.0% as at 30 June 2020 as compared to the balance as at 31 December 2019 due to additional new bank and other borrowings obtained in 1H2020 for, among others, the purpose of general working capital, which was attributable to the corresponding increase in the aggregated balance for fixed bank deposits and bank balances and cash by around 30.5% as at 30 June 2020 as compared to the balance as at 31 December 2019;

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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- (2) as disclosed in the announcement published by the Company on 15 May 2020 and its previous annual reports, the Company has been involved in a prolonged legal proceeding as the defendant with the Claimant, in respect of its arbitration claim against Capxon Taiwan since 2011 for damages allegedly suffered by the Claimant with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan; and as further disclosed in the announcement published by the Company on 3 August 2020, on 30 July 2020, on application by the Claimant, the High Court of Hong Kong made an order entitled “Injunction Prohibiting Disposal of Assets in Hong Kong” (the “**Injunction Order**”) against Lancom Limited (a direct wholly-owned subsidiary of Capxon Taiwan and an indirect non-wholly owned subsidiary of the Company) and the Company, with notice to Mr. CT Lin and Ms. Chou. As further disclosed in the Company’s announcement on 20 August 2020, among others, the substantial hearing on 7 August 2020 in relation to the Injunction Order, was adjourned to 7 October 2020, and the Injunction Order was continued with variations to the scope thereof; and
- (3) as disclosed in details in the Annual Report 2019, the outbreak of COVID-19 in early 2020 has caused certain impact on the Group’s businesses, and given the dynamic nature of these circumstances and unpredictability of future developments, including government policies and measures in response to the COVID-19 outbreak, the management of the Group is still unable to estimate its potential financial impact to the Group and the actual effects, if any, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2020.

*The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests held by the Group. Terms defined in this appendix applies to this appendix only.*

**Vincorn Consulting and Appraisal Limited**  
21/F  
No. 268 Des Voeux Road Central  
Hong Kong



### **The Board of Directors**

Capxon International Electronic Company Limited  
P.O. Box 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

31 August 2020

Dear Sirs,

### **INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Values of all property interests held by Capxon International Electronic Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries, searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 30 June 2020 (the “Valuation Date”).

### **VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission.

### **VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.



As per the information provided by the Group, the property interests held by the Group do not comprise land being developed or with immediate development potential.

### VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale.

### POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

- (a) Property interests located in The People's Republic of China ("The PRC"):
- (i) Value added tax on the consideration at a rate of 9% (plus a surcharge)
  - (ii) Corporate income tax on the profit from the sale of property at a rate of 25%; and
  - (iii) Land value appreciation tax on appreciated land value at progressive tax rates as follows:

<b>Appreciated land value</b>	<b>Progressive tax rate</b>
Not more than 50%	30%
More than 50% but not more than 100%	40%
More than 100% but not more than 200%	50%
More than 200%	60%

- (b) Property interests located in Taiwan:
- (i) Corporate income tax on the profit from the sale of property at a rate of 20%;
  - (ii) Land value appreciation tax on appreciated land value at progressive tax rates as follows:

<b>Appreciated land value</b>	<b>Progressive tax rate</b>
Not more than 100%	20%
More than 100% but not more than 200%	30%*
More than 200%	40%*

\* adjusted by terms of ownership rights of land held and inflation

- (iii) Integrated housing and land tax on profit from the sale of property minus appreciated land value at rate of 20% (incorporated into corporate income tax assessment).

For the property interests held by the Group in Group 1 and Group 2, they are continued to be held by the Group and with no intention for disposal. Hence, the likelihood of any potential tax liabilities of these property interests being crystallized is remote.

### **VALUATION METHODOLOGY**

The property interests in Group 1 comprise purpose-built industrial plants, which have limited comparable sales in the market. Hence, when valuing the property interests in Group 1, we have adopted Cost Approach.

The property interests in Group 2 comprise various industrial units of a standard industrial building, which have sufficient comparable sales in the market. Hence, when valuing the property interests in Group 2, we have adopted Market Approach.

Cost Approach is subject to an assumption of adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. This technique is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land, reference has been made to the land sale transactions as available in the locality. It generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

### **LAND TENURE AND TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, Tian Yuan Law Firm, and Taiwan legal adviser of the Group, Chien Yeh Law Offices, regarding the titles of the property interests in The PRC and Taiwan respectively. We do not accept liability for any interpretation that we have placed on such information, which is extracted from the legal opinion provided by the legal advisers.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

### **INFORMATION SOURCES**

We have relied to a considerable extent on the information provided by the Group and the legal advisers, in respect of the titles of the property interests in The PRC and Taiwan. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

### **INSPECTION AND INVESTIGATIONS**

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

**CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“RMB”) and New Taiwan Dollar (“TWD”). The exchange rate adopted in our valuation is approximately TWD1.00 = RMB0.24 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,  
For and on behalf of  
**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**  
*BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA  
MHKSI MISCM MHIREA  
Registered Real Estate Appraiser & Agent PRC  
Managing Director*

*Note:* Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region.

## VALUATION SUMMARY

## Group 1 – Property Interests Held by the Group for Occupation in The PRC

No.	Property	Market Value as at 30 June 2020	Interest Attributable to the Group	Market Value as at 30 June 2020 Attributable to the Group
1	An Industrial Plant Located at No. 4132 Songbai Road, Guangming District, Shenzhen, Guangdong Province, The PRC	RMB419,200,000	100%	RMB419,200,000
2	An Industrial Plant Located at No. 168 Jiangnan Avenue, Dianjun District, Yichang, Hubei Province, The PRC	RMB192,300,000	100%	RMB192,300,000
3	An Industrial Plant Located at Nanraocheng Road, Guchengwan Town, Donghe District, Baotou, Inner Mongolia Autonomous Region, The PRC	RMB68,700,000	100%	RMB68,700,000
Sub-total:		<u>RMB680,200,000</u>		<u>RMB680,200,000</u>

## Group 2 – Property Interests Held by the Group for Occupation in Taiwan

No.	Property	Market Value as at 30 June 2020	Interest Attributable to the Group	Market Value as at 30 June 2020 Attributable to the Group
4	Industrial Units on 5th Floor and Car Parking Space Nos. 6, 7, 8, 9, 10, 11, 19, 20, 21, 38, 39 and 40 on Basement 3rd Floor, Nos. 155-157 & 165-167 Da Tong Road 2nd Section, Xizhi District, New Taipei City, Taiwan	TWD92,800,000 (RMB22,272,000)	100%	TWD92,800,000 (RMB22,272,000)
Sub-total:		TWD92,800,000 (RMB22,272,000)		TWD92,800,000 (RMB22,272,000)
<b>Total:</b>		<b>RMB702,472,000</b>		<b>RMB702,472,000</b>

## VALUATION CERTIFICATE

## Group 1 – Property Interests Held by the Group for Occupation in The PRC

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 June 2020
1	An Industrial Plant Located at No. 4132 Songbai Road, Guangming District, Shenzhen, Guangdong Province, The PRC	<p>The property comprises a parcel of land, on which four workshops, four dormitories, a composite dormitory with a canteen therein, an office and various ancillary buildings are erected.</p> <p>As per the Real Estate Title Certificate, the subject site has a site area of approximately 59,898.10 square metres (“sq.m.”). As per the Real Estate Title Certificate and the information provided by the Group, the property has a total Gross Floor Area (“GFA”) of approximately 98,557.93 sq.m. As per the Real Estate Title Certificate, it was completed in about 2007.</p> <p>The land use rights of the property were granted for a term expiring on 29 June 2050 for industrial uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for industrial purposes.	<p>RMB419,200,000 (Renminbi Four Hundred Nineteen Million and Two Hundred Thousand)</p> <p>100% Interest Attributable to the Group:</p> <p>RMB419,200,000 (Renminbi Four Hundred Nineteen Million and Two Hundred Thousand)</p>

## Notes:

- The property was inspected by Xiaolong Liu *MComm* with an experience of 5 years in the real estate and construction industry on 12 June 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIRESA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, Shen Di He Zi (2000) No. 4048 dated 30 June 2000 and entered into between Shenzhen Planning State-owned Land Bureau and 豐賓電子(深圳)有限公司, the land use rights of the property with a site area of 59,898.10 sq.m. were granted to 豐賓電子(深圳)有限公司 for a term of 50 years for industrial uses at a consideration of RMB5,217,940.
- Pursuant to the Real Estate Title Certificate, Shen Fang Di Zi No. 8000101283 dated 9 August 2010 and issued by Shenzhen Real Estate Title Registration Centre, the land use rights of the property with a site area of 59,898.10 sq.m. and the building ownership rights of a portion of the property with a total GFA of 87,257.93 sq.m. were legally vested in 豐賓電子(深圳)有限公司. The land use rights were granted for a term expiring on 29 June 2050 for industrial uses.
- As per the Real Estate Title Certificate, the property is restricted for industrial uses only.
- Pursuant to a Mortgage Agreement, 07300DY20198022 dated 17 January 2019 and entered into between 寧波銀行股份有限公司深圳分行 as the lender and 豐賓電子(深圳)有限公司 as the borrower, the property was subject to a mortgage with a maximum loan amount of RMB250,000,000.

7. The general description and market information of the property are summarized below:
- |                            |   |  |
|----------------------------|---|--|
| Location                   | : | The property is located at No. 4132 Songbai Road, Guangming District, Shenzhen, Guangdong Province, The PRC  |
| Transportation             | : | Shenzhen Bao'an International Airport and Guangmingcheng Railway Station are located approximately 30 kilometres and 8 kilometres away from the property respectively. |
| Nature of Surrounding Area | : | The area is predominately an industrial area in Guangming District.  |
8. 豐賓電子(深圳)有限公司 is an indirect wholly-owned subsidiary of the Group.
9. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, inter alia, the following:
- 豐賓電子(深圳)有限公司 has legally obtained the relevant title certificates of the property and legally owned the state-owned land use rights and building ownership rights of the property during the land use rights term stated on the title certificates;
  - 豐賓電子(深圳)有限公司 can occupy, use and make profit from the relevant state-owned land use rights and building ownership rights of the property in accordance with relevant laws and regulations and subject to the limitations from the mortgagee;
  - The state-owned land use rights and building ownership rights of the property are subject to a mortgage. The mortgagee is 寧波銀行股份有限公司深圳分行; and
  - Various ancillary buildings of the property have not obtained the relevant title certificates of land use rights and building ownership rights.
10. As advised by the Group, various ancillary buildings of the property with a total GFA of approximately 11,300.00 sq.m. are yet to be granted with a proper title certificate of building ownership rights. In the course of our valuation, we have attributed no commercial value to that portion of the property. The reference value of that portion of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date was circa RMB22,800,000.



No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 June 2020
2	An Industrial Plant Located at No. 168 Jiangnan Avenue, Dianjun District, Yichang, Hubei Province, The PRC	<p>The property comprises a parcel of land, on which three workshops, a dormitory, a research and development building and four ancillary buildings are erected.</p> <p>As per the State-owned Land Use Rights Certificates, the subject site has a site area of approximately 163,333.18 sq.m. As per the Building Ownership Certificates, the property has a total GFA of approximately 65,715.66 sq.m. As per the Construction Project Work Completion Certificates, it was completed in various stages between 2004 and 2006.</p> <p>The land use rights of the property were granted for a term expiring on 11 August 2055 for industrial uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for industrial purposes.	<p>RMB192,300,000 (Renminbi One Hundred Ninety Two Million and Three Hundred Thousand)</p> <p>100% Interest Attributable to the Group:</p> <p>RMB192,300,000 (Renminbi One Hundred Ninety Two Million and Three Hundred Thousand)</p>

## Notes:

- The property was inspected by Yajun Wang *BEng* with an experience of 5 years in the real estate and construction industry on 17 June 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, dated 5 August 2001 and entered into between Yichang Land Administration Bureau Dianjun Land Administration Branch and 豐賓電子科技(宜昌三峽)有限公司, the land use rights of a portion of the property with a site area of 80,027.55 sq.m. were granted to 豐賓電子科技(宜昌三峽)有限公司 for a term of 50 years for industrial uses at a consideration of RMB7,202,479.50.
- Pursuant to 13 State-owned Land Use Rights Certificates, dated 1 September 2008 and issued by Yichang State-owned Land Resources Bureau, the land use rights of the property with a total site area of 163,333.18 sq.m. were granted to 凱普松電子科技(宜昌三峽)有限公司 for a term expiring on 11 August 2055 for industrial uses.

The details of the State-owned Land Use Rights Certificates are summarized below:

Certificate No.	Site Area (sq.m.)
Yi Shi Guo Yong (2008) Di No. 030101078-1	8,305.78
Yi Shi Guo Yong (2008) Di No. 030101078-2	12,462.13
Yi Shi Guo Yong (2008) Di No. 030101078-3	9,407.82
Yi Shi Guo Yong (2008) Di No. 030101078-4	1,001.97
Yi Shi Guo Yong (2008) Di No. 030101078-5	534.36
Yi Shi Guo Yong (2008) Di No. 030101078-6	2,564.49
Yi Shi Guo Yong (2008) Di No. 030101078-7	1,593.31
Yi Shi Guo Yong (2008) Di No. 030101078-8	2,018.60
Yi Shi Guo Yong (2008) Di No. 030101078-9	121.97
Yi Shi Guo Yong (2008) Di No. 030101078-10	31,241.41
Yi Shi Guo Yong (2008) Di No. 030101078-11	48,847.01
Yi Shi Guo Yong (2008) Di No. 030101078-12	6,673.72
Yi Shi Guo Yong (2008) Di No. 030101078-13	38,560.01
<b>Total</b>	<b>163,333.18</b>

5. Pursuant to nine Building Ownership Certificates, issued by Yichang Real Estate Administration Bureau, the building ownership rights of the property with a total GFA of 65,715.66 sq.m. were legally vested in 凱普松電子科技(宜昌三峽)有限公司.

The details of the Building Ownership Certificates are summarized below:

Certificate No.	Portion	GFA (sq.m.)	Planned Use
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184300	Workshop No. 1	14,763.48	Workshop & Office
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0216337	Workshop No. 2	15,936.03	Workshop
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184302	Workshop No. 3	20,493.83	Workshop & Office
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184374	Electrical Room	740.77	Others
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184328	Boiler Room	401.63	Others
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0199176	Staff Dormitory	7,786.41	Residential
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184330	Water Filtration Plant	1,362.56	Workshop
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184298	Research and Development Building	4,143.35	Workshop & Office
Yi Shi Fang Quan Zheng Dian Jun Zi Di No. 0184296	Sewage Treatment Plant	87.60	Others
<b>Total</b>		<b>65,715.66</b>	

6. As per the State-owned Land Use Rights Certificates, the property is restricted for industrial uses only.

7. The general description and market information of the property are summarized below:

- Location : The property is located at No. 168 Jiangnan Avenue, Dianjun District, Yichang, Hubei Province, The PRC
- Transportation : Yichang Sanxia Airport and Yichang Railway Station are located approximately 40 kilometres and 11 kilometres away from the property respectively.
- Nature of Surrounding Area : The area is predominately an industrial area in Dianjun District.

8. 豐賓電子科技(宜昌三峽)有限公司 is an indirect wholly-owned subsidiary of the Group.

9. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, inter alia, the following:

- (a) 凱普松電子科技(宜昌三峽)有限公司 has legally obtained the relevant title certificates of the property and legally owned the state-owned land use rights and building ownership rights of the property during the land use rights term stated on the title certificates; and
- (b) 凱普松電子科技(宜昌三峽)有限公司 can occupy, use, make profit from and handle the relevant state-owned land use rights and building ownership rights of the property in accordance with relevant laws and regulations.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 June 2020
3	An Industrial Plant Located at Nanraocheng Road, Guchengwan Town, Donghe District, Baotou, Inner Mongolia Autonomous Region, The PRC	The property comprises a parcel of land, on which two workshops, a dormitory, an electrical room and a guardhouse is erected.  As per the State-owned Land Use Rights Certificate, the subject site has a site area of approximately 73,462.20 sq.m. As per the Building Ownership Certificates and the information provided by the Group, the property has a total GFA of approximately 24,652.64 sq.m. As per the information provided by the Group, it was completed in various stages between 2007 and 2010.  The land use rights of the property were granted for a term expiring on 17 January 2053 for industrial uses.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for industrial purposes.	RMB68,700,000 (Renminbi Sixty Eight Million and Seven Hundred Thousand)  100% Interest Attributable to the Group:  RMB68,700,000 (Renminbi Sixty Eight Million and Seven Hundred Thousand)

## Notes:

- The property was inspected by Yajun Wang *BEng* with an experience of 5 years in the real estate and construction industry on 16 June 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a Contract, dated 7 January 2006 and entered into between Baotou Donghe District People's Government and 凱普松電子科技集團, the land use rights of the master site of the property with a site area of approximately 133,334.00 sq.m. were granted to 凱普松電子科技集團 at a consideration of RMB8,000,000.
- Pursuant to a State-owned Land Use Rights Certificate, Bao Guo Yong (2007) Di No. 200021 dated 23 March 2007 and issued by Baotou State-owned Land Resources Bureau, the land use rights of the property with a site area of 73,462.20 sq.m. were granted to 凱普松電子科技(包頭)有限公司 for a term expiring on 17 January 2053 for industrial uses.
- Pursuant to two Building Ownership Certificates, dated 9 July 2010 and issued by Baotou Real Estate Title Administration Department, the building ownership rights of a portion of the property with a total GFA of 18,852.64 sq.m. were legally vested in 凱普松電子科技(包頭)有限公司.

The details of the Building Ownership Certificates are summarized below:

Certificate No.	GFA (sq.m.)	Planned Use
Bao Fang Quan Zheng Dong Zi Di No. 488732	1,308.00	Industrial
Bao Fang Quan Zheng Dong Zi Di No. 488733	17,544.64	Industrial
<b>Total</b>	<b>18,852.64</b>	

- As per the State-owned Land Use Rights Certificates, the property is restricted for industrial uses only.

7. Pursuant to a Mortgage Agreement, 2019 Nian Zhong Yin Bao Dong Si Di Zi Di No. KPS001 dated 23 September 2019 and entered into between 中國銀行股份有限公司包頭市東河支行 as the lender and 凱普松電子科技(包頭)有限公司 as the borrower, the land use rights and building ownership rights of the property were subject to mortgage with a maximum loan amount of RMB10,000,000.
8. The general description and market information of the property are summarized below:
- Location : The property is located at Nanraocheng Road, Guchengwan Town, Donghe District, Baotou, Inner Mongolia Autonomous Region, The PRC.
- Transportation : Baotou Donghe Airport and Guchengwan Railway Station are located approximately 15 kilometres and 6 kilometres away from the property respectively.
- Nature of Surrounding Area : The area is predominately an industrial area in Donghe District.
9. 凱普松電子科技(包頭)有限公司 is an indirect wholly-owned subsidiary of the Group.
10. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, inter alia, the following:
- (a) 凱普松電子科技(包頭)有限公司 has legally obtained the relevant title certificates of the property and legally owned the state-owned land use rights and building ownership rights of the property during the land use rights term stated on the title certificates;
- (b) 凱普松電子科技(包頭)有限公司 can occupy, use and make profit from the relevant state-owned land use rights and building ownership rights of the property in accordance with relevant laws and regulations and subject to the limitations from the mortgagee;
- (c) The state-owned land use rights and building ownership rights of the property are subject to a mortgage. The mortgagee is 中國銀行股份有限公司包頭市東河支行; and
- (d) A portion of the master site of the property and various buildings erected thereon have not obtained the relevant title certificates of land use rights and building ownership rights.
11. As advised by the Group, a portion of the master site of the property and various buildings erected thereon with a site area of approximately 59,871.80 sq.m. and a total GFA of approximately 5,800.00 sq.m. is yet to be granted with a proper title certificates of land use rights and building ownership rights. In the course of our valuation, we have attributed no commercial value to that portion of the property. The reference value of that portion of the property, assuming that it has been granted with a proper title certificates of land use rights and building ownership rights and it can be freely transferred, as at the Valuation Date was circa RMB30,500,000.

## Group 2 – Property Interests Held by the Group for Occupation in Taiwan

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 June 2020
4	Industrial Units on 5th Floor and Car Parking Space Nos. 6, 7, 8, 9, 10, 11, 19, 20, 21, 38, 39 and 40 on Basement 3rd Floor, Nos. 155-157 & 165-167 Da Tong Road 2nd Section, Xizhi District, New Taipei City, Taiwan	The property comprises four industrial units on 5th Floor and 12 car parking spaces on Basement 3rd Floor of a 10-storey (plus 3-storey basement) industrial building.  As per the Land Title Certificates, the subject site has a total apportioned site area of approximately 196.09 sq.m. As per the Building Title Certificates, the property has a total GFA of approximately 1,738.36 sq.m. As per the Building Title Certificates, it was completed in about 1999.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for industrial purposes.	TWD 92,800,000 (New Taiwan Dollar Ninety Two Million and Eight Hundred Thousand)  100% Interest Attributable to the Group:  TWD92,800,000 (New Taiwan Dollar Ninety Two Million and Eight Hundred Thousand)

## Notes:

- The property was inspected by Junlang Hu *MSc BEng* with an experience of 6 years in the real estate and construction industry on 13 June 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to three Land Title Certificates, dated 29 April 2019 and issued by New Taipei City Xizhi Land Office, the registered owner of the property with a total apportioned site area of 196.09 sq.m. is 英屬維京群島商凱普松科技股份有限公司.

The details of the Land Title Certificates are summarized below:

Certificate No.	Lot No.	Apportioned Site Area (sq.m.)
108 Xi Dian Zi Di No. 023566 Xi Zhi Qu Hao Tian Duan No. 0761-0000	Xi Zhi Qu Hao Tian Duan No. 0761-0000	190.75
108 Xi Dian Zi Di No. 023567 Xi Zhi Qu Hao Tian Duan No. 07612-0000	Xi Zhi Qu Hao Tian Duan No. 0762-0000	2.50
108 Xi Dian Zi Di No. 023568 Xi Zhi Qu Hao Tian Duan No. 07613-0000	Xi Zhi Qu Hao Tian Duan No. 0763-0000	2.84
<b>Total</b>		<b>196.09</b>

4. Pursuant to four Building Title Certificates, dated 29 April 2019 and issued by New Taipei City Xizhi Land Office, the registered owner of the property with a total GFA of 1,738.36 sq.m. is 英屬維京群島商凱普松科技股份有限公司.

The details of the Building Title Certificates are summarized below:

Certificate No.	Portion	GFA (sq.m.)
108 Xi Jian Dian Zi Di No. 006469	5th Floor, No. 155 Da Tong Road 2nd Section (including Car Parking Space No. 8)	352.73
108 Xi Jian Dian Zi Di No. 006470	5th Floor, No. 157 Da Tong Road 2nd Section (including Car Parking Space No. 9)	356.84
108 Xi Jian Dian Zi Di No. 006471	5th Floor, No. 165 Da Tong Road 2nd Section (including Car Parking Space Nos. 6, 7, 10, 11, 19, 21, 38, 39 & 40)	554.92
108 Xi Jian Dian Zi Di No. 006472	5th Floor, No. 167 Da Tong Road 2nd Section (including Car Parking Space No. 20)	473.88
<b>Total</b>		<b>1,738.36</b>

5. 英屬維京群島商凱普松科技股份有限公司 is an indirect wholly-owned subsidiary of the Group.
6. Pursuant to Mortgage Agreement, dated 30 May 2019 and entered into between 華南商業銀行股份有限公司 as the lender and 英屬維京群島商凱普松科技股份有限公司台灣分公司 as the borrower, the property was subject to a mortgage with a maximum loan amount of TWD63,000,000.
7. The general description and market information of the property are summarized below:
- |                            |   |   |
|----------------------------|---|---|
| Location                   | : | The property is located at Nos. 155-157 & 165-167 Da Tong Road 2nd Section, Xizhi District, New Taipei City, Taiwan.                          |
| Transportation             | : | Taipei Songshan Airport and Xike Railway Station are located approximately 12 kilometres and 1 kilometre away from the property respectively. |
| Nature of Surrounding Area | : | The area is predominately an industrial and commercial area in Xizhi District.  |
8. We have been provided with a legal opinion regarding the property by Chien Yeh Law Offices, which contains, inter alia, the following:
- (a) 英屬維京群島商凱普松科技股份有限公司 has legally obtained the ownership rights of the land and buildings of the property;
  - (b) 英屬維京群島商凱普松科技股份有限公司 can use, let, transfer, mortgage and handle the property; and
  - (c) The land and buildings of the property are subject to a mortgage. The mortgagee is 華南商業銀行股份有限公司.

## 1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Group.

The issue of this Scheme Document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror and the Offeror Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$150,000,000 divided into 1,500,000,000 Shares at a par value of HK\$0.10 each;
- (b) the Company had 844,559,841 Shares in issue;
- (c) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (d) no new Shares had been issued since 31 December 2019, being the end of the last financial year of the Company; and
- (e) other than the Shares as disclosed above, there were no outstanding options, warrants derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.



**3. MARKET PRICES**

The table below sets forth the closing price of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) at the end of each calendar month during the Relevant Period:

	<b>Closing price per Share HK\$</b>
31 December 2019	0.440
31 January 2020	0.360
28 February 2020	0.395
31 March 2020	0.345
29 April 2020	0.340
29 May 2020 (being the Last Trading Day)	0.335
30 June 2020	0.560
31 July 2020	0.560
28 August 2020 (being the Latest Practicable Date)	0.550

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.

The Cancellation Price of HK\$0.60 per Scheme Share represents 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.

## 4. DISCLOSURE OF INTERESTS IN THE SHARES

As at the Latest Practicable Date:

- (a) save as disclosed below, none of the Directors, the Offeror, the directors of the Offeror and the Offeror Concert Parties were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Name of Shareholder	Capacity and nature of interests	Number of Shares	Total number of Shares	Approximate percentage of the issued share capital of the Company <sup>(1)</sup> (%)
Mr. CT Lin	Beneficial owner	101,657,378	564,973,947	66.90
	Interest of controlled corporation	395,360,783 <sup>(2)</sup>		
	Interest of spouse	67,955,786 <sup>(3)</sup>		
Ms. Chou	Beneficial owner	67,955,786	564,973,947	66.90
	Interest of controlled corporation	395,360,783 <sup>(2)</sup>		
	Interest of spouse	101,657,378 <sup>(4)</sup>		
Mr. YY Lin	Beneficial owner	13,161,622	20,090,615	2.38
	Interest of spouse	6,928,993 <sup>(5)</sup>		
Ms. Liu	Beneficial owner	6,928,993	20,090,615	2.38
	Interest of spouse	13,161,622 <sup>(6)</sup>		
Ms. IC Lin	Beneficial owner	9,429,777	9,429,777	1.12
The Offeror <sup>(2)</sup>	Beneficial owner	374,585,006	374,585,006	44.35
Hung Yu <sup>(2)</sup>	Beneficial owner	20,775,777	20,775,777	2.46

*Notes:*

(1) The percentage is compiled based on the total number of issued shares of the Company (i.e. 844,559,841 Shares) as at the Latest Practicable Date.

(2) The Offeror holds 374,585,006 Shares. 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. Mr. CT Lin and Ms. Chou are directors of the Offeror. Pursuant to the SFO, each of Mr. CT Lin and Ms. Chou is deemed to be interested in the 374,585,006 Shares held by the Offeror.

Hung Yu holds 20,775,777 Shares. Hung Yu is owned as to approximately 53.06% by Ms. Chou, approximately 37.04% by Mr. CT Lin, approximately 4.94% by Mr. YY Lin, approximately 2.47% by Ms. IC Lin and approximately 2.49% by Ms. Liu. Pursuant to the SFO, each of Mr. CT Lin and Ms. Chou is deemed to be interested in the 20,775,777 Shares held by Hung Yu.

- (3) Mr. CT Lin is the spouse of Ms. Chou. Pursuant to the SFO, Mr. CT Lin is deemed to be interested in the Shares in which Ms. Chou is interested.
- (4) Ms. Chou is the spouse of Mr. CT Lin. Pursuant to the SFO, Ms. Chou is deemed to be interested in the Shares in which Mr. CT Lin is interested.
- (5) Mr. YY Lin is the spouse of Ms. Liu. Pursuant to the SFO, Mr. YY Lin is deemed to be interested in the Shares in which Ms. Liu is interested.
- (6) Ms. Liu is the spouse of Mr. YY Lin. Pursuant to the SFO, Ms. Liu is deemed to be interested in the Shares in which Mr. YY Lin is interested.

All such Shares directly held by the Directors will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting;

- (b) none of (i) the subsidiaries of the Company; (ii) the pension fund(s) of the Company or any of its subsidiaries; (iii) the person(s) who is/are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code; and (iv) the person(s) who is/are an associate of the offeree company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (d) no fund managers (other than exempt fund managers) connected with the Company owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, in each case, which were managed on a discretionary basis by such fund managers;
- (e) none of the Company and the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any of the Offeror Concert Parties; and
- (g) none of the Offeror and the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

**5. DEALINGS IN THE SHARES**

- (a) During the Relevant Period:
- (i) none of the Directors, the Offeror, the Offeror Directors and the Offeror Concert Parts had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
  - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) During the period commencing on the Announcement Date and ending on the Latest Practicable Date:
- (i) none of (i) the subsidiaries of the Company; (ii) the pension fund(s) of the Company or any of its subsidiaries; (iii) the person(s) who is/are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code; and (iv) the person(s) who is/are an associate of the offeree company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
  - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
  - (iii) no fund managers (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

## 6. DISCLOSURE OF INTERESTS IN THE SHARES OF THE OFFEROR

As at the Latest Practicable Date:

- (a) the Company was not interested within the meaning of Part XV of the SFO in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror; and
- (b) save as disclosed below, none of the Directors were interested within the meaning of Part XV of the SFO in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror:

Name of Director	Capacity and nature of interests	Number of shares of the Offeror	Total number of shares of the Offeror	Approximate percentage of the issued share capital of the Offeror <sup>(1)</sup> (%)
Ms. Chou	Beneficial owner Interest of spouse	100,000 350,000 <sup>(2)</sup>	450,000	33.33%
Mr. CT Lin	Beneficial owner Interest of spouse	350,000 100,000 <sup>(3)</sup>	450,000	33.33%
Mr. YY Lin	Beneficial owner Interest of spouse	350,000 200,000 <sup>(4)</sup>	550,000	40.74%
Ms. Liu	Beneficial owner Interest of spouse	200,000 350,000 <sup>(5)</sup>	550,000	40.74%
Ms. IC Lin	Beneficial owner	350,000	350,000	25.93%

*Notes:*

- (1) The percentage is compiled based on the total number of issued shares of the Offeror (i.e. 1,350,000 shares) as at the Latest Practicable Date.
- (2) Ms. Chou is the spouse of Mr. CT Lin. Pursuant to the SFO, Ms. Chou is deemed to be interested in the shares of the Offeror in which Mr. CT Lin is interested.
- (3) Mr. CT Lin is the spouse of Ms. Chou. Pursuant to the SFO, Mr. CT Lin is deemed to be interested in the shares of the Offeror in which Ms. Chou is interested.
- (4) Mr. YY Lin is the spouse of Ms. Liu. Pursuant to the SFO, Mr. YY Lin is deemed to be interested in the shares of the Offeror in which Ms. Liu is interested.
- (5) Ms. Liu is the spouse of Mr. YY Lin. Pursuant to the SFO, Ms. Liu is deemed to be interested in the shares of the Offeror in which Mr. YY Lin is interested.

**7. DEALINGS IN THE SHARES OF THE OFFEROR**

During the Relevant Period, none of the Company and the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

**8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL**

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, the Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (c) there was no agreement or arrangement to which the Offeror is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or any of the Offeror Concert Parties; and
- (e) there were no understanding, arrangement or agreement or special deal between (i) any Shareholder; and (ii) (a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

**9. ARRANGEMENTS AFFECTING THE DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

## 10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies: (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period:

Mr. Hsieh King-Hu, Miles, an independent non-executive Director, entered into a letter of appointment with the Company on 29 May 2020 for a term of three years commencing from 1 June 2020, provided that at any time during the term, either party may terminate the appointment by giving at least six months' notice on the other party. Pursuant to the letter of appointment, Mr. Hsieh is entitled to a director's fee of HK\$192,000 per annum.

## 11. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries were involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group.

As disclosed in the announcement published by the Company on 15 May 2020 and its previous annual reports, the Company has been involved in a prolonged legal proceeding as the defendant with one of its customers (the "**Claimant**") in respect of its arbitration claim against the Company's subsidiary, Capxon Electronic Industrial Co., Ltd. ("**Capxon Taiwan**"), since 2011 for damages allegedly suffered by the Claimant with respect to certain alleged defective electrolytic capacitors supplied by Capxon Taiwan. As further disclosed in the announcement published by the Company on 3 August 2020, on 30 July 2020, on application by the Claimant, the High Court of Hong Kong made an order entitled "Injunction Prohibiting Disposal of Assets in Hong Kong" (the "**Injunction Order**") against Lancom Limited (a direct wholly-owned subsidiary of Capxon Taiwan and an indirect non-wholly owned subsidiary of the Company) and the Company, with notice to Mr. CT Lin and Ms. Chou. As further disclosed in the announcement published by the Company on 20 August 2020, on 19 August 2020, the Company received a sealed copy of the order made by the High Court of Hong Kong at the further hearing held on 7 August 2020 regarding the Injunction Order, at which, it was ordered, among others, that the substantial hearing in relation to the Injunction Order be adjourned to 7 October 2020, and the Injunction Order be continued with variations to the scope thereof. On 23 August 2020, the Company published a supplemental announcement, in which it was disclosed that the Board was of the view that the Injunction Order (as amended by the aforesaid order made on 7 August 2020) did not have an adverse impact on the Group's business operations as a whole in view of the reasons set out therein, and that the Injunction Order (assuming to remain in force on the Effective Date) will not prevent or restrict the implementation of the Scheme in accordance with its terms based on the opinion of its legal counsel.

## 12. MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the Announcement Date up to and including the Latest Practicable Date.

**13. EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have given opinions or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualifications</b>
Somerley	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Elstone	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Vincorn Consulting & Appraisal Limited	Independent property valuer
Tian Yuan Law Firm	legal adviser to the Company as to PRC laws
Chien Yeh Law Offices	legal adviser to the Company as to Taiwan laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of its letter of advice and with references to its name and/or letter of advice in the form and context in which they respectively appear.

**14. MISCELLANEOUS**

- (a) The registered office of the Offeror is at Vistra Corporate Service Center, Wickhams Cay II, Road Town, VG1110, British Virgin Islands and its correspondence address is at 5th Floor, No. 165, Sec. 2, Datong Road, Xizhi District, New Taipei City, Taiwan.
- (b) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (c) The head office and the principal place of business of the Company is at Room 1303, 13th Floor, OfficePlus @Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong.
- (d) 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 in the United Kingdom.
- (e) The principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited at Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.



- (f) The registered office of Elstone is Unit 1612, 16/F West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (g) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (h) This Scheme Document is prepared in both English and Chinese. The English text of this Scheme Document shall prevail over the Chinese text in case of any inconsistency.

#### 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (a) at the principal place of business of the Company in Hong Kong at Room 1303, 13th Floor, OfficePlus @ Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (*Hong Kong time*); (b) on the website of the Company at [http:// www.capxongroup.com](http://www.capxongroup.com); and (c) on the website of the SFC at <http://www.sfc.hk>, from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (d) the interim report of the Company for the six months ended 30 June 2019;
- (e) the interim results announcement of the Company for the six months ended 30 June 2020;
- (f) the letter from the Board, the text of which is set out on pages 15 to 24 of this Scheme Document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this Scheme Document;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 57 of this Scheme Document;
- (i) the property valuation report and certificate issued by Vincorn Consulting & Appraisal Limited, the text of which is set out in "Appendix II – Property valuation report" to this Scheme Document;
- (j) the legal opinion as issued by Tian Yuan Law Firm and referred to in the valuation report as set out in Appendix II to this Scheme Document;

- (k) the legal opinion as issued by Chien Yeh Law Offices and referred to in the valuation report as set out in Appendix II to this Scheme Document;
- (l) the letter of appointment referred to in the section headed “10. Directors’ service contracts” in “Appendix III. — General Information” to this Scheme Document;
- (m) the written consents referred to in the section headed “13. Experts and consents” in “Appendix III – General information” to this Scheme Document; and
- (n) this Scheme Document.

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## THE SCHEME

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IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. FSD 175 of 2020

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION)  
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED  
凱普松國際電子有限公司

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### SCHEME OF ARRANGEMENT

between

**CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED**

凱普松國際電子有限公司

and

**THE SCHEME SHAREHOLDERS**

**(as hereinafter defined)**

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(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation price of HK\$0.60 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme of Arrangement for every Scheme Share cancelled and extinguished
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

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## THE SCHEME

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“Company”	CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司, an exempted company incorporated in the Cayman Islands on 14 December 2005 with limited liability, the Shares are currently listed on the Main Board of the Stock Exchange (stock code: 0469)
“Composite Scheme Document”	the composite scheme document of the Company and the Offeror issued to the Shareholders containing, inter alia, further details of the Proposal
“Court Meeting”	a meeting of the Independent Shareholders convened at the direction of the Grand Court at which the Scheme of Arrangement will be voted upon
“Director”	a director of the Company
“Effective Date”	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the Order of the Grand Court sanctioning the Scheme of Arrangement and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, which is expected to be Wednesday, 21 October 2020 (Cayman Islands time)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Financial Adviser”	Elstone Capital Limited, a licensed corporation permitted under SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in respect of the Scheme of Arrangement
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## THE SCHEME

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“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme of Arrangement, comprising Mr. Hsieh King-Hu, Miles, Mr. Lu Hong Te and Mr. Tung Chin Chuan
“Independent Financial Adviser”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to, among others, the Proposal and the Scheme of Arrangement, being a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Latest Practicable Date”	28 August, 2020 being the latest practicable date prior to the printing of the Composite Scheme Document for ascertaining certain information contained herein
“Offeror”	Value Management Holding Limited 價值管理控股有限公司, a company incorporated in the British Virgin Islands with limited liability and is directly owned as to approximately 25.93% by Mr. Lin Chin Tsun, approximately 7.40% by Ms. Chou Chiu Yueh, approximately 25.93% by Mr. Lin Yuan Yu, approximately 25.93% by Ms. Lin I Chu and approximately 14.81% by Ms. Liu Fang Chun
“Offeror Concert Parties”	parties acting in concert with or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, being Hung Yu Investment Co., Ltd. 虹祐投資股份有限公司, Mr. Lin Chin Tsun, Ms. Chou Chiu Yueh, Mr. Lin Yuan Yu, Ms. Lin I Chu and Ms. Lui Fang Chun
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares

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## THE SCHEME

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“Scheme Conditions”	the conditions to the implementation of the Scheme of Arrangement as set out in the section headed “Conditions of the Proposal” in the explanatory statement of the Composite Scheme Document
“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to satisfaction (or waiver as applicable) of the Scheme Conditions) involving the cancellation and reduction of all the Scheme Shares
“Scheme Record Date”	Wednesday, 21 October 2020 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Cancellation Price upon the Scheme of Arrangement becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Shareholder(s)”	the holder(s) of Scheme Shares as at the Scheme Record Time on the Scheme Record Date
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Offeror and the Offeror Concert Parties as at the Scheme Record Time on the Scheme Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 par value each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
(B)	The Company was incorporated as an exempted company on 14 December 2005 with limited liability in the Cayman Islands under the Companies Law.
(C)	The Company has an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 Shares of par value of HK\$0.10 each.
(D)	The Offeror has proposed the privatisation of the Company by way of the Scheme of Arrangement.

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## THE SCHEME

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- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing, among others, all of the Scheme Shares in consideration for the Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror and the Offeror Concert Parties will collectively own 100% of the issued share capital of the Company. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) As at the Latest Practicable Date, 594,494,339 Shares were legally and/or beneficially owned by the Offeror and the Offeror Concert Parties and registered as follows:

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>As at the Effective Date</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Offeror</b>	374,585,006	44.35	624,650,508	73.96
<b>Offeror Concert Parties</b>	219,909,333	26.04	219,909,333	26.04
<b>Subtotal</b> (aggregate number of Shares not voting on the Scheme of Arrangement)	594,494,339	70.39	844,559,841	100.00
<b>Scheme Shareholders</b> who are independent (i.e., Independent Shareholders)	250,065,502	29.61	0	0.00
<b>Total number of Shares in issue</b>	844,559,841	100.00	844,559,841	100.00
<b>Total number of Scheme Shares</b> (which represent all issued Shares except for those held by the Offeror and the Offeror Concert Parties)	250,065,502	29.61	0	0.00

\* All percentages in the above table are approximation.

- (G) The Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement. Only the Independent Shareholders will attend and vote at the Court Meeting.
- (H) The Offeror and the Offeror Concert Parties have undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme of Arrangement.

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# THE SCHEME

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## SCHEME OF ARRANGEMENT

### PART I

#### **Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror**

1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
  - (b) subject to and simultaneously with such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

### PART II

#### **Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the Register at the Scheme Record Time on the Scheme Record Date);

**for each Scheme Share cancelled and extinguished . . . . . HK\$0.60 in cash**

### PART III

#### **General**

3.
  - (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
  - (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.



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## THE SCHEME

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- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the Register at the Scheme Record Time on the Scheme Record Date.
  - (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
  - (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
  - (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
  - (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.
  - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
  - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents or evidence of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.

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## THE SCHEME

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5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force at the Scheme Record Time on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
6. The Scheme of Arrangement shall become effective as soon as a copy of the Order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law.
7. Unless the Scheme of Arrangement shall have become effective on or before 21 November, 2020 or such later date, if any, as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse and be of no effect.
8. The Company and the Offeror may, subject to the approval of the Grand Court, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement incurred by each of the Offeror and the Company will be borne by them respectively.

Date 31 August 2020

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## NOTICE OF COURT MEETING

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IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. FSD 175 of 2020

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION)  
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED  
凱普松國際電子有限公司

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## NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order dated 24 August 2020 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that the Court Meeting will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 23 September 2020 at 10:00 a.m. (Hong Kong time) at which place and time all Independent Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Independent Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Independent Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 31 August 2020 despatched to, among others, the Independent Shareholders on 31 August 2020. Completion and return of the **pink** form of proxy will not prevent an Independent Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked by operation of law.

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## NOTICE OF COURT MEETING

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In the case of Independent Shareholders jointly holding ordinary shares of HK\$0.10 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members of the Company in respect of such joint holding of Shares, the first named Independent Shareholder being the senior.

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 10:00 a.m. on Monday, 21 September 2020, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Lin Chin Tsun, a director of the Company, or failing him, Chou Chiu Yueh, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

On behalf of the Court  
**CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED**  
凱普松國際電子有限公司  
**Lin Chin Tsun**  
*Director*

Hong Kong, 31 August 2020

***Registered Office***

Vistra (Cayman) Limited  
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

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## NOTICE OF COURT MEETING

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*Notes:*

- (1) An Independent Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Independent Shareholder is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 31 August 2020 despatched to, among others, the Independent Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude an Independent Shareholder from attending the Court Meeting and voting in person if he so wishes. In the event that an Independent Shareholder attends and votes at the Court Meeting after having lodged his **pink** form of proxy, his **pink** form of proxy shall be deemed to have been revoked by operation of law.
- (4) In the case of joint Independent Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares.
- (5) Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Friday, 18 September 2020 to Wednesday, 23 September 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 September 2020.
- (7) Please refer to the section headed "Actions to be taken" of the composite scheme document dated 31 August 2020 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social appropriate arrangements will be maintained at the Court Meeting; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting.

Shareholders are encouraged to consider appointing the chairman of the Court Meeting as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting as an alternative to attending the Court Meeting in person.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of HK\$0.10 par value each (the “**Shares**”) in the share capital of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 23 September 2020, at 11:30 a.m. (Hong Kong time) (or as soon as after the conclusion or the adjournment of the meeting of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

#### **SPECIAL RESOLUTION**

1. “**THAT:**
  - (a) pursuant to a scheme of arrangement dated 31 August 2020 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
  - (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION

2. “**THAT:**
- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.10 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
  - (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
  - (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of  
**CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED**  
凱普松國際電子有限公司  
**Lin Chin Tsun**  
*Director*

Hong Kong, 31 August 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered office:*

Vistra (Cayman) Limited  
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

*Notes:*

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the EGM in person to represent him.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 31 August 2020 despatched to, among others, holders of Shares (the “**Shareholders**”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
- (5) Voting at the EGM will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Friday, 18 September 2020 to Wednesday, 23 September 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 September 2020.
- (7) Please refer to the section headed “Actions to be taken” of the composite scheme document dated 31 August 2020 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the EGM.

Shareholders are encouraged to consider appointing the chairman of the EGM as his/her/its proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.