

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

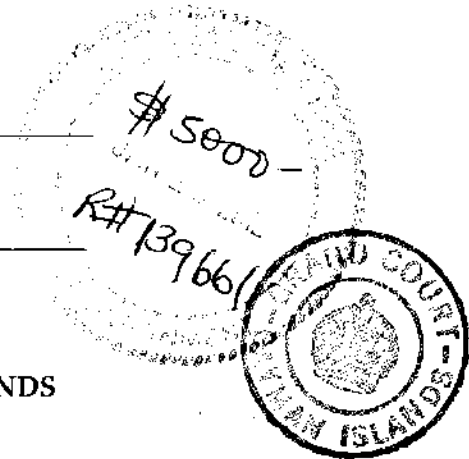
CAUSE NO: FSD 0008 OF 2011

IN THE MATTER OF THE COMPANIES LAW (2011 REVISION) (AS AMENDED)

AND IN THE MATTER OF DYXNET HOLDINGS LIMITED



PETITION



TO: THE GRAND COURT OF THE CAYMAN ISLANDS

THE HUMBLE PETITION of Current Ventures II Limited (in voluntary liquidation) of East Asia Chambers, P.O. Box 901, Road Town, Tortola, British Virgin Islands and Current Ventures IIA Limited of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands shows that:

The Company

1. Dyxnet Holdings Limited (the "Company") was incorporated on 30th October 2000 and its registered office is at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands.
2. The Company is the holding company for a group of companies involved in the business of IP Network Services (also known as Virtual Private Networks ("VPN")) for corporate customers in the Greater China Region (China ("PRC"), Hong Kong

and Taiwan) that offer cost effective and innovative manager access, web hosting and value added services (referred to collectively below as “the Group”).

3. The authorized share capital of the Company is US\$4,000,000 divided into 400,000,000,000 shares of US\$0.0001 each.
4. The issued share capital as of 31st October 2011 was US\$3,481.3565 divided into 34,813,565 shares of US\$0.0001 each.
5. Following a purported rights issue (the “Rights Issue”) on 1st November 2011 the issued share capital became US\$351,610.1641 divided into 3,516,101,641 shares of US\$0.0001 each.
6. The principal objects for which the Company was established are unrestricted.

Management of the Company

7. The Directors of the Company prior to 3rd January, 2012 comprised Mr. Peter Mok representing the Petitioners, Mr. Lap Man (“Mr. Man”), Mr. Li Chun Wai (“Mr. Li”), Mr. Kenneth Lam (“Mr. Kenneth Lam”), Mr. Alex Fang (“Mr. Fang”) and Mr. John Zhao (“Mr. Zhao”). Mr. Man is the chief executive officer of the Company and prior to the Rights Issue was a 5.158% shareholder of the Company. Mr. Li represents management and, prior to the Rights Issue, was an approximate 1.863% shareholder of the Company. Mr. Kenneth Lam represents the interests of Gigabyte International Holdings Ltd. (“Gigabyte”) which was prior to the Rights Issue, a 4.152% shareholder of the Company. Mr. Kenneth Lam is chief executive officer of Quam Limited (“Quam”), a company listed on The Stock Exchange of Hong Kong Limited and a 47.7% owner of Gigabyte. Mr. Alex Fang represents Luzon Investment Ltd and eGarden I (the “Fang Companies”), which prior to the Rights Issue, were together 30.783% shareholders of the Company. Mr. John Zhao also represented the

Fang Companies as a Director until his resignation on 5 November 2011. From time to time, Mr. Kenneth Lam has appointed Mr. Chin Man, Mr. Man's brother ("Mr. Chin Man") as his proxy at Board Meetings. Mr. Chin Man was formerly a Director. However, as a condition of the Funds' investment in the Company, he was required to step down from the Board due to perceived conflicts of interest with Mr. Chin Man's other businesses. Mr. Chin Man through Megaroute Ltd. ("Megaroute") and Prestige Idea Limited (together with Megaroute, the "Chin Man Companies") held a 14.25% shareholding in the Company prior to the Rights Issue. Megaroute acquired its ownership in the Company from Net Zone Group Limited whose representative was Ms. Grace Sardjono, the wife of Mr. Chin Man. Mr. Chin Man has previously served on the board of Quam and Ms. Gracc Sardjono was previously a significant shareholder of Quam.

8. On 3rd January 2012 Peter Mok was removed as a director.
9. The Company's articles of association (the "Articles") vest the authority to manage the Company's business in the Board in so far as such powers are not required to be exercised by the Company in a general meeting.

Ownership Structure

10. Prior to the Rights Issue, the Petitioners held approximately 26% of the issued share capital and the other significant shareholders were:

Giagabyte International Holdings Ltd.	4.152%	}
Chinney Development Ltd.	4.816%	} Lam
Luzon Investments Ltd.	20.168%	}
eGarden1	10.615%	} Fang
Intelligent Capital Assets Ltd.	5.786%	}
Totteridge Group Ltd.	5.745%	} Webb
Lap Man	5.158%	

Megaroute Ltd.	7.059%	}
Prestige Idea Ltd.	7.181%	} Chin Man

11. The Company was a closely held quasi-partnership type Company in which as of 31st October 2011, the Petitioners owned a 26% shareholding with the other main blocks being the Fang Companies 31%, the Chin Man Companies 14%, two companies controlled by a Mr. David Webb's 11% and two companies connected to Kenneth Lam 9%.

12. The Petitioners had a legitimate expectation that they would have a say in the management of the Company and that their investment in the Company would not be materially prejudiced by the actions of the management and the majority shareholders.

The Petitioners

13. The Petitioners are two closed ended investment funds which are managed by KLM Capital of 301 SBI Centre, 54-58 Des Voeux Road Central, Hong Kong, People's Republic of China ("KLM").

14. The First Petitioner entered voluntary liquidation on 8th August 2011, as provided in its constitutional documents and the Second Petitioner will do so for the same reasons in October 2012

15. In January 2001, the Petitioners made an original investment in the Company by way of a bridge loan followed by a subscription for preference shares ("Preference Shares") in March 2001.

16. The Preference Shares were purchased for US\$5,671,933, on the express material representation by the Company that the preferential rights would include a

liquidation preference and the right to appoint two directors of the Company out of seven.

17. Subsequent investments were made by the Funds in 2002 and 2003 so that prior to the events which occurred in May 2011 as set out below, the Petitioners held 38,870 Ordinary Shares and 9,023,229 Preference Shares and had the rights to appoint 2 directors out of 7.

Oppression and Unfairly Prejudicial Conduct

18. During the course of 2011 actions have been taken by the management of the Company and certain directors and shareholders aligned to management apparently orchestrated by Lap Man to effectively force the Petitioners out of the Company, by reducing their economic interest in the Company to a derisory amount thereby confiscating their investment and then finally removing Peter Mok from the Board.
19. This has occurred against the background of a possible sale of the Company or its assets in whole or in part to France Telecom ("Orange"), for a price which would represent a significant return on investment for the shareholders.

Events of May 2011

20. On 27 May 2011, the Company received conversion requests from holders of Preference Shares representing more than 50% of the Preference Shares in issue to convert their Preference Shares into ordinary shares ("Ordinary Shares") in accordance with article 9(c) of the Articles.
21. The following shareholders made that request:
 - (i) Gigabyte
 - (ii) the Fang Companies

- (iii) Mr. Li,
- (iv) the Chin Man Companies
- (v) Yeung Hei Pok (a founder and part of management of the Company)
- (vi) Chow Yick (a founder and part of management of the Company)
- (vii) Chinney Development Ltd.

22. Pursuant to Article 9(c)(xi)(B) of the Articles, the conversion request triggered a mandatory conversion ("Mandatory Conversion") of all Preference Shares into Ordinary Shares, including those Preference Shares held by the Funds.
23. At the time, the Funds objected to the Mandatory Conversion on the basis that there was no commercial reason for the Preference Shares to be converted taking into account the preferential dividend, return of capital, voting rights and director appointment rights attached to them. The Petitioners were concerned that nine different shareholders had filed conversion notices simultaneously without consulting them which appeared to indicate that a block of shareholders were acting in concert for an ulterior motive to the detriment of the Petitioners.
24. This Mandatory Conversion was done after a decision was made by the Funds to replace one of its representative Directors, Chay Kwong Soon, with Mr. Alfred K. L. Li. This decision was communicated by the Funds on 26 April 2011 to Mr. Man as chief executive officer with a request for paperwork to be prepared to arrange for the change. Mr. Man for a month refused to proceed with this request. The Funds' right to appoint two Directors was agreed in accordance with clause 2.8 of an Investors Rights Agreement entered into in 2004. These appointment rights were extinguished as part of the Mandatory Conversion. It is to be inferred that this was a retaliatory manoeuvre orchestrated by Mr. Man and those aligned to management.

Lack of Corporate Governance

25. On 3 October 2011 Lap Man provided to Peter Mok a copy of the audited accounts for the Company and its Hong Kong subsidiary, Diyixian.com Limited (“DYX Hong Kong”). The audited accounts were dated 18 July 2011. They were recorded as having been audited by Hong Kong audit firm HLB Hodgson Impey Cheng and signed by Lap Man and Mr. Li.
26. Although stated to have been approved by the Board, this was the first time that Peter Mok had seen them. Additionally, the audited accounts contained a statement of responsibility whereby the Directors collectively took responsibility for the accounts.
27. Peter Mok has repeatedly been denied access to an up to date structure diagram of the Company and its operating subsidiaries.

Orange Negotiations

28. Since February 2011, Lap Man has been in discussions with investment bankers from China Renaissance Capital (“Renaissance”) on behalf of Orange with a view to them acquiring a shareholding in the Group.
29. The initial proposal in April 2011 was for Orange to acquire a minimum of 40% and a maximum of 49% of the Group on terms which valued the business at HK\$238,000,000 (US\$30,512,820).
30. In October 2011, through Renaissance, Orange made a new proposal to acquire 100% of the Group at a consideration of HK\$273,000,000 (approximately US\$35,000,000), which was a valuation of 10.8 times the Company’s 2010 earnings before interest, tax depreciation and amortization.

31. The price was net of current cash or debt in the Group and it was expected that there would be approximately HK\$17,000,000 to HK\$20,000,000 (US\$2,179,487 – US\$2,564,102) which meant that the total valuation of the Group taking into account cash would be between approximately HK\$290,000,000 to HK\$293,000,000 (US\$37,179,487 –US\$37,564,102). As part of the proposal, Orange would separately agree terms with Lap Man and management in order to retain and incentivise management with the potential for management ultimately to reach a 49% shareholding in the Group.
32. The proposed sale to Orange would be by way of a sale by the Company of DYX Hong Kong, the intermediate holding company through which the Company holds its operating subsidiaries. Such a sale could be approved by the Board under the Articles.

The Rights Issue

33. On 18th October 2011, a Board meeting was held at which the Board approved by a majority (Peter Mok dissenting) a Rights Issue on terms which valued the Company at a nominal sum of HK\$1,200,000 (approximately US\$153,846).
34. The Board refused to consider a request by Peter Mok to have an independent valuation of the Group carried out by an investment bank.
35. The valuation of the Group for a nominal amount by the directors was a breach of fiduciary duty which was not and could not be ratified by the approval of a majority of shareholders in a general meeting of the Company.

36. The Rights Issue was designed to raise approximately HK\$120,002,358 (US\$15,384,917) by way of an offer of 100 rights shares ("Rights Shares") for each share held in the Company at a subscription price of HK\$0.03447.
37. The Company has not provided any proper explanation as to what is intended to be done with the proceeds from the Rights Issue. The Rights Issue is being proposed in connection with a possible investigation by PRC authorities and the levying of a potential fine. The stated intent is not for the proceeds to be used to pay for a fine but to "avoid" a fine. The Company has not explained clearly what lawful purpose the Company proposes to "avoid" a fine being levied which requires the payment of such a significant amount of money. It is to be inferred that there is no such purpose.
38. At a general meeting of the Company a majority of shareholders approved the Rights Issue put forward by the Board. The majority comprised 16 shareholders representing 73.7%. The petitioners representing 26.02%, voted against.
39. On 25th October, 2011 the Petitioners put the Company on notice that unless the Company agreed not to proceed with the Rights Issue the Petitioners intended to seek injunctive relief and subsequently gave notice of the hearing for injunctive relief on 2nd November 2011. With express knowledge that the Petitioners were seeking injunctive relief on 2nd November 2011, on 1st November 2011 the Board accelerated the issue of the Rights Shares and altered the Company's share register that day notwithstanding that they had not received full payment for the Rights Shares in a deliberate attempt to present the Court with a *fait accompli* and thwart any injunction. This was a further breach of fiduciary duty and evidence of the true motive for the Rights Issue.
40. As a result of the Rights Issue the combined interest in the Company of five shareholders, Intelligent Capital Assets Ltd. ("Intelligent Capital"), Lap Man,

Totteridge Group Ltd. ("Totteridge"), Prestige Idea Ltd. ("Prestige Idea") and Megaroute Ltd. ("Megaroute") increased from 35% to 60.67%. The combined percentages of Intelligent Capital and Totteridge went from 11.53% to 19.29% and the Chin Man Companies went from 14.24% to 30.96%.

41. From the date of their original acquisition of their shareholdings in the Company, Intelligent Capital and Totteridge have been controlled by Mr. David Webb, an investment manager, but shortly before the Rights Issue he sold his interests in those Companies to an unknown purchaser. It is to be inferred from the timing and circumstances of that sale that the purchaser was or was connected with Lap Man and the management of the Company and/or the other majority shareholders, and that the purchase price was substantially in excess of the price of the Rights Issue.
42. Also shortly before the Rights Issue Luzon Investment Ltd., a company controlled by Samuel Fang and the father of Alex Fang, withdrew a previous indicated offer to assist the Petitioners with their Rights Issue subscription.
43. The Petitioners have commenced action FSD No. 177 of 2011 (AEFJ) for a declaration that the Rights Issue is invalid.

Removal of Peter Mok from the Board

44. On 3rd January 2012, at an extraordinary general meeting ("EGM") of the Company convened by the Board on 19th December 2011 following a request from a Hong Kong law firm stating it represented certain shareholders, namely Totteridge Group Limited and Intelligent Capital Assets Limited.
45. The Board convened the EGM on the basis that it was a requisition by a shareholder under the Company's Articles of Association ignoring the fact that the requisition was invalid as it had not been signed by the registered shareholders.

Lack of Alternative Exit

46. If successful in action FSD 177 of 2011, there will nevertheless be no viable exit available to the Petitioners unless the majority shareholders are willing to purchase their shares for a fair and proper price.

47. On 30th December 2011, the Petitioners, by their attorneys, wrote to the Company, by its attorneys, offering to sell its shares to the Company or to the majority shareholders for a consideration of US\$9.8M representing the valuation of the Company contained in the latest Orange proposal of October 2011, which the Petitioners say is the true valuation of the Company as at 31st October 2011 and the time of the Rights Issue. The Company has failed to respond.

48. For the reasons set out in this Petition the management and the majority shareholders have acted and continue to act in a manner which is oppressive and unfairly prejudicial towards the Petitioners and management and the majority directors have breached their fiduciary duties to the Company.

49. The Petitioners have justifiably lost confidence in the management and the Board to manage the Company's affairs in the best interests of all its members including the Petitioners.

50. It would in all the circumstances be unjust and inequitable to require the Petitioners to continue as members of the Company.

51. By reason of the facts and matters set out in this Petition, it is just and equitable that the Company be wound up.

YOUR PETITIONERS THEREFORE HUMBL Y PRAY THAT:

- (1) The Company be wound up in accordance with the Companies Law (2011 Revision) (As Amended);
- (2) David Walker and Ian Stokoe both of PWC Corporate Finance and Recovery (Cayman) Limited of Strathvale House, North Church Street, P.O. Box 258, Grand Cayman KY1-1104 be appointed as the Joint Official Liquidators of the Company;
- (3) Alternatively, an order be made under section 95(3) of the Companies Law (2011 Revision) (As Amended) providing for the purchase of the pre-Rights Issue shares of the Petitioners by other members or by the Company itself, and in the case of a purchase by the Company itself, a reduction of the Company's capital accordingly;
- (4) Such further or other relief as the Court considers appropriate;
- (5) The costs of and incidental to this Petition be paid forthwith out of the assets of the Company.

AND your Petitioners ever pray

DATED this 20th day of January 2012

Filed this 20th day of January 2012



Conyers, Dill & Pearman

Attorneys at Law for the Petitioners

Note: This petition is intended to be served on the Company at its registered office

This Petition was presented by Conyers, Dill & Pearman Boundary Hall, Cricket Square George Town, Grand Cayman attorneys at law for the Petitioners whose address for service is c/o their attorneys