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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)

ANNOUNCEMENT ON ARBITRAL AWARD UPDATE ON PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

The Board wishes to inform the shareholders and potential investors of the Company that on 9 August 2014, the Subsidiary received the Arbitral Award from the Arbitration Association awarding the Awarded Sum against the Subsidiary.

Reference is made to the Profit Warning Announcement. The Board further wishes to update the shareholders and potential investors of the Company that in light of the Arbitral Award awarding the Awarded Sum against the Subsidiary, the Group expects to record an additional significant loss of approximately RMB170,862,000 as a result of such probable compensation of damages as set out in the Arbitral Award in addition to the loss as mentioned in the Profit Warning Announcement for the six months ended 30 June 2014.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Capxon International Electronic Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

Reference is made to the profit warning announcement of the Company dated 8 August 2014 (the “**Profit Warning Announcement**”). Capitalised terms used herein shall have the same meanings as defined in the Profit Warning Announcement, unless otherwise specified.

ARBITRAL AWARD

The Board wishes to inform the shareholders and potential investors of the Company that as disclosed in the Company’s 2011 annual report and the interim and annual reports published subsequently, in 2011, a Japanese customer (the “**Claimant**”) filed a request for arbitration enclosing a statement of claim against Capxon Electronic Industrial Company Limited (the “**Subsidiary**”), a non-wholly owned subsidiary of the Company, to The Japan Commercial

Arbitration Association (the “**Arbitration Association**”) in Japan (the “**Arbitration Proceedings**”) in relation to a claim of JPY 1,412,106,000 (equivalent to approximately RMB84,642,000) suffered by the Claimant with respect to certain alleged defective electrolytic capacitors supplied by the Subsidiary together with interest accrued thereon from 1 January 2011 up to the settlement date at 6% per annum and all arbitration related expenses. The Subsidiary rejected the claim by the Claimant and filed a request for arbitration to counterclaim JPY60,000,000 (equivalent to approximately RMB3,596,000) from the Claimant for the damages caused, with interest from 17 November 2011 up to the settlement date at 6% per annum and all arbitration related expenses.

On 9 August 2014, the Subsidiary received the arbitral award (the “**Arbitral Award**”) from the Arbitration Association which requires the Subsidiary to compensate the Claimant damages in an aggregate sum of:

- (i) damages of JPY2,427,186,647 (equivalent to approximately RMB145,486,000);
- (ii) interest on deferred payment of (i) above and such interest is calculated at 6% per annum on (a) JPY1,311,973,002 (equivalent to approximately RMB78,640,000) accrued from 1 January 2011 until payment in full; (b) JPY942,366,339 (equivalent to approximately RMB56,486,000) accrued from 1 July 2012 until payment in full and (c) JPY172,847,306 (equivalent to approximately RMB10,360,000) accrued from 1 December 2012 until payment in full; and
- (iii) arbitration related expenses of JPY23,618,062 (equivalent to approximately RMB1,416,000),

collectively the “**Awarded Sum**”.

Since the Arbitral Award is written in Japanese, the Company required some time to arrange the translation of the Arbitral Award, gather all relevant documents and comprehend the matter in order to seek legal advice. The Subsidiary is seeking professional legal advice from its legal advisers in respect of the Arbitration Proceedings and the Arbitral Award. The Subsidiary will take further actions including lodging an appeal to the Arbitration Association to defend its position. Further announcement will be made by the Company in the event of any material development regarding the claim as if appropriate in due course.

UPDATE ON PROFIT WARNING

As disclosed in the Profit Warning Announcement, the Group expects to record a loss for the six months ended 30 June 2014 as compared to a profit for the corresponding period in 2013. The adverse factors as mentioned in the Profit Warning Announcement have persisted.

The Board further wishes to update the shareholders and potential investors of the Company that in light of the Arbitral Award awarding the Awarded Sum against the Subsidiary, the Group expects to record an additional significant loss of approximately RMB170,862,000 as a result of such probable compensation of damages as set out in the Arbitral Award in addition to the loss as mentioned in the Profit Warning Announcement for the six months ended 30 June 2014.

The expectation of a loss as mentioned in the Profit Warning Announcement for the six months ended 30 June 2014 was made based on a preliminary assessment by the Board of the unaudited management accounts of the Group which have not been reviewed by the Company's auditors. Subsequent to the issue of the Profit Warning Announcement, the Subsidiary received the Arbitral Award and after making the necessary accounting adjustments in the latest management accounts, the Board advised that the Group is likely to record an additional significant loss as a result of the

probable compensation of damages as set out in the Arbitral Award in addition to the loss as mentioned in the Profit Warning Announcement.

This announcement is only based on the preliminary calculations by the Board in accordance with the management accounts of the Group and is not based on any figures or information audited or reviewed by the Company's auditors. Shareholders and potential investors of the Company are advised to carefully read the interim report of the Company for the six months ended 30 June 2014, which is expected to be published on the website of the Company at www.capxongroup.com and on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk in September 2014.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

This announcement contains translation of JPY to RMB at the rate of JPY1 = RMB0.05994 for the purpose of illustration only. The translation shall not be taken as representation that any amounts in JPY or RMB could be converted at such rate or at any other rate.

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

Hong Kong, 15 August 2014

As at the date of this announcement, the Board is composed of four executive directors, namely Mr. Lin Chin Tsun (Chairman and President), Ms. Chou Chiu Yueh (Vice President), Mr. Lin Yuan Yu (Chief Executive Officer) and Ms. Lin I Chu, one non-executive director, namely Ms. Liu Fang Chun and three independent non-executive directors, namely Mr. Lai Chung Ching, Mr. Lu Hong Te and Mr. Tung Chin Chuan.