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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)

website: www.capxongroup.com

**INSIDE INFORMATION
SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
UPDATES ON COURT PROCEEDINGS**

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited (the “**Listing Rules**”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to (i) the announcement of the Company dated 20 August 2020 (the “**20 August Announcement**”) and (ii) the joint announcements issued by the Company and Value Management Holding Limited (the “**Offeror**”) dated 5 June 2020, 26 June 2020 and 27 July 2020, respectively (collectively, the “**Privatisation Announcements**”), in relation to, among other things, the proposed privatisation of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the 20 August Announcement and the Privatisation Announcements.

Further to the 20 August Announcement, the Company would like to inform its shareholders and potential investors as set forth below:

IMPACT OF THE INJUNCTION ORDER ON THE GROUP'S BUSINESS OPERATIONS

To the best knowledge, information and belief of the board of directors of the Company (the “**Board**”) having made all reasonable enquiries, as at the date of this announcement, the Board is of the view that the Injunction Order (as amended by the 7 August Order) does not have an adverse impact on the Group’s business operations as a whole in view of the following reasons:

- (1) The Injunction Order is made against the Company (an investment holding company) and Lancom Limited (an inactive indirect non-wholly owned subsidiary of the Company). As both the Company and Lancom Limited are not carrying on active business activities, the overall business operations and affairs of the Group are not affected or otherwise impeded by the Injunction Order.
- (2) As stated in the 20 August Announcement, Lancom Limited (as 1st Respondent) and the Company (as 2nd Respondent) may spend HK\$10,000 and HK\$250,000 respectively per week on ordinary and proper business expenses and the Respondents may each spend HK\$500,000 lump sum on legal advice and representation. The Board considers that the aforementioned spending limits on ordinary business expenses and legal advice (the “**Spending Limits**”), subject to the Respondents’ right to apply to the HK Court at any time to vary the Spending Limits pursuant to the Injunction Order, are sufficient for the present operations of the Group. Further, should the need to increase the Spending Limits arise, the Respondents, as provided for in the Injunction Order, may seek agreement with the Claimant’s solicitors for such variation.
- (3) Since the grant of the Injunction Order on 30 July 2020 and up to the date of this announcement, the Board is not aware of any adverse impact on the Group’s business operations as a result of the Injunction Order.

Notwithstanding the aforesaid, the Company is in the process of preparing the necessary documents with its legal advisers for the upcoming substantive hearing on 7 October 2020.

IMPACT OF THE INJUNCTION ORDER ON THE COMPANY'S PROPOSAL FOR PRIVATISATION BY WAY OF SCHEME OF ARRANGEMENT

The Company has obtained an opinion from its legal counsel as to the impact of the Injunction Order on the Proposal. As advised by the legal counsel, from a Hong Kong law perspective, 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.

Further, in view that the process of implementing the Proposal is still ongoing, the Company sought to vary the Injunction Order so that various expenses in respect of various professional services may continue to be incurred in connection with the Proposal and settled by the Company. At the Return Date Hearing, the HK Court made an order to the effect that the Respondents are allowed to spend HK\$3,500,000 on professional expenses relating to the Proposal, which is considered by the Board to be sufficient for the present requirements. As such, the Board is of the view that the continued incurrence and expenditure of professional service fees, which are necessary for the continuation and completion of the Proposal, will not be hindered by the Injunction Order.

Based on the foregoing, as at the date of this announcement, the Board is of the opinion that the Injunction Order does not have an adverse impact on the business operations and Proposal of the Group.

The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules to keep its shareholders and potential investors informed of any significant development in relation to the Injunction Order.

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

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

Hong Kong, 23 August 2020

As at the date of this announcement, the Board comprises 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. Hsieh King-Hu, Miles, Mr. Lu Hong Te and Mr. Tung Chin Chuan.