

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION



173
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 O-NET TECHNOLOGIES (GROUP) LIMITED 昂納科技 (集團) 有限公司



PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of O-Net Technologies (Group) Limited 昂納科技 (集團) 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, O-Net Technologies (Group) Limited 昂納科技 (集團) 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 “OCW-1” to the first affirmation of Ong Chor Wei which will be sent to, among others, the Disinterested 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\$0.01 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 principally engaged in the design, manufacturing and sale of optical networking products for the high-speed telecommunications and data communications systems as well as machine vision systems and sensors for smart manufacturing market.
3. The Company was incorporated under the name of O-Net Communications (Group) Ltd. on 12 November 2009 under the Companies Law as an exempted company with registration number 233292. On 14 December 2009, the Company changed its name from "O-Net Communications (Group) Ltd." to "O-Net Communications (Group) Limited 昂納光通信（集團）有限公司". On 4 December 2015, the Company further changed its name from "O-Net Communications (Group) Limited 昂納光通信（集團）有限公司" to "O-Net Technologies (Group) Limited 昂納科技（集團）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 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 Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Unit 1608, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

Share Capital and Listing

6. As at 23 July 2020 (the "**Latest Practicable Date**"), the Company has an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of par value HK\$0.01 each (the "**Shares**"), of which 834,028,240 Shares have been issued and fully paid-up or credited as fully paid-up and the remainder are unissued.
7. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 29 April 2010.
8. As at the Latest Practicable Date, Optical Beta Limited (the "**Offeror**") has no shareholding interest in the Company. As at the Latest Practicable Date, 461,620,070 Shares (representing approximately 55.35% of the total number of issued Shares) are legally and/or beneficially owned by the parties acting in concert with the Offeror or presumed to be acting in concert with the Offeror (the "**Offeror Concert Parties**"), as such term "acting in concert" is defined under the Code on Takeovers and Mergers of Hong Kong (the "**Takeovers Code**").
9. The Offeror Concert Parties that hold Shares as at the Latest Practicable Date are Mandarin Assets Limited ("**Mandarin Assets**"), O-Net Holdings (BVI) Limited ("**O-Net BVI**"), O-Net Share Award Plan Limited ("**O-Net SAPL**"), HC Capital Limited ("**HC Capital**") and Kaifa Technology (H.K) Limited ("**Kaifa**").
10. Mandarin Assets is a business company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr Na Qing Lin ("**Mr Na**"), the chairman and the executive Director.
11. O-Net BVI is a business company incorporated in the British Virgin Islands with limited liability of which Mr Na has control over 30% of its voting rights as at the Latest Practicable Date.
12. O-Net SAPL is a business company incorporated in the British Virgin Islands with limited liability and is wholly-owned by O-Net BVI.

13. HC Capital is wholly-owned by Hsin Chong International Holdings Limited, which is in turn held as to 79.1% by HSBC Trustee (HK) Limited as the executor of the will of the late Dr. Meou-tsen Geoffrey Yeh.
14. Kaifa is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen Kaifa Technology Co., Ltd, a company incorporated in the People's Republic of China and listed on the Shenzhen Stock Exchange (stock code: 21).
15. Other than the Shares that are held by the Offeror Concert Parties mentioned above, as at the Latest Practicable Date, there are 372,408,170 Shares (representing approximately 44.65% of the total number of issued Shares) held by disinterested holders of Shares (the "**Disinterested Shareholders**") which can vote on the Scheme of Arrangement.
16. On the assumption that there is no other change in shareholdings in the Company from the Latest Practicable Date up to the Effective Date (as defined in the Scheme of Arrangement), the profile of the holders of the Shares (the "**Shareholders**") as at the Effective Date is expected to be as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	%	Number of Shares	%
Offeror	--	--	834,028,240	100
Offeror Concert Parties				
Mandarin Assets	5,232,000	0.63	--	--
O-Net BVI	228,373,383	27.38	--	--
O-Net SAPL	54,105,450	6.49	--	--
Kaifa	171,121,237	20.52	--	--
HC Capital	2,788,000	0.33	--	--
Aggregate number of Shares not voting on the Scheme of Arrangement	461,620,070	55.35	--	--

Disinterested Shareholders (aggregate number of Shares voting on the Scheme of Arrangement)	372,408,170	44.65	--	--
Total Shares in Issue	834,028,240	100	834,028,240	100
Total number of Scheme Shares (which represent all issued Shares)	834,028,240	100	--	--

All percentages in the above table are approximations.

Information of the Offeror and the Offeror Concert Parties

17. The Offeror is a business company incorporated in the British Virgin Islands with limited liability on 19 March 2020. Its registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Offeror is held as to 82.21% by Optical Alpha Limited ("**Optical Alpha**") and 17.79% by Kaifa as at the Latest Practicable Date. Optical Alpha is a business company incorporated in the British Virgin Islands with limited liability and as at the Latest Practicable Date, is owned as to 3.16% by Mandarin Assets, 56.90% by O-Net BVI, 13.48% by O-Net SAPL and 26.46% by LVC Technology Legend Limited (a company incorporated in the Cayman Islands with limited liability and is wholly owned by LVC Prime LP, an exempted limited partnership of the Cayman Islands).
18. Each of the Offeror and the Offeror Concert Parties that hold Shares (namely, Mandarin Assets, O-Net BVI, O-Net SAPL, HC Capital and Kaifa) has provided its undertaking to be bound by the terms of the Scheme of Arrangement.

Purpose of the Scheme of Arrangement

19. The purpose of the Scheme of Arrangement is to privatise the Company so that the

Offeror will own 100% of the Company. This will be achieved by the steps summarised in paragraph 20 below.

Principal Features of the Scheme of Arrangement

20. The principal features of the Scheme of Arrangement are:
- a. the Capital Reduction, by the cancellation and extinguishment of the Scheme Shares held by the Scheme Shareholders pursuant to the Scheme of Arrangement, in consideration of which the Scheme Shareholders will receive HK\$6.50 for each Scheme Share cancelled and extinguished (the "**Cancellation Price**") in the form of (a) cash for Disinterested Shareholders and HC Capital; (b) in the form of "Kaifa Cancellation Consideration" for Kaifa; or (c) in the form of "Mr Na Related Shareholders Cancellation Consideration" for Mandarin Assets, O-Net BVI and O-Net SAPL. "Kaifa Cancellation Consideration" refers to the consideration to be received by Kaifa for the cancellation and extinguishment of its 171,121,237 Scheme Shares under the Scheme of Arrangement, which consists of (1) cash (at the Cancellation Price) in exchange for the cancellation and extinguishment of 60,000,000 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa and (2) the crediting of the unpaid shares in the Offeror held by Kaifa as fully paid in exchange for the cancellation and extinguishment of 111,121,237 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa. "Mr Na Related Shareholders Cancellation" refers to the consideration to be received by Mandarin Assets, O-Net BVI and O-Net SAPL for the cancellation and extinguishment of their in aggregate 287,710,833 Scheme Shares under the Scheme of Arrangement, which consists of the crediting of 287,710,833 unpaid shares in the Offeror held by Optical Alpha as fully paid and in turn, for Optical Alpha crediting of the unpaid shares in Optical Alpha held by Mandarin Assets, O-Net BVI and O-Net SAPL as fully paid;
 - 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 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 at the Effective Date (as defined in the Scheme of Arrangement) (the "**Restoration of Capital**"); and

- c. the credit arising in the books of account of the Company as a result of the Capital Reduction resulting from the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme of Arrangement 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 at the Effective Date, which shall be allotted and issued to the Offeror as mentioned in paragraph 20(b) above.

- 21. The Scheme of Arrangement is conditional upon the Capital Reduction becoming effective.

Reasons for the Scheme of Arrangement

Low liquidity of the Shares

- 22. The liquidity of the Shares has been at a relatively low level over a prolonged period of time, with an average daily trading volume of 1,491,740 Shares for the 24 months up to and including 3 July 2020 (the "**Last Trading Day**"), representing less than 0.18% of the total issued Shares as at the Last Trading Day. Low trading liquidity of the Shares renders it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. Further, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of Somerley Capital Limited, the independent financial adviser) believe that such low liquidity hinders the Company's ability to raise funds from the public equity market, which no longer serves as a viable source of funding for developing the Group's business.

Attractive opportunity to realise investments

- 23. The Scheme of Arrangement is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments and interests in the Company for cash at a premium. The Cancellation Price represents a premium of approximately (i) 23.57%

over the closing price of the Shares on the Last Trading Day; (ii) 25.68% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 24.56% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 34.26% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (v) 43.18% over the average closing price of the Shares for the 180 trading days up to and including the Last Trading Day; (vi) 19.27% over the average closing price of the Shares for the 52-week closing high; and (vii) 128.85% over the audited consolidated net asset value per Share as at 31 December 2019.

24. After careful consideration, a committee of the Board of Directors of the Company (with the independent non-executive Directors, Mr Deng Xinping and Mr Zhao Wei, as members) (the "**Committee**") believes that the terms of the Scheme of Arrangement are fair and reasonable and that the implementation of the Scheme of Arrangement is in the interests of the Scheme Shareholders. Accordingly, the Committee approved the Scheme of Arrangement.
25. Under the Takeovers Code, persons deemed to be acting in concert with the Offeror in connection with the implementation of the Scheme of Arrangement and who are also Shareholders shall not be counted (unless permitted by the Securities and Futures Commission of Hong Kong (the "**SFC**")) for the purposes of satisfying the voting requirements of the Takeovers Code. The Shareholders who are parties acting in concert with the Offeror will not vote on the Scheme of Arrangement at the Court Meeting (as hereinafter defined) and all Disinterested Shareholders will be entitled to vote at the Court Meeting.
26. 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 Scheme Shareholders but only the Disinterested Shareholders shall be entitled to vote (as single class) at the Court Meeting (as defined below);

- b. the Company be at liberty to convene and hold a court meeting of the Disinterested 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 Disinterested 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.
27. The Company proposes to convene the Court Meeting in accordance with section 86 of the Companies Law to be held on or around 30 September 2020 or as soon as possible after the Composite Scheme Document has been approved or cleared by the Hong Kong Stock Exchange and the SFC at which the following resolution (with such amendment(s) as may be approved at the Court Meeting) will be considered (each of the capitalised terms referred to in the resolution below are defined in the Composite Scheme Document):

*“THAT a scheme of arrangement (the “**Scheme of Arrangement**”) dated 2020 between the Company and the Scheme Shareholders (as defined in 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.”*

28. The Shareholders who are persons acting in concert with the Offeror in connection with the implementation of the Scheme of Arrangement will not vote at the Court Meeting.
29. 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.”

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

SPECIAL RESOLUTION

(1) **THAT:**

- a. pursuant to a scheme of arrangement dated 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 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 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 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\$0.01 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 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.
31. 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 member of the Company 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. It is to be noted that the Capital Reduction and the Restoration of Capital will occur simultaneously. 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 to dispense with preparing a list of creditors.

32. The form of 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\$0.01 each (the "**Shares**") in the share capital of O-Net Technologies (Group) Limited 昂納科技（集團）有限公司 was 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 O-Net Technologies (Group) Limited 昂納科技（集團）有限公司 was restored to HK\$ by allotting and issuing to Optical Beta Limited, credited as fully paid at par, Shares.*

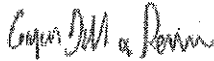
The authorised share capital of the Company, on the registration of this Minute, is HK\$100,000,000 divided into 10,000,000,000 ordinary shares of par value HK\$0.01 each."

33. 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.
34. 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 32 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 29th day of July 2020



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

NOTE: It is intended to serve this Petition on O-Net Technologies (Group) Limited 昂納科技 (集團) 有限公司 at its registered office located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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.