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OPTICAL BETA LIMITED

(incorporated in the British Virgin Islands with limited liability)

O-NET TECHNOLOGIES (GROUP) LIMITED

昂納科技(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 877)

JOINT ANNOUNCEMENT

**(1) PROPOSAL FOR THE PRIVATISATION OF
O-NET TECHNOLOGIES (GROUP) LIMITED BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW**

**(2) PROPOSED WITHDRAWAL OF LISTING OF
O-NET TECHNOLOGIES (GROUP) LIMITED**

**(3) RESUMPTION OF TRADING IN THE SHARES OF
O-NET TECHNOLOGIES (GROUP) LIMITED**

Financial Adviser to the Offeror



1. INTRODUCTION

On 8 July 2020, the Offeror requested the Board to put forward to the Scheme Shareholders the Proposal for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law.

2. TERMS OF THE PROPOSAL

If the Proposal is approved and implemented:

- (a) the Scheme Shares held by the Disinterested Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment of the Cancellation Price of HK\$6.50 in cash for each Scheme Share;
- (b) the 287,710,833 Scheme Shares held by the Mr. Na Related Shareholders will be cancelled and extinguished on the Effective Date in exchange for the Mr. Na Related Shareholders Cancellation Consideration, which consists of the crediting of 287,710,833 unpaid Offeror Shares (representing 46.05% of the Offeror Shares in issue) out of the 513,676,233 unpaid Offeror Shares (representing 82.21% of the Offeror Shares in issue) held by Optical Alpha as fully paid at the Cancellation Price per Offeror Share and in turn, the crediting of the unpaid Optical Alpha Shares held by the Mr. Na Related Shareholders as fully paid at the Cancellation Price per Optical Alpha Share;
- (c) the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished on the Effective Date in exchange for the Kaifa Cancellation Consideration, pursuant to which (i) 60,000,000 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished in consideration for cash at the Cancellation Price and (ii) 111,121,237 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished in consideration for the crediting of the unpaid Offeror Shares held by Kaifa in the Offeror (representing 17.79% of the Offeror Shares in issue) as fully paid at the Cancellation Price per Offeror Share;
- (d) pursuant to paragraphs (a) to (c) above, the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares, and upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished on the Effective Date. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror. The Company will accordingly become a wholly-owned subsidiary of the Offeror on the Effective Date; and
- (e) the listing of the Shares on the Stock Exchange will be withdrawn with effect after the Effective Date.

Cancellation Price

Under the Scheme, the Cancellation Price will be in the amount of HK\$6.50 per Scheme Share payable by the Offeror to the Scheme Shareholders in the form of (i) the Cash Cancellation Consideration in respect of the Disinterested Shareholders; or (ii) the Kaifa Cancellation Consideration in respect of Kaifa; or (iii) the Mr. Na Related Shareholders Cancellation Consideration in respect of the Mr. Na Related Shareholders.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Comparison of value

The Cancellation Price of HK\$6.50 in cash for every Scheme Share cancelled and extinguished under the Scheme represents:

- a premium of approximately 23.57% over the closing price of HK\$5.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 24.66% over the average closing price of approximately HK\$5.21 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 25.68% over the average closing price of approximately HK\$5.17 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 24.56% over the average closing price of approximately HK\$5.22 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 34.26% over the average closing price of approximately HK\$4.84 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 43.18% over the average closing price of approximately HK\$4.54 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 19.27% over the 52-week closing high of HK\$5.45 per Share as quoted on the Stock Exchange; and
- a premium of approximately 128.85% over the audited net asset value per Share attributable to the Shareholders of approximately HK\$2.84 as at 31 December 2019.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the prices of the Shares traded on the Stock Exchange and with reference to the trading multiples of comparable companies.

3. FINANCIAL RESOURCES

Taking into account that the Mr. Na Related Shareholders will not receive the Cancellation Price in cash for the 287,710,833 Scheme Shares held or controlled by the Mr. Na Related Shareholders, and Kaifa will not receive the Cancellation Price in cash for the 111,121,237 Scheme Shares out of 171,121,237 Scheme Shares held or controlled by Kaifa under the Scheme, the Scheme would involve making an offer to cancel and extinguish the remaining 60,000,000 Scheme Shares held by Kaifa and the 375,196,170 Scheme Shares held by the Disinterested Shareholders in exchange for the Cancellation Price in cash. Therefore, the maximum total amount of cash required to effect the Proposal is approximately HK\$2,828.78 million.

CICC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal in accordance with its terms.

4. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect after the Effective Date.

The Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed expected timetable of the implementation of the Proposal will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

5. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among other things, details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the rules of the Grand Court, information regarding the Company, the recommendations of the Independent Board Committee with respect to the Proposal, the letter of advice from the Independent Financial Adviser, notices of the Court Meeting and the EGM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the rules of the Grand Court, the orders of the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and Shareholders are urged to read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting and/or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

6. RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 6 July 2020 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 9 July 2020.

WARNINGS

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This joint announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company or of the Offeror in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details on how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Details in relation to overseas Shareholders will be contained in the Scheme Document.

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- (c) the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished on the Effective Date in exchange for the Kaifa Cancellation Consideration, pursuant to which (i) 60,000,000 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished in consideration for cash at the Cancellation Price and (ii) 111,121,237 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa will be cancelled and extinguished in consideration for the crediting of the unpaid Offeror Shares held by Kaifa in the Offeror (representing 17.79% of the Offeror Shares in issue) as fully paid at the Cancellation Price per Offeror Share;
- (d) pursuant to paragraphs (a) to (c) above, the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares, and upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished on the Effective Date. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror. The Company will accordingly become a wholly-owned subsidiary of the Offeror on the Effective Date; and
- (e) the listing of the Shares on the Stock Exchange will be withdrawn with effect after the Effective Date.

Cancellation Price

Under the Scheme, the Cancellation Price will be in the amount of HK\$6.50 per Scheme Share payable by the Offeror to the Scheme Shareholders in the form of (i) the Cash Cancellation Consideration in respect of the Disinterested Shareholders; or (ii) the Kaifa Cancellation Consideration in respect of Kaifa; or (iii) the Mr. Na Related Shareholders Cancellation Consideration in respect of the Mr. Na Related Shareholders.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

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- a premium of approximately 24.56% over the average closing price of approximately HK\$5.22 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
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- a premium of approximately 128.85% over the audited net asset value per Share attributable to the Shareholders of approximately HK\$2.84 as at 31 December 2019.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the prices of the Shares traded on the Stock Exchange and with reference to the trading multiples of comparable companies.

3. CONDITIONS TO THE PROPOSAL

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Disinterested Shareholders representing not less than 75% in value of the Shares held by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by all the Disinterested Shareholders;
- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (c) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company;
- (e) approval of the Consortium Agreement and transactions contemplated thereunder by shareholders of Shenzhen Kaifa, the holding company of Kaifa, in accordance with the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange having been obtained;
- (f) all necessary Authorisations which are material in the context of the Group taken as a whole and other registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (g) all necessary Authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal under sub-paragraph (f) above remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with, and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto and which is material and adverse in the context of the Proposal or the Group taken as a whole, in each aforesaid case up to and at the time when the Scheme becomes effective; and

- (h) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group.

With reference to Condition (e), it is currently expected that a shareholders' meeting will be convened by Shenzhen Kaifa within one month from the Announcement Date, at which a resolution will be proposed for considering, and if thought fit, approving the Consortium Agreement and transactions contemplated thereunder in accordance with the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange. Shareholders will be notified by way of announcement upon the fulfilment of Condition (e).

With reference to Conditions (f), (g) and (h), as at the Announcement Date, the Offeror and the Company are not aware of any requirement for such Authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals other than those set out in Conditions (a) to (e).

The Offeror reserves the right to waive Conditions (f), (g) and (h) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d) and (e) cannot be waived in any event. The Company has no right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

Warnings: Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. CONSORTIUM AGREEMENT

On 7 July 2020, the Offeror, Optical Alpha, Mr. Na, the Mr. Na Related Shareholders, the Equity Investor, the Subscription Investor and Kaifa entered into the Consortium Agreement and formed the Offeror Consortium for the purpose of the Proposal. Pursuant to the Consortium Agreement, among other things:

- (a) they agreed that all material actions and decisions relating to the Proposal will be jointly led and made by the Mr. Na Related Shareholders;
- (b) each of the Mr. Na Related Shareholders has irrevocably undertaken and agreed to the cancellation and extinguishment of their respective Scheme Shares (which in aggregate consist of 287,710,833 Scheme Shares) under the Scheme in consideration for the Mr. Na Related Shareholders Cancellation Consideration;
- (c) Kaifa has irrevocably undertaken and agreed to the cancellation and extinguishment of its 171,121,237 Scheme Shares under the Scheme in consideration for the Kaifa Cancellation Consideration;
- (d) each of the Mr. Na Related Shareholders and Kaifa has irrevocably undertaken and agreed that:
 - (i) to the extent permitted under applicable laws, it will vote in favour of the resolutions to be proposed at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company and any resolutions proposed at the EGM to assist the implementation of the Scheme or are necessary for the Scheme to

become effective, and to otherwise support the Scheme and provide such undertakings to the Grand Court as are appropriate and necessary for the Scheme to be approved;

- (ii) it shall not, during the term of the Consortium Agreement and other than in connection with the Proposal: (1) sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) all or any of its Shares or any interest therein; (2) accept or give any undertaking to accept any other offer, merger or other business combination in respect of the Shares; or (3) purchase or acquire any Shares other than with the consent of the Offeror; and
- (iii) it shall not, except to the extent required under the Takeovers Code, the Listing Rules or any applicable laws, take any action which may have the effect of delaying, disrupting or otherwise causing the Scheme not to become effective at the earliest practicable time or at all, or which is or may be prejudicial to the success of the Scheme

(paragraphs (b), (c) and (d) collectively, the “**Mr. Na Related Shareholders and Kaifa Irrevocable Undertakings**”);

- (e) to compensate Mr. Na for the risks that he has undertaken in providing a personal guarantee to secure the Optical Alpha Acquisition Financing and the Offeror Acquisition Financing, (i) the Equity Investor agreed that 7,437,813 unpaid Optical Alpha Shares subscribed by the Equity Investor at the Cancellation Price under the Offshore Subscription Agreement (representing 1.85% of the enlarged issued share capital of Optical Alpha upon completion of the Offshore Subscription Agreement and as at the Announcement Date, and 1.45% of the enlarged issued share capital of Optical Alpha upon completion of the Onshore Subscription Agreement) shall be issued by Optical Alpha to Mandarin Assets, a company wholly-owned by Mr. Na, in its stead (the “**Mandarin Assets Arrangement Part I**”) and (ii) the Subscription Investor agreed that 7,349,467 Optical Alpha Shares subscribed by the Subscription Investor at the Cancellation Price under the Onshore Subscription Agreement (representing 1.43% of the enlarged issued share capital of Optical Alpha upon completion of the Onshore Subscription Agreement) shall be issued by Optical Alpha to Mandarin Assets in its stead (the “**Mandarin Assets Arrangement Part II**”).

As at the Announcement Date, the Mandarin Assets Arrangement Part I has been completed and 7,437,813 unpaid Optical Alpha Shares subscribed by the Equity Investor at the Cancellation Price have been issued to Mandarin Assets. These 7,437,813 unpaid Optical Alpha Shares issued to Mandarin Assets are currently expected to be credited as fully paid upon payment of the subscription price by the Equity Investor in respect of such Optical Alpha Shares in accordance with the terms of the Offshore Subscription Agreement.

The Mandarin Assets Arrangement Part II is expected to be completed at the same time as the completion of the Onshore Subscription Agreement.

For the avoidance of doubt, none of the 7,437,813 Optical Alpha Shares issued to Mandarin Assets pursuant to the Mandarin Assets Arrangement Part I and the 7,349,467 Optical Alpha Shares to be issued to Mandarin Assets pursuant to the Mandarin Assets Arrangement Part II form part of the unpaid Optical Alpha Shares held by Mandarin Assets which are intended to be credited as fully paid pursuant to the Mr. Na Related Shareholders Cancellation Consideration.

The Consortium Agreement shall terminate in accordance with its terms upon the earlier of, among others:

- (a) the Conditions not having been fulfilled or waived (as the case may be) by the Long Stop Date;
- (b) withdrawal or lapse of the Scheme in accordance with the Takeovers Code;
- (c) the date on which the consideration payable by the Offeror in respect of the Scheme is settled in full in accordance with the Scheme Document; or

- (d) expiry of the exclusivity period of the Consortium Agreement or such other date as the relevant parties to the Consortium Agreement otherwise agree in writing. The exclusivity period of the Consortium Agreement has commenced on the date of the Consortium Agreement (i.e. 7 July 2020) and will end on the earlier of (i) the date which is 18 months after the date of the Consortium Agreement, which may be extended as agreed by all parties to the Consortium Agreement in writing; (ii) the termination of the Consortium Agreement pursuant to the terms thereof; (iii) the completion of the Proposal (being the date on which the Cancellation Consideration having been settled in full in accordance with the Scheme Document); and (iv) six months after the date of the Consortium Agreement if the announcement to be published pursuant to Rule 3.5 of the Takeovers Code in respect of the Proposal is not made within six months following the date of the Consortium Agreement.

5. AGREEMENTS RELATING TO OPTICAL ALPHA AND THE OFFEROR

Optical Alpha and the Offeror are investment vehicles through which members of the Offeror Consortium intend to hold their respective investments in the Group after completion of the Proposal, and were formed for the purpose of implementing the Proposal.

As the Mr. Na Related Shareholders, Kaifa, the Equity Investor and the Subscription Investor intended to finance the Proposal through making equity investments (whether by way of cash or in-kind contributions) in Optical Alpha and the Offeror, (i) Optical Alpha, the Mr. Na Related Shareholders and the Equity Investor entered into the Offshore Subscription Agreement on 6 July 2020 for the subscriptions of Optical Alpha Shares by the Mr. Na Related Shareholders and the Equity Investor; (ii) Optical Alpha, the Mr. Na Related Shareholders, the Equity Investor and the Subscription Investor entered into the Onshore Subscription Agreement on 6 July 2020 for the subscription of Optical Alpha Shares by the Subscription Investor; and (iii) the Offeror, Optical Alpha and Kaifa entered into the Offeror Subscription Agreement on 7 July 2020 for the subscriptions of Offeror Shares by Optical Alpha and Kaifa.

As at the Announcement Date, the Offshore Subscription Agreement has been completed, pursuant to which unpaid Optical Alpha Shares have been issued to the Mr. Na Related Shareholders and the Equity Investor, which are intended to be credited as fully paid (i) (in respect of the Mr. Na Related Shareholders) pursuant to the Mr. Na Related Shareholders Cancellation Consideration upon the Scheme becoming effective; and (ii) (in respect of the Equity Investor) upon settlement of the relevant subscription price in cash by the Equity Investor (which is intended to be funded by an irrevocable standby letter of credit issued by Silicon Valley Bank made available to Optical Alpha as the beneficiary, further details of which are set out in the section headed “7. Financial Resources” below) no later than the Business Day immediately following the date on which the Scheme is sanctioned (with or without modifications) by the Grand Court (or such other date as agreed between the Equity Investor and Optical Alpha). Upon completion of the Offshore Subscription Agreement and as at the Announcement Date, Optical Alpha is owned as to approximately 3.16% by Mandarin Assets, 56.90% by O-Net BVI, 13.48% by O-Net SAPL and 26.46% by the Equity Investor. To govern their relationship in respect of Optical Alpha, the Mr. Na Related Shareholders and the Equity Investor (being the existing shareholders of Optical Alpha) entered into the Optical Alpha Shareholders’ Agreement with Optical Alpha on 6 July 2020.

Upon completion of the Onshore Subscription Agreement, it is expected that Optical Alpha will be owned as to approximately 3.90% by Mandarin Assets, 44.46% by O-Net BVI, 10.53% by O-Net SAPL, 20.68% by the Equity Investor and 20.43% by the Subscription Investor. Completion of the Onshore Subscription Agreement is subject to the fulfilment or waiver of its conditions precedent, which include, among others, obtaining of necessary approvals for the subscription of Optical Alpha Shares by the Subscription Investor, including but not limited to those in relation to overseas direct investment by the Subscription Investor (a company established in the PRC) in Optical Alpha (a business company incorporated in the British Virgin Islands). It is currently expected that the Onshore Subscription Agreement may or may not complete by the Effective Date, depending on the progress of obtaining of such necessary approvals by the Subscription Investor. In light of the uncertainty about the timing by which the Onshore Subscription Agreement could be completed, the Subscription Investor agreed to first provide the Subscription Investor’s Deposit, being a deposit in the amount of RMB660 million to be placed in an account designated by Optical Alpha, for the purpose of satisfying one of the conditions precedent for the drawdowns of the

Offeror Acquisition Financing and the Optical Alpha Acquisition Financing. To ensure that the Subscription Investor's Deposit will be maintained at the designated account for the purpose of the drawdowns of the Offeror Acquisition Financing and the Optical Alpha Acquisition Financing to finance the payment of the Cancellation Consideration by the Offeror upon the Scheme becoming effective, the Subscription Investor's withdrawal of the Subscription Investor's Deposit from the designated account prior to the drawdown of the Offeror Acquisition Financing and the Optical Alpha Acquisition Financing is subject to, among others, the authorisation from CICC (as financial adviser to the Offeror) to the bank at which the designated account is maintained. In addition, the Subscription Investor has irrevocably and unconditionally undertaken to Optical Alpha not to withdraw the Subscription Investor's Deposit from the designated bank account during the agreed period under the Subscription Investor's Irrevocable Undertakings.

As at the Announcement Date, the Offeror Subscription Agreement has also been completed, pursuant to which unpaid Offeror Shares have been issued to Optical Alpha and Kaifa, which are intended to be credited as fully paid (i) (in respect of Optical Alpha) partly pursuant to the Mr. Na Related Shareholders Cancellation Consideration upon the Scheme becoming effective and partly upon settlement of the remaining subscription price in cash by Optical Alpha on the drawdown date of the Optical Alpha Acquisition Financing, currently anticipated to be within 2 Business Day after the Effective Date, (which is intended to be funded by (a) the subscription monies to be paid by the Equity Investor to Optical Alpha pursuant to the Offshore Subscription Agreement and (b) proceeds from the Optical Alpha Acquisition Financing); and (ii) (in respect of Kaifa) pursuant to the Kaifa Cancellation Consideration upon the Scheme becoming effective. Upon completion of the Offeror Subscription Agreement and as at the Announcement Date, the Offeror is owned as to approximately 82.21% by Optical Alpha and 17.79% by Kaifa.

For the shareholding structures of the Offeror and Optical Alpha upon (i) completion of the Proposal but before completion of the Onshore Subscription Agreement, and (ii) completion of both the Proposal and the Onshore Subscription Agreement, please refer to the relevant shareholding charts set out in the section headed "6. Shareholding Structure" below.

Furthermore, for the payment of the fees and expenses incurred in relation to the Acquisition Financing, the Equity Investor provided a shareholder's loan in the amount of HK\$30 million to Optical Alpha under the Optical Alpha Shareholder's Loan Agreement dated 6 July 2020, and Optical Alpha provided a shareholder's loan in the amount of HK\$20 million to the Offeror under the Offeror Shareholder's Loan Agreement entered into on 7 July 2020.

Details of the aforementioned agreements entered into among members of the Offeror Consortium are set out below.

Optical Alpha

(A) Subscription Agreements

1. Offshore Subscription Agreement

On 6 July 2020, Optical Alpha, the Mr. Na Related Shareholders and the Equity Investor entered into the Offshore Subscription Agreement, pursuant to which, among others:

- (a) the Mr. Na Related Shareholders have agreed to subscribe for 287,710,833 unpaid Optical Alpha Shares at the Cancellation Price (i.e. HK\$1,870,120,414.50 in aggregate). The total subscription price of such subscription shall be settled pursuant to the Mr. Na Related Shareholders Cancellation Consideration; and
- (b) the Equity Investor has agreed to subscribe for 113,657,708 unpaid Optical Alpha Shares at the Cancellation Price (i.e. HK\$738,775,102 in aggregate), among which 7,437,813 unpaid Optical Alpha Shares shall be issued to Mandarin Assets in its stead pursuant to the Mandarin Assets Arrangement Part I. These 7,437,813 unpaid Optical Alpha Shares shall be credited as fully paid upon the settlement of the subscription price by the Equity Investor no later than the Business Day immediately following the date on which the

Scheme is sanctioned (with or without modifications) by the Grand Court (or such other date as agreed between the Equity Investor and Optical Alpha).

As at the Announcement Date, the subscriptions by the Mr. Na Related Shareholders and the Equity Investor for Optical Alpha Shares under the Offshore Subscription Agreement have been completed and Optical Alpha is owned as to approximately 3.16% by Mandarin Assets, 56.90% by O-Net BVI, 13.48% by O-Net SAPL and 26.46% by the Equity Investor.

2. Onshore Subscription Agreement

On 6 July 2020, Optical Alpha, the Mr. Na Related Shareholders, the Equity Investor and the Subscription Investor entered into the Onshore Subscription Agreement, pursuant to which, among others:

- (a) the Subscription Investor has agreed to subscribe for 112,307,692 Optical Alpha Shares at the Cancellation Price (i.e. approximately HK\$730 million, equivalent to RMB660 million in aggregate), among which 7,349,467 unpaid Optical Alpha Shares shall be issued to Mandarin Assets in its stead pursuant to the Mandarin Assets Arrangement Part II; and
- (b) the Subscription Investor has irrevocably and unconditionally undertaken to Optical Alpha that a sum of RMB660 million (corresponding to the agreed subscription price in paragraphs (a) above) will be deposited into a designated bank account upon signing of the Onshore Subscription Agreement and that such deposit shall not be withdrawn from the designated bank account until the earlier of (i) 31 March 2021 (or such later date as may be agreed between the Subscription Investor and Optical Alpha in writing); (ii) the date on which the Scheme is withdrawn or lapses in accordance of its terms and the Takeovers Code; (iii) the date on which the Onshore Subscription Agreement is terminated in accordance with its terms; or (iv) the date on which the Optical Alpha Acquisition Financing is terminated in accordance with the terms and conditions of the relevant facility agreement (the “**Subscription Investor’s Irrevocable Undertakings**”).

As at the Announcement Date, a sum of RMB660 million (equivalent to approximately HK\$730 million) has been deposited into the designated bank account pursuant to the Subscription Investor’s Irrevocable Undertakings and the terms of the Onshore Subscription Agreement (the “**Subscription Investor’s Deposit**”).

Upon completion of the Onshore Subscription Agreement, it is expected that Optical Alpha will be owned as to approximately 3.90% by Mandarin Assets, 44.46% by O-Net BVI, 10.53% by O-Net SAPL, 20.68% by the Equity Investor and 20.43% by the Subscription Investor. Completion of the Onshore Subscription Agreement is subject to its conditions precedent, including, among others, all necessary approvals from the relevant governmental, regulatory or other authorities, required for the subscription of Optical Alpha Shares by the Subscription Investor having been obtained. As at the Announcement Date, the Onshore Subscription Agreement has not been completed. Depending on the progress of the obtaining of the abovementioned necessary approvals for the subscription of Optical Alpha Shares by the Subscription Investor, it is currently expected that the Onshore Subscription Agreement may complete prior to or after the Effective Date.

(B) Optical Alpha Shareholders’ Agreement

On 6 July 2020, Optical Alpha, the Mr. Na Related Shareholders and the Equity Investor entered into the Optical Alpha Shareholders’ Agreement in respect of the governance of Optical Alpha, which is intended to take full effect upon the Scheme becoming effective. The principal terms of the Optical Alpha Shareholders’ Agreement are set out as follows:

- (a) **Board composition:** The board of Optical Alpha shall comprise three directors. Each of Mandarin Assets, O-Net BVI and the Equity Investor shall have the right to appoint one director.
- (b) **Reserved matters:** The board of Optical Alpha shall be responsible for the overall management of Optical Alpha, subject to certain reserved matters which require the prior written consents of shareholders of Optical Alpha holding an aggregate of not less than 80% of the issued shares of Optical Alpha.

- (c) **Right of first refusal and tag along:** The parties shall have the right to transfer their shares in Optical Alpha subject to first refusal and tag-along rights.
- (d) **Pre-emptive rights:** Any new issues of shares of Optical Alpha shall be subject to a right of pre-emption in favour of the shareholders to Optical Alpha (pro rata to their respective proportionate shareholding of the voting shares).
- (e) **Liquidation:** If the Company fails to withdraw listing from the Main Board of the Stock Exchange on or before 1 January 2022 (or such other date as the shareholders to Optical Alpha may agree in writing), the shareholders may approve to wind up Optical Alpha pursuant to the articles of association and the laws of the British Virgin Islands.

(C) Optical Alpha Shareholder's Loan Agreement

On 6 July 2020, Optical Alpha and the Equity Investor entered into the Optical Alpha Shareholder's Loan Agreement pursuant to which the Equity Investor agreed to grant a shareholder's loan in the principal amount of HK\$30 million to Optical Alpha for the purpose of payment of fees and expenses as may be incurred in connection with the Acquisition Financing. Mr. Na has entered into the Optical Alpha Personal Guarantee on the same date to guarantee the repayment of any amount payable by Optical Alpha under the Optical Alpha Shareholder's Loan Agreement.

Offeror

(A) Offeror Subscription Agreement

On 7 July 2020, Optical Alpha, Kaifa and the Offeror entered into the Offeror Subscription Agreement, pursuant to which, among others:

- (a) Optical Alpha has agreed to subscribe for 513,676,233 unpaid Offeror Shares at the Cancellation Price, among which (i) 287,710,833 unpaid Offeror Shares shall be credited as fully paid pursuant to the Mr. Na Related Shareholders Cancellation Consideration, and (ii) the remaining 225,965,400 unpaid Offeror Shares shall be credited as fully paid upon the settlement of the remaining subscription price by Optical Alpha on the drawdown date of the Optical Alpha Acquisition Financing, currently anticipated to be within 2 Business Day after the Effective Date (or such other date as agreed between the Optical Alpha and the Offeror). Optical Alpha and the Offeror has further agreed that, subject to the Scheme becoming effective, HK\$20 million out of the subscription price under (ii) above shall be set off by the shareholder's loan provided by Optical Alpha to the Offeror pursuant to the Offeror Shareholder's Loan Agreement; and
- (b) Kaifa has agreed to subscribe for 111,121,237 unpaid Offeror Shares at the Cancellation Price, which shall be credited as fully paid pursuant to the Kaifa Cancellation Consideration.

As at the Announcement Date, the subscriptions by Optical Alpha and Kaifa for Offeror Shares under the Offeror Subscription Agreement have been completed and the Offeror is owned as to approximately 82.21% by Optical Alpha and 17.79% by Kaifa.

(B) Offeror Shareholder's Loan Agreement

On 7 July 2020, Offeror and Optical Alpha entered into the Offeror Shareholder's Loan Agreement pursuant to which Optical Alpha agreed to grant a shareholder's loan in the principal amount of HK\$20 million to the Offeror for the purpose of payment of fees and expenses as may be incurred by the Offeror in relation to the Offeror Acquisition Financing. The Offeror and Optical Alpha have further agreed that, subject to the Scheme becoming effective, the shareholder's loan made pursuant to the Offeror Shareholder's Loan Agreement shall be partially set off by HK\$20 million out of the total subscription price payable by Optical Alpha for approximately 3,076,923 Offeror Shares under the Offeror Subscription Agreement.

6. SHAREHOLDING STRUCTURE

As at the Announcement Date:

- (a) the issued share capital of the Company comprises 834,028,240 Shares, all of which will be subject to the Scheme and regarded as Scheme Shares;
- (b) the Share Option Scheme had been terminated upon the expiry of its term on 9 April 2020, and all Options granted thereunder but not exercised by 8 April 2020 had lapsed on 9 April 2020. Accordingly, no Options are in issue as at the Announcement Date. As the Company has no intention to adopt a new share option scheme from the Announcement Date up to the Effective Date, it is also expected that no Options will be in issue during the period from the Announcement Date and up to the Effective Date (both dates inclusive);
- (c) the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital comprising 834,028,240 Shares;
- (d) the Offeror does not legally or beneficially own, control or have direction over any Shares;
- (e) the Mr. Na Related Shareholders legally or beneficially own, control or have direction over 287,710,833 Shares, representing approximately 34.50% of the issued Shares, of which:
 - (i) 5,232,000 Shares, or 0.63% of the issued Shares, are held by Mandarin Assets (which is wholly owned by Mr. Na);
 - (ii) 228,373,383 Shares, or 27.38% of the issued Shares, are held by O-Net BVI (which Mr. Na has control over more than 30% of its voting rights); and
 - (iii) 54,105,450 Shares, or 6.49% of the issued Shares, are held by O-Net SAPL (which is wholly owned by O-Net BVI) as trustee on trust for the selected grantees under the Restricted Share Award Scheme. For details of the arrangement in relation to these Shares, please see Note 3 to the shareholding table below;
- (f) Kaifa legally or beneficially owns, controls or has direction over 171,121,237 Shares, representing approximately 20.52% of the issued Shares;
- (g) the Equity Investor does not legally or beneficially own, control or have direction over any Shares;
- (h) the Subscription Investor does not legally or beneficially own, control or have direction over any Shares;
- (i) members of the Guosen Securities Group, being Offeror Concert Parties by virtue of Guosen Capital's investment in the Subscription Investor through Shenzhen Songhexin LP (as defined in the section headed "9. Information on the Offeror and Offeror Concert Parties – (f) Subscription Investor" in this joint announcement) and Shenzhen Songhe Zhengxingu LP (as defined in the section headed "9. Information on the Offeror and Offeror Concert Parties – (f) Subscription Investor" in this joint announcement, which is a fund established in relation to the Proposal), held 2,564,000 Shares, representing approximately 0.31% of the issued Shares. Based on Guosen Securities' confirmation, (i) all these 2,564,000 Shares held by the Guosen Securities Group are not its proprietary interests; (ii) the Guosen Securities Group does not have any control over these 2,564,000 Shares (including the voting rights attaching thereto); and (iii) to the extent these 2,564,000 Shares were acquired during the last six months prior to the Announcement Date, they were acquired at the sole instruction of non-discretionary investment clients (who are not the Offeror or any of the Offeror Concert Parties) with such clients' own funds. None of such client's ultimate beneficial owners are part of the Guosen Securities Group nor the Offeror nor any of the Offeror Concert Parties. As such, all the Shares held by the Guosen Securities Group are considered to be Shares held by Disinterested Shareholders;
- (j) the Disinterested Shareholders hold 375,196,170 Shares, representing approximately 44.99% of the issued Shares;

- (k) save as disclosed above, the Offeror and the Offeror Concert Parties do not hold or have control or direction over any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company and have not dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company in the past 6 months prior to the Announcement Date;
- (l) neither the Offeror nor the Offeror Concert Parties have entered into any outstanding derivative in respect of the securities in the Company; and
- (m) neither the Offeror nor the Offeror Concert Parties have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately after completion of the Proposal:

Shareholders	As at the Announcement Date		Immediately upon completion of the Proposal	
	No. of Shares	Approximate % (Note 7)	No. of Shares (Note 8)	Approximate % (Note 7)
Offeror	-	-	834,028,240	100%
Offeror Concert Parties				
Mr. Na Related Shareholders				
Mandarin Assets (Note 1)	5,232,000	0.63	-	-
O-Net BVI (Note 2)	228,373,383	27.38	-	-
O-Net SAPL (Notes 3 and 4)	54,105,450	6.49	-	-
Sub-total:	287,710,833	34.50	-	-
Kaifa	171,121,237	20.52	-	-
Aggregate number of Shares held by the Offeror and Offeror Concert Parties	458,832,070	55.01	834,028,240	100%
Members of the CICC group acting in the capacity of exempt principal traders (Note 5)				
Shares held on behalf of members of the CICC group (which are also exempt principal traders) (Note 5)	10,000	0.00	-	-
Shares held on behalf of non-discretionary clients (other than members of the CICC group) (Note 5)	236,000	0.03	-	-
Sub-total: (Note 5)	246,000	0.03		
Guosen Securities Group (Note 6)	2,564,000	0.31	-	-

Shareholders	As at the Announcement Date		Immediately upon completion of the Proposal	
	No. of Shares	Approximate % (Note 7)	No. of Shares (Note 8)	Approximate % (Note 7)
Other Disinterested Shareholders	372,386,170	44.65	-	-
Aggregate number of Shares held by Disinterested Shareholders	375,196,170	44.99	-	-
Total number of Shares	834,028,240	100%	834,028,240	100%
Total number of Scheme Shares	834,028,240	100%	-	-

Notes:

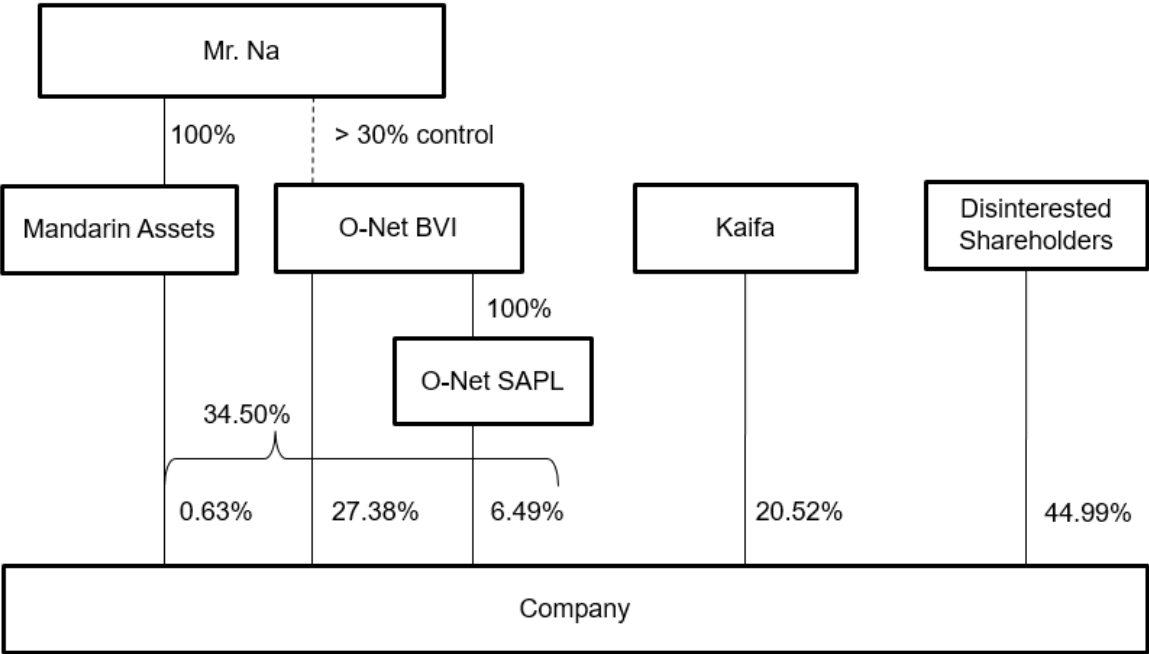
1. Mandarin Assets is a business company incorporated in the British Virgin Islands and is wholly owned by Mr. Na.
2. O-Net BVI is a business company incorporated in the British Virgin Islands, which Mr. Na has control over 30% of its voting rights as at the Announcement Date.
3. O-Net SAPL is a business company incorporated in the British Virgin Islands and is wholly owned by O-Net BVI. O-Net SAPL is the trustee of the Restricted Share Award Scheme. Pursuant to the rules of the Restricted Share Award Scheme, the Board may, from time to time, at their absolute discretion select the grantee(s) after taking into account various factors as they deem appropriate for participation in the Restricted Share Award Scheme and determine the number of Shares to be awarded to such grantee(s). The 54,105,450 Shares held by O-Net SAPL as at the Announcement Date comprised Shares subscribed for or purchased by O-Net SAPL and are held on trust by O-Net SAPL for the relevant selected grantees under the Restricted Share Award Scheme until such Share awards are vested with the relevant selected grantees in accordance with the rules of the Restricted Share Award Scheme, which provide, among other things, that the vesting of the Share awards with the relevant selected grantees is subject to O-Net SAPL's sole absolute discretion taking into account the interests of any selected grantee or the selected grantees as a whole. As at the Announcement Date, O-Net SAPL intended that none of the outstanding Share awards granted under the Restricted Shares Award Scheme shall vest on or prior to the Effective Date.

According to the rules of the Restricted Share Award Scheme, if there is a change in control of the Company by way of a scheme of arrangement, the Board shall have the discretion to decide whether the share awards granted thereunder shall vest or lapse on the date when such change of control event becomes or is declared unconditional. The decision of the Board shall be subject to the final decision and determination of O-Net SAPL as the trustee of the Restricted Share Award Scheme. For this purpose, the Board and O-Net SAPL have decided that all share awards granted but not vested under the Restricted Share Award Scheme shall lapse on the Effective Date.

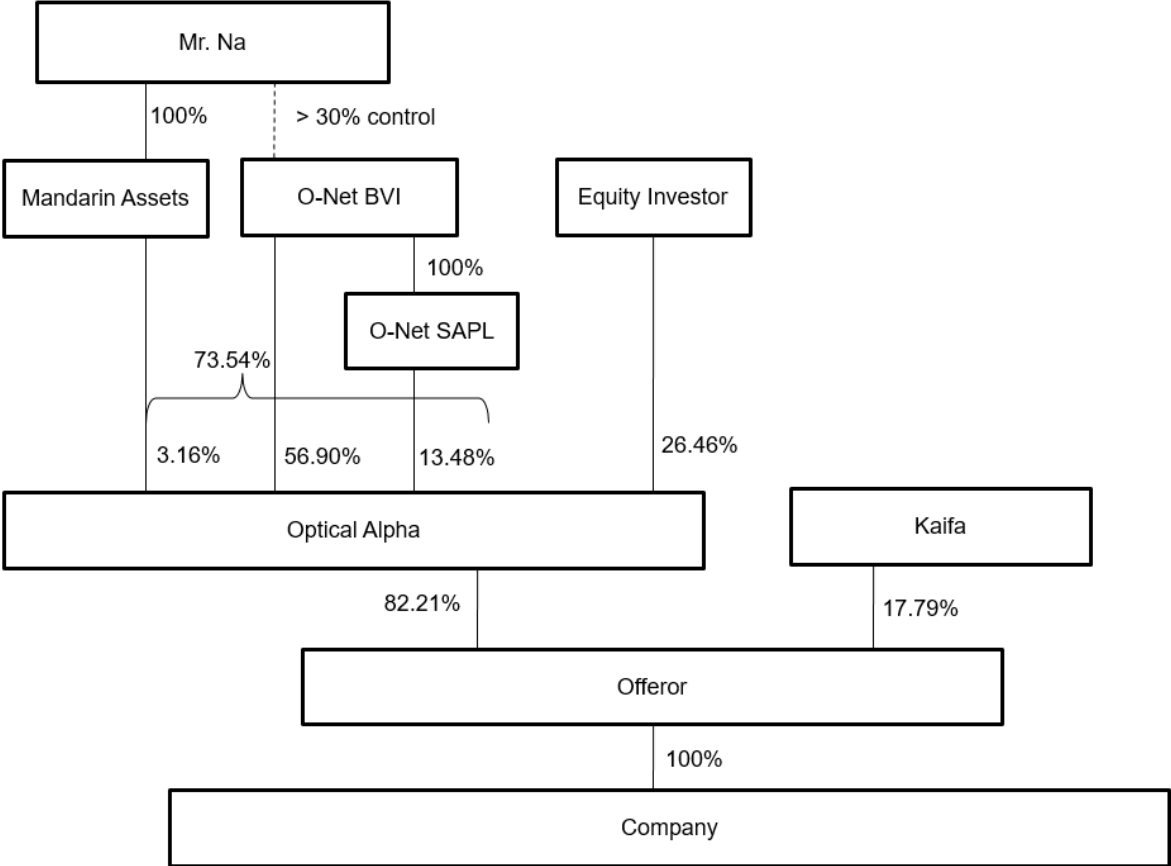
It is accordingly expected that all the share awards granted but not vested under the Restricted Shares Award Scheme that are outstanding as at the Announcement Date (representing all the Shares currently held by O-Net SAPL as at the Announcement Date) will lapse on the Effective Date. No compensation has been or will be provided to the relevant grantee(s) directly or indirectly.

4. Among these 54,105,450 Shares held by O-Net SAPL, 1,000,000 Shares were granted to Mr. Na as awarded Shares under the Restricted Share Award Scheme, which were yet to be vested as at the Announcement Date. As stated in Note 3 above, such share award is expected to lapse on the Effective Date pursuant to the terms of the Restricted Share Award Scheme.
5. Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the CICC group acting in the capacity of exempt principal traders on behalf of other members of the CICC group (which are also exempt principal traders) will not be voted at the Court Meeting, and Shares held by members of the CICC group acting in the capacity of exempt principal traders on behalf of non-discretionary clients (other than members of the CICC group) will not be voted at the Court Meeting unless otherwise confirmed with the Executive).
6. Guosen Securities is the sole shareholder of Guosen Capital, which is a limited partner of Shenzhen Songhexin LP (as defined in the section headed “9. *Information on the Offeror and Offeror Concert Parties – (f) Subscription Investor*” in this joint announcement), which is in turn a limited partner of Shenzhen Songhe Zhengxingu LP (as defined in the section headed “9. *Information on the Offeror and Offeror Concert Parties – (f) Subscription Investor*” in this joint announcement), a fund established in relation to the Proposal. Based on Guosen Securities’ confirmation, (i) all these 2,564,000 Shares held by the Guosen Securities Group are not its proprietary interests; (ii) the Guosen Securities Group does not have any control over these 2,564,000 Shares (including the voting rights attaching thereto); and (iii) to the extent these 2,564,000 Shares were acquired during the last six months prior to the Announcement Date, they were acquired at the sole instruction of non-discretionary investment clients (who are not the Offeror or any of Offeror Concert Parties) with such clients’ own funds. None of such client’s ultimate beneficial owners are part of the Guosen Securities Group nor the Offeror nor any of the Offeror Concert Parties. As such, all the Shares held by the Guosen Securities Group are considered to be Shares held by Disinterested Shareholders.
7. The shareholding percentage in the table is subject to rounding adjustment.
8. Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares, and forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror credited as fully paid of the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

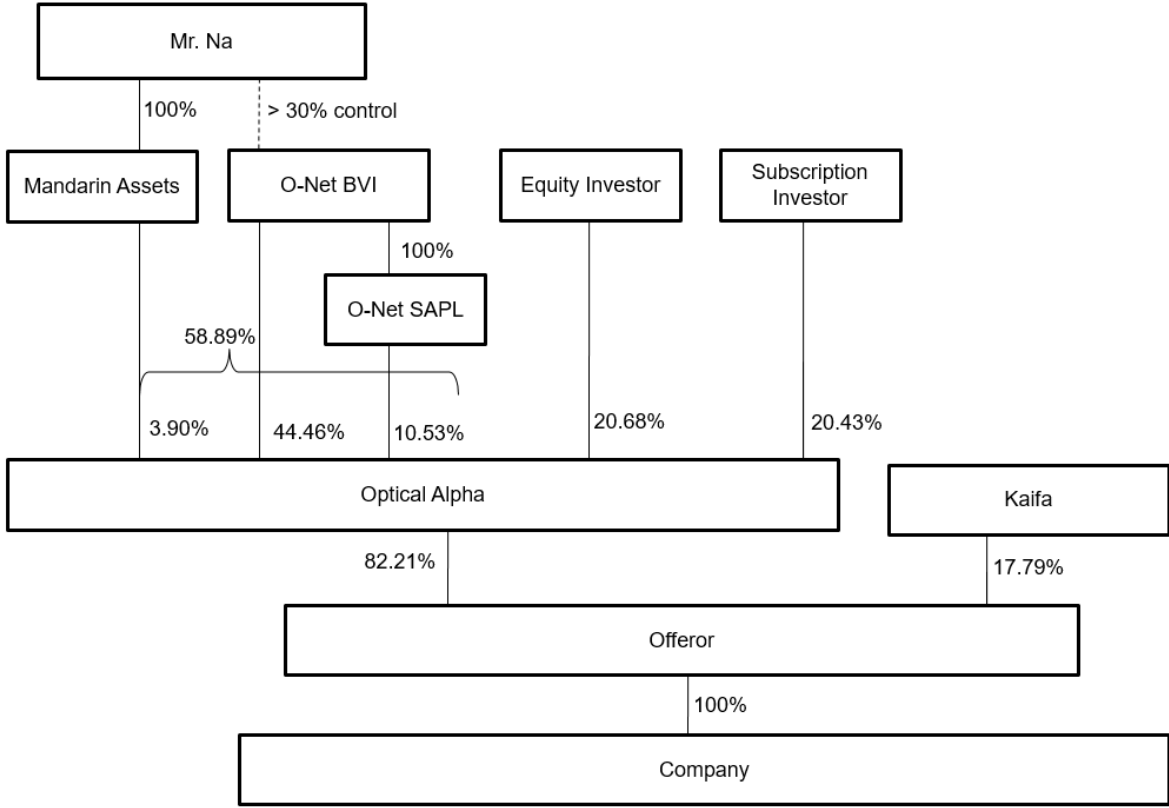
The chart below sets out the shareholding structure of the Company at the Announcement Date:



The chart below sets out the shareholding structure of the Company upon completion of the Proposal but before completion of the Onshore Subscription Agreement (on the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal):



The chart below sets out the shareholding structure of the Company upon completion of the Proposal and the Onshore Subscription Agreement (on the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal):



7. FINANCIAL RESOURCES

As at the Announcement Date, (i) there are a total of 834,028,240 Shares in issue; and (ii) the Mr. Na Related Shareholders and Kaifa in aggregate directly or indirectly hold 458,832,070 Shares (representing approximately 55.01% of the total issued Shares). In accordance with the terms of the Consortium Agreement, the Mr. Na Related Shareholders and Kaifa have undertaken to the cancellation and extinguishment of their respective Shares under the Scheme in consideration for receiving the Mr. Na Related Shareholders Cancellation Consideration and the Kaifa Cancellation Consideration, respectively.

Taking into account that the Mr. Na Related Shareholders will not receive the Cancellation Price in cash for the 287,710,833 Scheme Shares held or controlled by the Mr. Na Related Shareholders, and Kaifa will not receive the Cancellation Price in cash for the 111,121,237 Scheme Shares out of 171,121,237 Scheme Shares held or controlled by Kaifa under the Scheme, the Scheme would involve making an offer to cancel and extinguish the remaining 60,000,000 Scheme Shares held by Kaifa and the 375,196,170 Scheme Shares held by the Disinterested Shareholders in exchange for the Cancellation Price in cash. Therefore, the maximum total amount of cash required to effect the Proposal is approximately HK\$2,828.78 million.

The Offeror intends to finance the cash requirement for the Proposal through:

- (i) a drawdown of debt facilities with an aggregate amount of HK\$1.44 billion provided by CMB (the “**Offeror Acquisition Financing**”), the Offeror’s repayment obligation under which is guaranteed by Mr. Na and to be secured by, among others, account charges, share charges and equity charges over relevant subsidiaries and assets of the Company after the completion of the Proposal; and

- (ii) a shareholder contribution from Optical Alpha to the Offeror funded by
 - (a) a drawdown of debt facilities with an aggregate amount of HK\$730 million provided by CMB to Optical Alpha (the “**Optical Alpha Acquisition Financing**”), Optical Alpha’s repayment obligation under which is guaranteed by Mr. Na and secured by among others, equitable mortgages over all Optical Alpha Shares and over Optical Alpha’s entire shareholding interest in the Offeror; and
 - (b) an aggregate cash investment of HK\$738,775,102, being the subscription price payable by the Equity Investor under the Offshore Subscription Agreement, payable by the Equity Investor no later than the Business Day immediately following the date on which the Scheme is sanctioned (with or without modifications) by the Grand Court of the Cayman Islands (or such other date as agreed between the Equity Investor and the Offeror) funded by an irrevocable standby letter of credit issued by Silicon Valley Bank dated 6 July 2020 made available to Optical Alpha as the beneficiary in the aggregate principal amount of US\$96.00 million.

As at the Announcement Date, a sum of RMB660 million (approximately equivalent to HK\$730 million) has been deposited into the designated bank account pursuant to the Subscription Investor’s Irrevocable Undertakings and the terms of the Onshore Subscription Agreement for the purpose of satisfying one of the conditions precedent for the drawdowns of the Offeror Acquisition Financing and the Optical Alpha Acquisition Financing and the entire share capital of the Subscription Investor has been pledged to the designated bank.

CICC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal in accordance with its terms.

8. REASONS FOR AND BENEFITS OF THE PROPOSAL

Low liquidity of the Shares

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 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 members of the Independent Board Committee whose views will be given after taking into account the advice of 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

The Proposal 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.

9. INFORMATION ON THE OFFEROR AND OFFEROR CONCERT PARTIES

(a) Offeror

The Offeror is a business company incorporated in the British Virgin Islands with limited liability. As at the Announcement Date, it is held as to 82.21% by Optical Alpha and 17.79% by Kaifa.

(b) Optical Alpha

Optical Alpha is a business company incorporated in the British Virgin Islands with limited liability. As at the Announcement Date, it is held as to 73.54% by the Mr. Na Related Shareholders (including 3.16% by Mandarin Assets, 56.90% by O-Net BVI, 13.48% by O-Net SAPL) and 26.46% by the Equity Investor. Upon completion of the Onshore Subscription Agreement, it is expected that Optical Alpha will be held as to 58.89% by the Mr. Na Related Shareholders (including 3.90% by Mandarin Assets, 44.46% by O-Net BVI, 10.53% by O-Net SAPL), 20.68% by the Equity Investor and 20.43% by the Subscription Investor.

(c) Mr. Na Related Shareholders

The Mr. Na Related Shareholders comprise Mandarin Assets, O-Net BVI and O-Net SAPL.

Mandarin Assets

Mandarin Assets is a business company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Na.

Mr. Na is the chairman of the Board, the chief executive officer of the Company and an executive Director. Mr. Na joined the Company as the chief executive officer in January 2002 and was subsequently appointed as the co-chairman of the Board and an executive Director on 12 November 2009. He was re-designated from co-chairman to chairman of the Board on 7 October 2016. He is the chairman of each of the Nomination Committee and the Corporate Governance Committee and a member of the Remuneration Committee of the Company. Mr. Na is also a director of all the subsidiaries of the Company. He is responsible for the Company's overall corporate strategy, management team development and daily operations.

Mr. Na is also the sole director of each of the Offeror and Optical Alpha.

O-Net BVI

O-Net BVI is a business company incorporated in the British Virgin Islands and is controlled as to (i) approximately 36.67% by Mr. Na and his controlled corporations; (ii) approximately 34.07% by Hsin Chong International Holdings Limited and its wholly owned subsidiaries; and (iii) approximately 29.26% by other shareholders (none of which controls 20% or more of the voting rights of O-Net BVI).

O-Net SAPL

O-Net SAPL is a business company incorporated in the British Virgin Islands and is wholly owned by O-Net BVI.

O-Net SAPL is the trustee of the Restricted Share Award Scheme. Pursuant to the rules of the Restricted Share Award Scheme, the Board may, from time to time, at their absolute discretion select the grantee(s) after taking into account various factors as they deem appropriate for participation in the Restricted Share Award Scheme and determine the number of Shares to be awarded to such grantee(s). The 54,105,450 Shares held by O-Net SAPL as at the Announcement Date comprised Shares subscribed for or purchased by O-Net SAPL and are held on trust by O-Net SAPL for the relevant selected grantees under the Restricted Share Award Scheme until such Share awards are vested with the relevant selected grantees in accordance with the rules of the Restricted Share Award Scheme, which provide, among other things, that the

vesting of the Share awards with the relevant selected grantees is subject to O-Net SAPL's sole absolute discretion taking into account the interests of any selected grantee or the selected grantees as a whole. As at the Announcement Date, O-Net SAPL intended that none of the outstanding Share awards granted under the Restricted Shares Award Scheme shall vest on or prior to the Effective Date.

According to the rules of the Restricted Share Award Scheme, if there is a change in control of the Company by way of a scheme of arrangement, the Board shall have the discretion to decide whether the share awards granted thereunder shall vest or lapse on the date when such change of control event becomes or is declared unconditional. The decision of the Board shall be subject to the final decision and determination of O-Net SAPL as the trustee of the Restricted Share Award Scheme. For this purpose, the Board and O-Net SAPL have decided that all share awards granted but not vested under the Restricted Share Award Scheme shall lapse on the Effective Date.

It is accordingly expected that all the share awards granted but not vested under the Restricted Shares Award Scheme that are outstanding as at the Announcement Date (representing all the Shares currently held by O-Net SAPL as at the Announcement Date) will lapse on the Effective Date. No compensation has been or will be provided to the relevant grantee(s) directly or indirectly in this respect.

(d) **Kaifa**

Kaifa is incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen Kaifa, a listed company on the Shenzhen Stock Exchange.

Kaifa is an investment holding company. Shenzhen Kaifa is principally engaged in research and development, production control, procurement management, logistics support, and other electronic manufacturing services and supply chain management services.

(e) **Equity Investor**

The Equity Investor, LVC Technology Legend Limited, is a company incorporated in the Cayman Islands with limited liability and an investment vehicle wholly-owned by LVC Prime LP ("**LVC Prime Fund**"). LVC Prime Fund is a Cayman Islands exempted limited partnership. The general partner of LVC Prime Fund is Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**"). LVC Fund II GP is a company incorporated in the Cayman Islands with limited liability whose principal business is investment holding and is wholly-owned by LVC Holdings Limited, which is in turn a company incorporated in the Cayman Islands with limited liability which is ultimately controlled by Mr. Andy Lin (Lijun Lin), founder of Loyal Valley Capital, a private equity investment company.

(f) **Subscription Investor**

The Subscription Investor, Shenzhen Zhengxinhe Consultancy Company Limited* (深圳市正信禾咨询有限责任公司), is a company established in the PRC with limited liability in relation to the Proposal, which is owned as to 93.33% by Shenzhen Songhe Zhengxingu Entrepreneurship Investment Limited Partnership* (深圳市松禾正心谷创业投资合伙企业(有限合伙)) ("**Shenzhen Songhe Zhengxingu LP**") and 6.67% by Zhejiang Zhongrong Zhengyang Investment Management Company Limited* (浙江中融正阳投资管理有限公司) ("**Zhejiang Zhongrong**").

Shenzhen Songhe Zhengxingu LP is a limited partnership fund established in the PRC in relation to the Proposal. The general partners of Shenzhen Songhe Zhengxingu LP are Shanghai Shengge Investment Management Limited* (上海盛歌投资管理有限公司) ("**Shanghai Shengge**"), which is a member of Loyal Valley Capital, and Shenzhen Songhe Growth Fund Management Limited* (深圳市松禾成长基金管理有限公司) ("**Shenzhen Songhe Growth Fund**"). Shenzhen Songhe Growth Fund is also the fund manager of Shenzhen Songhe Zhengxingu LP. The limited partners of Shenzhen Songhe Zhengxingu LP are Shenzhen Songhe Haichuang Entrepreneurship Investment Limited Partnership* (深圳市松禾海创创业投资合伙企业(有限合伙))

(“**Shenzhen Songhe Haichuang LP**”), Shenzhen Songhexin Entrepreneurship Investment Limited Partnership* (深圳市松和信创业投资合伙企业 (有限合伙)) (“**Shenzhen Songhexin LP**”), Shanghai Tanying Investment Limited Partnership* (上海檀英投资合伙企业 (有限合伙)) (“**Shanghai Tanying LP**”) and Shenzhen Zhongzhao Hefeng Entrepreneurship Investment Limited Partnership* (深圳市中钊和枫创业投资合伙企业 (有限合伙)) (“**Shenzhen Zhongzhao Hefeng LP**”). Details of the general partners and limited partners of Shenzhen Songhe Zhengxing LP are set out below:

- **Shanghai Shengge:** Shanghai Shengge, which is a member of Loyal Valley Capital, is a company established in the PRC with limited liability and is wholly-owned by Mr. Andy Lin (Lijun Lin). Shanghai Shengge is principally engaged in investment management;
- **Shenzhen Songhe Growth Fund:** Shenzhen Songhe Growth Fund is a company established in the PRC with limited liability and is owned as to 42.5% by Shenzhen Songhe Chanye Capital Management Limited Partnership* (深圳市松禾产业资本管理合伙企业 (有限合伙)) (“**Shenzhen Songhe Chanye LP**”) and as to 57.5% by Shenzhen Songhe Entrepreneurship Investment Limited* (深圳市松禾创业投资有限公司) (“**Shenzhen Songhe Entrepreneurship Investment**”). Shenzhen Songhe Growth Fund is principally engaged in investment management.

Shenzhen Songhe Chanye LP is a limited liability partnership established in the PRC and is principally engaged in equity investment. Its general partner is Mr. Luo Fei.

Shenzhen Songhe Entrepreneurship Investment is a company established in the PRC with limited liability, which is owned as to 77.87% by Ms. Cui Jingtao, its single largest shareholder. Shenzhen Songhe Entrepreneurship Investment is principally engaged in entrepreneurship investment.

- **Shenzhen Songhexin LP:** Shenzhen Songhexin LP is a limited partnership established in the PRC. Its general partner is Shenzhen Songhe Growth Fund and its limited partners are Shenzhen Songhe Entrepreneurship Investment and Guosen Capital, which is a company established in the PRC with limited liability and is wholly owned by Guosen Securities, a company listed on the Shenzhen Stock Exchange (stock code: 002736) and is principally engaged in the provision of financial services.
- **Shenzhen Songhe Haichuang LP:** Shenzhen Songhe Haichuang LP is a limited partnership established in the PRC in relation to the Proposal. Its general partner is Shenzhen Songhe Growth Fund and its limited partners are Shenzhen Songhe Entrepreneurship Investment (which holds the largest attributable interest, being 71.4677% in Shenzhen Songhexin LP) and 16 natural persons.
- **Shanghai Tanying LP:** Shanghai Tanying LP is a limited partnership established in the PRC and is principally engaged in equity investment. Its general partner is Shanghai Shengge.
- **Shenzhen Zhongzhao Hefeng LP:** Shenzhen Zhongzhao Hefeng LP is a limited partnership established in the PRC and is principally engaged in entrepreneurship investment. Its general partner is Shenzhen Qianhai Zhongzhao Capital Management Limited* (深圳市前海中钊资本管理有限公司) (“**Shenzhen Qianhai Zhongzhao**”), which is a company established in the PRC with limited liability and owned as to 65% by Mr. Zheng Huanjian and 35% by Mr. Zhou Xiaohang. Shenzhen Qianhai Zhongzhao is principally engaged in entrepreneurship investment.

Zhejiang Zhongrong is a company established in the PRC with limited liability and owned as to 50% by Mr. Wei Guohua and 50% by Mr. Tang Zheng. Zhejiang Zhongrong is principally engaged in industrial investment management.

10. INFORMATION ON THE GROUP

The Group is 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.

11. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect after the Effective Date.

The Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed expected timetable of the implementation of the Proposal will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

12. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

13. SCHEME SHARES, COURT MEETING AND EGM

As at the Announcement Date:

- (a) the issued share capital of the Company comprises 834,028,240 Shares, all of which will be subject to the Scheme and regarded as Scheme Shares;
- (b) the Disinterested Shareholders are holders of an aggregate of 375,196,170 Shares, representing approximately 44.99% of the total issued Shares. All of these 375,196,170 Shares will form part of the Scheme Shares and the Disinterested Shareholders are entitled to vote at the Court Meeting;
- (c) the Mr. Na Related Shareholders and Kaifa in aggregate directly or indirectly hold 458,832,070 Shares (representing approximately 55.01% of the total issued Shares). While all of these 458,832,070 Shares will form part of the Scheme Shares, as the Mr. Na Related Shareholders and Kaifa are Offeror Concert Parties, these 458,832,070 Shares will not be voted at the Court Meeting; and
- (d) all Shareholders are entitled to attend the EGM and vote on the reduction and restoration of the share capital of the Company (as described in Condition in paragraph (b) of the section headed "3. Conditions to the Proposal" above).

Each of the Offeror, the Mr. Na Related Shareholders and Kaifa will also undertake to the Grand Court to be bound by the Scheme.

14. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Deng Xinping, Mr. Ong Chor Wei and Mr. Zhao Wei, has been established by the Board to advise the Disinterested Shareholders in connection with the Proposal and the Scheme, and in particular as to (i) whether the Proposal and the Scheme are fair and reasonable; and (ii) voting in respect of the Scheme at the Court Meeting.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal.

Mr. Huang Bin, a non-executive Director, is a director of O-Net BVI and is interested in approximately 0.98% of the total number of issued shares of O-Net BVI (which is an Offeror Concert Party). Mr. Chen Zhujiang, a non-executive Director, is a director of both Kaifa and Shenzhen Kaifa, and is interested in approximately 0.010% of the issued shares of Shenzhen Kaifa. Mr. Mo Shangyun, a non-executive Director, is a senior management member of Shenzhen Kaifa and is interested in approximately 0.008% of the issued shares of Shenzhen Kaifa. Both Kaifa and Shenzhen Kaifa are Offeror Concert Parties. The Board is of the view that Mr. Huang Bin, Mr. Chen Zhujiang and Mr. Mo Shangyun are regarded as being interested in the Proposal for the purposes of Rule 2.8 of the Takeovers Code and are accordingly excluded from being members of the Independent Board Committee.

15. APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

A further announcement will be made after the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in connection with the Proposal and the Scheme, and such appointment will be approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

16. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among other things, details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the rules of the Grand Court, information regarding the Company, the recommendations of the Independent Board Committee with respect to the Proposal, the letter of advice from the Independent Financial Adviser, notices of the Court Meeting and the EGM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the rules of the Grand Court, the orders of the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Shareholders are urged to read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting and/or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

17. GENERAL

As at the Announcement Date:

- (1) save for the 834,028,240 issued Shares, the Company does not have any other securities in issue and does not have any outstanding options, warrants, derivatives or securities convertible into Shares;

- (2) save as disclosed in the section headed “6. *Shareholding Structure*” above, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any voting rights and rights over Shares;
- (3) save for the Mr. Na Related Shareholders and Kaifa Irrevocable Undertakings, none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against the Scheme;
- (4) none of the Offeror and the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares;
- (5) save for the Proposal, the Consortium Agreement, the Mr. Na Related Shareholders and Kaifa Irrevocable Undertakings, the Mandarin Assets Arrangement Part I, the Mandarin Assets Arrangement Part II, the Offshore Subscription Agreement, the Onshore Subscription Agreement, the Offeror Subscription Agreement, the Subscription Investor’s Irrevocable Undertakings, there were no agreements or arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal;
- (6) there was no agreement or arrangement to which any of the Offeror or the Offeror Concert Parties is a party which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a Condition to the Proposal;
- (7) save for the Cancellation Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and the Offeror Concert Parties to the Scheme Shareholders or their concert parties in relation to the Scheme Shares;
- (8) save for the Consortium Agreement, the Mr. Na Related Shareholders and Kaifa Irrevocable Undertakings, the Mandarin Assets Arrangement Part I, the Mandarin Assets Arrangement Part II, the Offshore Subscription Agreement, the Onshore Subscription Agreement, the Offeror Subscription Agreement, the Subscription Investor’s Irrevocable Undertakings and the Optical Alpha Shareholders’ Loan Agreement, the Optical Alpha Personal Guarantee, the Optical Alpha Shareholders’ Agreement and the Offeror Shareholder’s Loan Agreement, there is no agreement, arrangement or understanding between (i) any Shareholder and (ii)(a) the Offeror and the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies; and
- (9) there is no special deal (as defined in Rule 25 of the Takeovers Code) between (i) any Shareholder and (ii)(a) the Offeror and the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

18. DISCLOSURE OF DEALINGS

Associates of the Offeror and the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company) are hereby reminded to disclose their dealings in the relevant securities of the Company under Rule 22 of the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."

19. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This joint announcement includes certain "forward-looking statements". These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this joint announcement include statements about the expected effects on the Company of the Proposal, the expected timing and scope of the Proposal, and all other statements in this joint announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group's business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations and disruptions or reductions in travel and operations due to natural or man-made disasters, pandemics, epidemics or outbreak of infections or contagious diseases such as novel coronavirus. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Announcement Date. Any forward-looking statement contained in this joint announcement based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future. No statement in this joint announcement is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed their respective historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of the Offeror and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

20. TAXATION AND INDEPENDENT ADVICE

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal. It is emphasised that none of the Offeror, the Company or CICC, nor any of their respective directors, officers or associates or any other person involved in the Proposal, accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

21. OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

In the event that the despatch of the Scheme Document to overseas Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or its Shareholders), the Scheme Document may, subject to the consent of the Executive, not be despatched to such overseas Shareholders. For that purpose, the Company may apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such overseas Shareholders.

If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of Shareholders not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Shareholders to receive or see that notice.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, the Company and CICC or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

22. NOTICE TO US HOLDERS OF SHARES

The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law. Any financial information included in this joint announcement has been prepared in accordance with accounting standards applicable in Hong Kong and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities and Exchange Act of 1934, as amended.

Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation and extinguishment of its Scheme Shares pursuant to the Scheme by a Scheme Shareholder may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him. It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of

the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

23. RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 6 July 2020 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 9 July 2020.

WARNINGS

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition Financing"	Offeror Acquisition Financing and Optical Alpha Acquisition Financing
"acting in concert"	has the same meaning ascribed to it under the Takeovers Code, and "parties acting in concert" shall be construed accordingly
"Announcement Date"	the date of this joint announcement
"associate(s)"	has the same meaning ascribed to it under the Takeovers Code
"Authorisations"	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for any members of the Group to carry on its business
"Board"	the Company's board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"Cash Cancellation Consideration"	the consideration in cash payable by the Offeror to the Disinterested Shareholders, being the Cancellation Price for every Scheme Share held by the Disinterested Shareholders cancelled and extinguished pursuant to the Scheme
"Cancellation Price"	the cancellation price of HK\$6.50 for every Scheme Share cancelled and extinguished pursuant to the Scheme payable by the Offeror to the Scheme Shareholders in the form of (i) the Cash Cancellation Consideration in respect of the Disinterested Shareholders; or (ii) the Kaifa Cancellation Consideration in respect of Kaifa; or (iii) the Mr. Na Related Shareholders Cancellation Consideration in respect of the Mr. Na Related Shareholders

“CICC”	China International Capital Corporation Hong Kong Securities Limited, a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“CMB”	China Merchants Bank Co., Ltd., Hong Kong Branch
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	O-Net Technologies (Group) Limited, an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Stock Exchange (stock code: 877)
“Condition(s)”	the conditions to the Scheme becoming effective as described in the section headed “3. <i>Conditions to the Proposal</i> ” of this joint announcement
“Consortium Agreement”	the consortium agreement dated 7 July 2020 entered into amongst the Offeror, Mr. Na, the Mr. Na Related Shareholders, Optical Alpha, the Equity Investor, the Subscription Investor and Kaifa in connection with the Proposal
“Court Meeting”	a meeting of the Disinterested Shareholders to be convened at the direction of the Grand Court for the purpose of approving the Scheme
“Director(s)”	director(s) of the Company
“Disinterested Shareholders”	Shareholders on the Scheme Record Date, other than the Offeror and the Offeror Concert Parties ((i) except for the holding of Shares by CICC group in the capacity of an exempt principal trader or exempt fund manager for the purposes of the Takeovers Code and (ii) excluding (a) Shares held by the CICC group for and on behalf of its non-discretionary investment clients and/or (b) Shares held by the Guosen Securities Group for and on behalf of its non-discretionary investment clients which Guosen Securities Group do not have control of the voting rights attached to the relevant Shares)
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law
“EGM”	an extraordinary general meeting of the Company to be held as soon as after the conclusion or adjournment of the Court Meeting for the Shareholders to consider and, if thought fit, approve, among others, (i) a special resolution in relation to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares;

		and (ii) an ordinary resolution in relation to the restoration of the number of issued Shares in the share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror
“Equity Investor”		LVC Technology Legend Limited, an Offeror Concert Party, the description and shareholding of which are set out in the section headed “9. Information on the Offeror and Offeror Concert Parties” of this joint announcement
“Executive”		the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Grand Court”		the Grand Court of the Cayman Islands
“Group”		the Company and its subsidiaries
“Guosen Capital”		Guosen Capital Limited* (国信资本有限责任公司), a wholly-owned subsidiary of Guosen Securities
“Guosen Securities”		Guosen Securities Co., Ltd. (国信证券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002736)
“Guosen Securities Group”		Guosen Securities, its subsidiaries and entities of which Guosen Securities owns or controls 20% or more of their voting rights
“HK\$”		Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”		Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”		the independent committee of the Board formed to advise the Disinterested Shareholders in connection with the Proposal and the Scheme, and comprising all the independent non-executive Directors, namely Mr. Deng Xinping, Mr. Ong Chor Wei and Mr. Zhao Wei
“Independent Financial Adviser”		the independent financial adviser which will be appointed to advise the Independent Board Committee in relation to the Proposal and the Scheme
“Kaifa”		Kaifa Technology (H.K) Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen Kaifa
“Kaifa Consideration”	Cancellation	the consideration to be received by Kaifa for the cancellation and extinguishment of its 171,121,237 Scheme Shares under the Scheme, which, pursuant to the terms of the Consortium Agreement, consists of (i) cash (at the Cancellation Price) as consideration for the cancellation and extinguishment of 60,000,000 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa, and (ii) the crediting of Kaifa’s unpaid Offeror Shares as fully paid at the Cancellation Price per Offeror Share as consideration for the cancellation and extinguishment of 111,121,237 Scheme Shares out of the 171,121,237 Scheme Shares held by Kaifa pursuant to the Scheme

“Last Trading Day”	3 July 2020, being the last full trading day in the Shares on the Stock Exchange immediately before the halting of trading in the Shares pending publication of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2021 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court on application of the Company may allow and in all cases, as permitted by the Executive)
“Mandarin Assets”	Mandarin Assets Limited, a business company incorporated in the British Virgin Islands and wholly owned by Mr. Na
“Mandarin Assets Arrangement Part I”	as such term is defined in the section headed “4. Consortium Agreement” of this joint announcement
“Mandarin Assets Arrangement Part II”	as such term is defined in the section headed “4. Consortium Agreement” of this joint announcement
“Mr. Na”	Mr. Na Qinglin, the chairman of the Company and an executive Director, and a director of each of the Offeror and Optical Alpha. Mr. Na is an Offeror Concert Party. Further information on Mr. Na is set out in the section headed “9. Information on the Offeror and Offeror Concert Parties” of this joint announcement
“Mr. Na Related Shareholders”	O-Net BVI, Mandarin Assets and O-Net SAPL
“Mr. Na Related Shareholders Cancellation Consideration”	the consideration to be received by the Mr. Na Related Shareholders for the cancellation and extinguishment of their 287,710,833 Scheme Shares under the Scheme, which, pursuant to the terms of the Consortium Agreement, consists of the crediting of 287,710,833 unpaid Offeror Shares out of the 513,676,233 unpaid Offeror Shares held by Optical Alpha as fully paid at the Cancellation Price per Offeror Share and in turn, the crediting of the Mr. Na Related Shareholders’ unpaid Optical Alpha Shares as fully paid at the Cancellation Price per Optical Alpha Share
“Mr. Na Related Shareholders and Kaifa Irrevocable Undertakings”	as such term is defined in the section headed “4. Consortium Agreement” of this joint announcement
“Offeror”	Optical Beta Limited, a business company incorporated under the laws of the British Virgin Islands with limited liability, which is held as to 82.21% by Optical Alpha and 17.79% by Kaifa as at the Announcement Date
“Offeror Acquisition Financing”	as such term is defined in the section headed “7. Financial Resources” of this joint announcement
“Offeror Consortium”	parties to the Consortium Agreement, which include the Offeror, Optical Alpha, Mr. Na, the Mr. Na Related Shareholders, the Equity Investor, the Subscription Investor and Kaifa
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror (including Mandarin Assets, O-Net BVI, O-Net SAPL, Kaifa, CICC (except in the capacity of an exempt principal trader or exempt fund manager for the purposes of the Takeovers Code

	and excluding Shares held by the CICC group on behalf of non-discretionary investment clients) and Guosen Securities (for the avoidance of doubt, all the Shares held by the Guosen Securities Group as at the Announcement Date are not owned by it but are held for and on behalf of its non-discretionary clients))
“Offeror Share(s)”	ordinary shares of US\$0.001 par value each in the Offeror
“Offeror Shareholder’s Loan Agreement”	the shareholder’s loan agreement dated 7 July 2020 entered into between the Offeror and Optical Alpha, the principal terms of which are described in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Offeror – (B) Offeror Shareholder’s Loan Agreement</i> ”
“Offeror Subscription Agreement”	the subscription agreement dated 7 July 2020 entered into among Optical Alpha, Kaifa and the Offeror, further details of which are set out in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Offeror – (A) Offeror Subscription Agreement</i> ”
“Offshore Subscription Agreement”	the subscription agreement dated 6 July 2020 entered into among Optical Alpha, the Mr. Na Related Shareholders and the Equity Investor, further details of which are set out in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (A) Subscription Agreements – 1. Offshore Subscription Agreement</i> ”
“O-Net BVI”	O-Net Holdings (BVI) Limited, an Offeror Concert Party, the description and shareholding of which are set out in the section headed “9. <i>Information on the Offeror and Offeror Concert Parties</i> ” of this joint announcement
“O-Net SAPL”	O-Net Share Award Plan Limited, an Offeror Concert Party, the description and shareholding of which are set out in the section headed “9. <i>Information on the Offeror and Offeror Concert Parties</i> ” of this joint announcement
“Onshore Subscription Agreement”	the subscription agreement dated 6 July 2020 entered into among Optical Alpha, the Mr. Na Related Shareholders, the Equity Investor and the Subscription Investor, further details of which are set out in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (A) Subscription Agreements – 2. Onshore Subscription Agreement</i> ”
“Optical Alpha”	Optical Alpha Limited, a business company incorporated under the laws of the British Virgin Islands with limited liability, which is held as to 73.54% by the Mr. Na Related Shareholders (including 3.16% by Mandarin Assets, 56.90% by O-Net BVI and 13.48% by O-Net SAPL) and 26.46% by the Equity Investor as at the Announcement Date
“Optical Alpha Acquisition Financing”	as such term is defined in the section headed “7. <i>Financial Resources</i> ” of this joint announcement
“Optical Alpha Personal Guarantee”	the deed of personal guarantee dated 6 July 2020 entered into between Mr. Na and the Equity Investor in respect of the personal guarantee provided by Mr. Na in favour of the Equity Investor in connection with the Optical Alpha Shareholder’s Loan, the principal terms of which are described in the section

	headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (C) Optical Alpha Shareholder’s Loan Agreement</i> ” of this joint announcement”
“Optical Alpha Shareholders’ Loan Agreement”	the shareholder’s loan agreement dated 6 July 2020 entered into between the Equity Investor and Optical Alpha, the principal terms of which are described in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (C) Optical Alpha Shareholder’s Loan Agreement</i> ” of this joint announcement”
“Optical Alpha Shareholders’ Agreement”	the shareholders’ agreement dated 6 July 2020 entered into among the Mr. Na Related Shareholders, the Equity Investor and Optical Alpha to govern their relationship in respect of Optical Alpha, the principal terms of which are described in the section headed “5. <i>Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (B) Optical Alpha Shareholders’ Agreement</i> ” of this joint announcement
“Optical Alpha Shares”	ordinary shares of US\$0.001 par value each in Optical Alpha
“Option(s)”	the outstanding share option(s) granted under the Share Option Scheme, all of which, if not exercised by the expiry of the term of the Share Option Scheme on 8 April 2020, had lapsed on 9 April 2020
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme on the terms and subject to the Conditions set out in this joint announcement
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, or courts including but not limited to the SFC and the Stock Exchange
“Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 9 May 2014
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to the Conditions) involving the cancellation and extinguishment of all the Scheme Shares and the restoration of the number of issued Shares in the share capital of the Company to the amount immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Document”	the composite scheme document of the Offeror and the Company, containing, inter alia, details of the Proposal together with the additional information specified in the section headed “16. <i>Despatch of Scheme Document</i> ” of this joint announcement
“Scheme Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme
“Scheme Share(s)”	Shares other than those held by the Offeror on the Scheme Record Date. As at the Announcement Date, the Offeror does not legally and beneficially own, control or have direction over any Shares. Accordingly, all of the 834,028,240 Shares in issue as at the Announcement Date will be subject to the Scheme and regarded as Scheme Shares

“Scheme Shareholder(s)”	holders of Scheme Shares on the Scheme Record Date, which will comprise the Disinterested Shareholders, the Mr. Na Related Shareholders and Kaifa
“Shenzhen Kaifa”	Shenzhen Kaifa Technology Co., Ltd (深圳长城开发科技股份有限公司), a company incorporated in the People’s Republic of China and listed on the Shenzhen Stock Exchange (stock code: 21)
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	registered holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 9 April 2010, which had been terminated upon the expiry of its term on 9 April 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Investor”	Shenzhen Zhengxinhe Consultancy Company Limited* (深圳市正信禾咨询有限责任公司), an Offeror Concert Party, the description and shareholding of which are set out in the section headed “9. Information on the Offeror and Offeror Concert Parties” of this joint announcement
“Subscription Investor’s Deposit”	as such term is defined in the section headed “5. Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (A) Subscription Agreements – 2. Onshore Subscription Agreement” of this joint announcement
“Subscription Investor’s Irrevocable Undertakings”	as such term is defined in the section headed “5. Agreements relating to Optical Alpha and the Offeror – Optical Alpha – (A) Subscription Agreements – 2. Onshore Subscription Agreement” of this joint announcement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers (as revised from time to time)
“%”	per cent.

By the order of the sole director
Optical Beta Limited
Na Qinglin
Director

By the order of the Board
O-Net Technologies (Group) Limited
Na Qinglin
Chairman

Hong Kong, 8 July 2020

As at the Announcement Date, the executive Director is Mr. Na Qinglin, the non-executive Directors are Mr. Chen Zhujiang, Mr. Huang Bin and Mr. Mo Shangyun, and the independent non-executive Directors are Mr. Deng Xinping, Mr. Ong Chor Wei and Mr. Zhao Wei.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement relating to the Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement by the Directors, have been arrived at after due and careful consideration and there are no facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the Announcement Date, (i) the sole director of each of the Offeror, Optical Alpha, Mandarin Assets and O-Net SAPL is Mr. Na Qinglin, and (ii) the directors of O-Net BVI are Mr. Na Qinglin and Mr. Huang Bin.

The directors of the Offeror, Optical Alpha, Mandarin Assets, O-Net BVI and O-Net SAPL jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

**For identification purpose only*