

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD OF 2020 ()

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

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

PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 shows as follows:

1. The object of this Petition is to seek:
 - a. the sanction of the Court, pursuant to section 86 of the Companies Law (2020 Revision) (the "**Companies Law**"), to a proposed scheme of arrangement (the "**Scheme of Arrangement**") between the petitioner, CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 (the "**Company**"), and the Scheme Shareholders (the "**Scheme of Arrangement**"). "Scheme Shareholders" is defined in the Scheme of Arrangement, contained in a composite scheme document (the "**Composite Scheme Document**") a draft of which is attached as Exhibit "CCY-1" to the first affirmation of Chou Chiu Yueh which will be sent to, among others, the Independent Shareholders (as defined below); and
 - b. the confirmation of the Court, pursuant to section 15 of the Companies Law, of the reduction of the issued share capital of the Company consequent upon the cancellation of the Scheme Shares (the "**Capital Reduction**") pursuant to the

Scheme of Arrangement. The Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting of the Shareholders (as defined below) to be held immediately after the Court Meeting referred to herein. The “Scheme Shares” is defined in the Scheme of Arrangement to refer to the issued ordinary shares of HK\$0.10 par value each in the share capital of the Company held by the Scheme Shareholders.

Information of the Company

2. The Company is an investment holding company and its subsidiaries (which together with the Company are collectively referred to as the “**Group**”) are engaged in the business of manufacturing and sale of capacitors and aluminum foils.
3. The Company was incorporated under the name of CAPXON INTERNATIONAL ELECTRONIC CO. LTD. on 14 December 2005 under the Companies Law as an exempted company with registration number 159640. On 12 October 2006, the Company changed its name from “CAPXON INTERNATIONAL ELECTRONIC CO. LTD.” to “CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司”.
4. As an exempted company, the objects for which the Company was established are unrestricted save for generally applicable statutory restrictions on its powers to trade in the Cayman Islands and the Company is otherwise capable of exercising all the functions of a natural person as provided by section 27(2) of the Companies Law.
5. The registered office of the Company is situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The principal place of business of the Company in Hong Kong is situated at Room 1303, 13th Floor, OfficePlus@Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong.

Share Capital and Listing

6. As at 14 July 2020 (the “**Latest Practicable Date**”), the Company has an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.10 each (the “**Share(s)**”), of which 844,559,841 Shares have been issued and fully paid-up or credited as fully paid-up and the remainder are unissued.
7. The Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 7 May 2007.
8. As at the Latest Practicable Date, 594,494,339 Shares (representing approximately 70.39% of the issued share capital of the Company) were directly or indirectly owned by Value Management Holding Limited (the “**Offeror**”) and parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Code on Takeovers and Mergers of Hong Kong (the “**Takeovers Code**”) (the “**Offeror Concert Parties**”). The Offeror and the Offeror Concert Parties will not vote on the Scheme of Arrangement.
9. As at the Latest Practicable Date, 250,065,502 Shares (representing approximately 29.61% of the issued share capital of the Company) were held by shareholders other than the Offeror and the Offeror Concert Parties (the “**Independent Shareholders**”) who can vote on the Scheme of Arrangement.
10. On the assumption that there is no other change in shareholding of the Company from the Latest Practicable Date and up to the Effective Date (as defined in the Scheme of Arrangement), the shareholding structure of the Company as at the Latest Practicable Date and as at the Effective Date was and is expected to be as follows:

	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	%	Number of Shares	%
Shareholders of the Company (the "Shareholders")				
Offeror	374,585,006	44.35	624,650,508	73.96
Offeror Concert Parties	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	--
Total number of Shares in issue	844,559,841	100.00	844,559,841	100.00
Total number of Scheme Shares	250,065,502	29.61	0	--

All percentages in the above table are approximations.

Information of the Offeror and the Offeror Concert Parties

11. The Offeror, Value Management Holding Limited, is a company incorporated under the laws of the British Virgin Islands with limited liability on 10 August 2009. Its registered office is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. As at the Latest Practicable Date, Value Management Holding Limited was owned as to 10% by Ms. Chou Chiu Yueh, 35% by Mr. Lin Yuan Yu, 35% by Ms. Lin I Chu and 20% by Ms. Liu Fang Chun as at 5 June 2020 when the Offeror and the Company jointly made the first public announcement (the “**Initial Announcement**”) relating to privatisation of the Company by the Offeror by way of the Scheme of Arrangement.
12. Following the date of the Initial Announcement, the Company was informed that Mr. Lin Chin Tsun, who was not a shareholder of the Offeror as at the date of the Initial Announcement but is an Offeror Concert Party, has subscribed for a total of 350,000 shares of the Offeror at US\$1.00 per share (representing approximately 25.93% of the total number of issued shares of the Offeror immediately following completion) for the purpose of complying with the regulatory requirements of the Ministry of Economic Affairs of Taiwan (the “**MOEAIC**”) which are applicable to shareholders of the Offeror as they are Taiwan Citizens, as further explained in the section headed “Explanatory Statement” in the Composite Scheme Document under the paragraphs headed sub-heading “Approval from MOEAIC on Proposal required” and “Subscription of shares in the Offeror by Mr. CT Lin” . As advised by the Offeror, the aforesaid subscription was

completed on 27 July 2020 and as at the date of the first affirmation of Chou Chiu Yueh dated 30 July 2020 in support of this Petition, the Offeror is owned as to approximately 25.93% by Mr. Lin Chin Tsun, approximately 7.4% 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. As at the date of the first affirmation of Chou Chiu Yueh dated 30 July 2020 in support of this Petition, Value Management Holding Limited is interested in approximately 44.35% of the issued share capital of the Company.

13. Mr. Lin Chin Tsun is the chairman and president of the Board and an executive Director. As at the Latest Practicable Date, Mr. Lin Chin Tsun was interested in approximately 12.04% of the issued share capital of the Company.
14. Hung Yu Investment Co., Ltd. 虹祐投資股份有限公司 (“**Hung Yu**”), a company incorporated in Taiwan, is owned as to approximately 53.06% by Ms. Chou Chiu Yueh, approximately 37.04% by Mr. Lin Chin Tsun, approximately 4.94% by Mr. Lin Yuan Yu, approximately 2.47% by Ms. Lin I Chu and approximately 2.49% by Ms. Liu Fang Chun. As at the Latest Practicable Date, Hung Yu was interested in approximately 2.46% of the issued share capital of the Company.
15. Each of the Offeror and the Offeror Concert Parties (namely, Mr. Lin Chin Tsun, Ms. Chou Chiu Yueh, Hung Yu, Mr. Lin Yuan Yu, Ms. Lin I Chu and Ms. Liu Fang Chun) has provided its/his/her undertaking to be bound by the terms of the Scheme of Arrangement.

Purpose of the Scheme of Arrangement

16. The purpose of the Scheme of Arrangement is to privatise the Company so that the Offeror and the Offeror Concert Parties will collectively own 100% of the issued share capital of the Company upon implementation of the Scheme of Arrangement. This will be achieved by the steps summarised in paragraph 17 below.

Principal Features of the Scheme of Arrangement

17. The principal features of the Scheme of Arrangement are as follows:

- a. the Capital Reduction by the cancellation and extinguishment of the Shares other than those directly or indirectly held by the Offeror and the Offeror Concert Parties (the "**Scheme Shares**") on the Effective Date (as defined in the Scheme of Arrangement), in consideration of which the Scheme Shareholders will receive HK\$0.60 in cash for each Scheme Share so cancelled and extinguished (the "**Cancellation Price**");
 - b. subject to and simultaneously with the Capital Reduction taking effect, the number of issued Shares in the share capital of the Company being restored to its former amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror, credited as fully paid at par, the same number of Shares as the number of Scheme Shares cancelled and extinguished on the Effective Date (the "**Restoration of Capital**"); and
 - c. the credit arising in the books of account of the Company as a result of the Capital Reduction being applied in paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished on the Effective Date, which shall be allotted and issued to the Offeror as mentioned above.
18. The Scheme of Arrangement is conditional upon the Capital Reduction becoming effective.

Reasons for the Scheme of Arrangement

19. The trading liquidity of Shares has been at a relatively low level over a prolonged period of time in recent years. The average daily trading volume of the Shares for the last 24 months up to and including 29 May 2020 (the "**Last Trading Day**") was approximately 727,523 Shares per 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 could make it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. The low trading liquidity of the Shares also hinders the Company's ability to raise further funds from the equity market for the Group's business developments. In addition, 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 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.

20. Further, the Group is principally engaged in the business of manufacturing and sale of capacitors and aluminum foils. The lockdown due to the outbreak of COVID-19 in the in the People's Republic of China (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 remain uncertain. In addition, uncertainties faced by the Group is exacerbated by (i) the intensified Sino-US trade disputes, (ii) uncertain price movements of the aluminium 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 and internet of things technology, among others.
21. As disclosed in the announcement published by the Company on 15 May 2020 and its previous annual reports, a Taiwan subsidiary of the Group has been involved in a prolonged legal proceeding as the defendant with one of its customers in respect of its arbitration claim since 2011. 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.
22. The implementation of the Scheme of Arrangement can effectively free the Offeror and the management from the on-going regulatory constraints and the pressure from market expectations on the Company's share price, refocus the management efforts on formulating the Group's long-term growth strategies, provide more flexibilities as a privately operated business and allow Scheme Shareholders to exit their investments in the Company and to avoid the abovementioned uncertainties by continuing to hold the Shares.

23. The Scheme of Arrangement is intended to provide the Scheme Shareholders with an opportunity to realise their investments in the Company for cash at a premium to the recent trading price levels of the Shares without having to suffer any illiquidity discount. The Cancellation Price of HK\$0.60 per Scheme Share represents a premium of approximately 79.1% over the closing price of the Shares on the Last Trading Date and approximately 94.2%, 88.1%, 88.1%, 76.0%, 67.1% and 54.6%, respectively, over the average closing prices of the Shares for the 10, 30, 60, 90, 120 and 180 trading days, respectively, up to and including the Last Trading Day.
24. Under the Takeovers Code, persons acting in concert or deemed to be acting in concert with the Offeror who are also Shareholders shall not vote on the Scheme of Arrangement for the purposes of satisfying the voting requirements of the Takeovers Code. As such, the Offeror Concert Parties will not be entitled to vote on the Scheme of Arrangement at the Court Meeting (as hereinafter defined) and all Independent Shareholders will be entitled to vote at the Court Meeting.
25. The Company intends to make an application for directions herein for declarations and orders that, among other things:
- a. the relevant class of shareholders of the Company affected by the Scheme of Arrangement is the Independent Shareholders and they shall vote as single class;
 - b. the Company be at liberty to convene and hold a court meeting of the Independent Shareholders (voting together as a single class) (the “**Court Meeting**”) for the purpose of considering and, if thought fit, approving (with or without modification(s)) the Scheme of Arrangement;
 - c. directions as to the mode of delivery of an explanatory statement and proxy form to the Independent Shareholders;
 - d. the appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally; and,
 - e. directions as to the treatment of Shares held by custodians, clearing houses and other nominees for the purposes of the “majority in number” calculation.

26. The Company proposes to convene the Court Meeting in accordance with section 86 of the Companies Law to be held on or around 23 September 2020 to approve the Scheme of Arrangement at which the following resolution (with such amendments as may be approved at the Court Meeting) will be considered (each of the capitalised terms referred to in the resolution are defined in the Composite Scheme Document):

*“THAT a scheme of arrangement (the “**Scheme of Arrangement**”) dated [31 August 2020] 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 Court Meeting and, for the purpose of identification signed by the chairman of this Court 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, be and is hereby approved.”*

27. The Offeror and the Offeror Concert Parties will not vote on the Scheme of Arrangement.

28. Article 6 of the Articles of Association of the Company provides as follows:

“The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.”

29. The Company intends to convene an extraordinary general meeting of the Shareholders (voting together as a single class) to take place as soon as possible after the conclusion of the Court Meeting at which it is intended that a special resolution to approve and give effect to the Capital Reduction pursuant to the Scheme of Arrangement and an ordinary resolution to approve the Restoration of Capital be submitted. These resolutions are set out below.

SPECIAL RESOLUTIONS

- (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.

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.
30. The Scheme of Arrangement and the Capital Reduction would not involve any diminution of liability in respect of any unpaid share capital or the payment to any Shareholder of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed that the preparation of a list of creditors be dispensed with.
31. The form of the minute proposed to be registered in relation to the Capital Reduction pursuant to the Scheme of Arrangement is as follows:
- “The issued shares of par value HK\$0.10 each (the “Shares”) in the share capital of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 were by virtue of a Special Resolution passed on 2020 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 2020 reduced from HK\$ divided into Shares to HK\$ divided into Shares (the “Capital Reduction”). Simultaneously with the Capital Reduction, the issued Shares in the share capital of CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 was restored to HK\$ by allotting and issuing to Value Management Holding Limited, credited as fully paid at par, Shares.*
- The authorised share capital of the Company, on the registration of this Minute, is HK\$150,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.10 each.”*
32. The completed minute will be provided to the Grand Court before the sanction of the Capital Reduction pursuant to the Scheme of Arrangement by the Grand Court.

33. Your petitioner, the Company therefore prays as follows:

- a. That the Scheme of Arrangement to be approved at the Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company, the Scheme Shareholders and the Offeror.
- b. That the Capital Reduction may be confirmed and that the Minute mentioned in paragraph 31 may be approved by the Court.
- c. That the preparation of a list of creditors for the Scheme of Arrangement be dispensed with.
- d. That to this end, all necessary inquiries and directions may be made and given.
- e. Such further or other order or relief as this Honourable Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 30th day of July 2020



Conyers Dill & Pearman
Attorneys-at-Law for the Petitioner herein

NOTE: It is intended to serve this Petition on CAPXON INTERNATIONAL ELECTRONIC COMPANY LIMITED 凱普松國際電子有限公司 at its registered office located at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its said Attorneys-at-Law, SIX, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Notice of Hearing

This Petition, having been presented to the Court on the _____ day of _____
2020, will be heard at the Law Courts, George Town, Grand Cayman on the _____ day of _____
2020 at _____ a.m. or as soon thereafter as the Petition can be heard.