



A company incorporated with limited liability  
in England & Wales under the Companies Act 1985  
(as amended by the Companies Act 2006)  
with registration number 6272496

2 SEPTEMBER 2019

**RIGHTS ISSUE AND PRIVATE PLACING** WITH EXISTING SHAREHOLDERS  
OF THE COMPANY OFFERED AT 15 PENCE PER ORDINARY SHARE, ON THE BASIS  
OF 1 ORDINARY SHARE FOR EVERY 2 ORDINARY SHARES PRESENTLY HELD,  
WITH A PLACING OF ANY SHARES NOT TAKEN UP BY EXISTING SHAREHOLDERS,  
TO RAISE A TOTAL OF UP TO £1,000,000 PRIOR TO THE EXPENSES OF THE OFFER

EXISTING SHAREHOLDERS HAVE A PRIORITY FOR 30 DAYS FROM THE DATE OF  
THIS DOCUMENT AND THEREAFTER THE OFFER MAY BE MADE TO OTHER  
POTENTIAL INVESTORS

- OTX has developed and patented a new optical module to be used in automating the production of Single Mode optical based cables
- The OTX technology solution is expected to permit a reduction of an initial 20%, and expected to rise to 30%, in the manufacturing cost of producing 5 metre cables, compared to alternative Multi Mode Fibre cables, in addition to significant function improvements for consumers.
- Pre sale discussions are taking place with one of the largest manufacturers of active optical cables in China, targeting the HDMI and USB optical cable markets
- The addressable market is estimated at over \$1.2 billion in the HDMI segment only
- OTX intends to be the first supplier of cost effective optical modules for the HDMI and USB consumer cable markets

*This statement has been extracted from the following document and should be read in conjunction with the entire document.*

Sponsored by



**CHARLES STREET SECURITIES EUROPE LLP**

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY



*a revolution in manufacture  
of optical components*

## DIRECTORS AND ADVISERS



**Arie Laor**  
Director and Chief Executive



**Ossie Weitzman**  
Chief Financial Officer



**Gerard Mizrahi**  
Director



**Nick Ying**  
Operational support in China

## OFFER STATISTICS

Offer price per Ord Share	£0.1500
Gross cash proceeds of the Offer	£1,000,000
Net cash proceeds of the Offer <sup>(1)</sup>	£794,500
Expected Ordinary Shares in this Offer <sup>(6)</sup>	6,666,667
Ordinary shares in issue prior to the Offer	29,534,086
Valuation prior to the Offer <sup>(2)</sup>	£4,430,112.90
Total number of Ordinary Shares in Issue after the Offer	36,200,753
Valuation after the Offer <sup>(3)</sup>	£5,430,112.90
Valuation after the Offer fully diluted <sup>(4)</sup>	£6,341,731.72
% of Ordinary Shares represented by the Offer Shares <sup>(5)</sup>	18.4%

- 1. Net cash proceeds assuming the Offer is completed in full after estimated expenses of £205,500*
- 2. Total number of Ordinary Shares in issue prior to the Offer multiplied by the Offer Price*
- 3. Total number of Ordinary Shares assuming Subscription in Full multiplied by the Offer Price*
- 4. Total number of Ordinary Shares fully diluted, including exercise of options and deferred shares multiplied by the Offer Price*
- 5. Total number of Offer Shares divided by Ordinary Shares in issue after the Offer*
- 6. The maximum number of Ordinary Shares issuable under the Rights Offer is a total of 14,766,992 Ordinary Shares.  
The Company reserves the right to scale back applications under the Rights Offer, if necessary*

### EIS qualification

HM Revenue & Customs has been requested to confirm that, on the basis of the information provided to them, the Company is a Qualifying Company and the shares offered for subscription are Eligible Shares for the purposes of the Enterprise Investment Scheme (EIS). Individual subscribers for Offer Shares may therefore, depending on their individual circumstances, be able to obtain income tax relief under the EIS, subject to the limitations referred to in this Document, on the basis that the Company is and will continue to be a qualifying company. Further details of the EIS and its application with respect to subscribers for Offer Shares is set out in Part 4 of this Document. There can be no assurance that HMRC will qualify the Company for the purpose of EIS.

***If you are in any doubt about the contents of this Document or what action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 (“FSMA 2000”) who specialises in advising on investments of the type being offered by the Company.***

Charles Street Securities Europe LLP which is authorised and regulated by the Financial Conduct Authority (“FCA”), is the Company’s financial adviser to the Placing and has approved the issue of this Document as a financial promotion in accordance with the provisions of section 21 of the FSMA 2000. This Document is not a prospectus and has not been filed with the FCA or made available to the public as such.

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- b) retail clients who confirm that they will receive advice from a financial advisor authorised and regulated by the FCA;
- c) retail clients who fall within the following categories:
  - i. certified high net worth investor in terms of COBS 4.7.9R;
  - ii. certified sophisticated investors in terms of COBS 4.7.9R;
  - iii. self-certified sophisticated investors in terms of COBS 4.7.9R.

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## PART ONE

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### **Background to the Company**

OTX has developed a proprietary manufacturing technology for the production of optical components enabling manufacturers of cables for applications in consumer markets to change from multimode optical cables to automated assembly of single mode optical cables (“Active Optical Cables” or “AOC”),

The impact of the OTX technology will be to increase significantly the functionality and decrease the costs of manufacturing AOC cables, initially in the HDMI and USB sectors, which account for hundreds of millions of units each year.

### **Current Status**

The mission of OTX is to facilitate the migration of communication cabling for consumer devices, from multimode cables to single mode cables, initially focusing on HDMI and then on USB. The OTX approach is to simplify the termination (connecting the fiber to the optical chip) of Single Mode Fibers (SMF) and to enable fast and economically priced production of AOC for consumer markets.

The original concept of OTX was to develop a proprietary machine for the in-house production of the required optical components. However, following marketing meetings in China with leading cable manufacturers, OTX modified its product strategy. The focus now is to create a full sub-assembly for the home communication socket of the HDMI cable. Management believes that the revised OTX product reconfiguration represents a potential game changing technology within the commoditised multi-billion dollar consumer cable industry.

The current status of OTX is as follows:

- a) OTX has developed and patented a new optical component to be used in automating the production of SMF cables for the consumer market.
- b) The OTX technology solution is expected to enable initial manufacturing cost savings of approximately 20% in the cost of producing SMF cables, expected to rise to 30%, after planned improvements in the assembly process, to replace MMF cables. The consumer will also benefit from significant functional improvements with higher transfer rates to accommodate all new media technologies.
- c) Pre-sales discussions are taking place with one of the largest HDMI and USB cable manufacturers in China which has issued a letter of intent stating their intention to purchase products from OTX once they have been tested and shown to facilitate the significant cost saving. The Chinese company is understood to hold a 50% share of the HDMI consumer cable market.
- d) Total Addressable Market in the HDMI segment alone is over \$1.2 billion per year.
- e) Investment is now being raised to enable OTX to create and test samples for evaluation by the prospective customer, preceding expected commercial orders.

### **Market and technology background**

Fiber optic cables are now the preferred choice to deliver the current and expected future speeds of HDMI, USB and Ethernet. It is not limited by distance. Fiber optics are much lighter (one tenth of the weight) than copper cables and enable a true “four play” of power, video, networking and peripherals to be transmitted over the same cable.

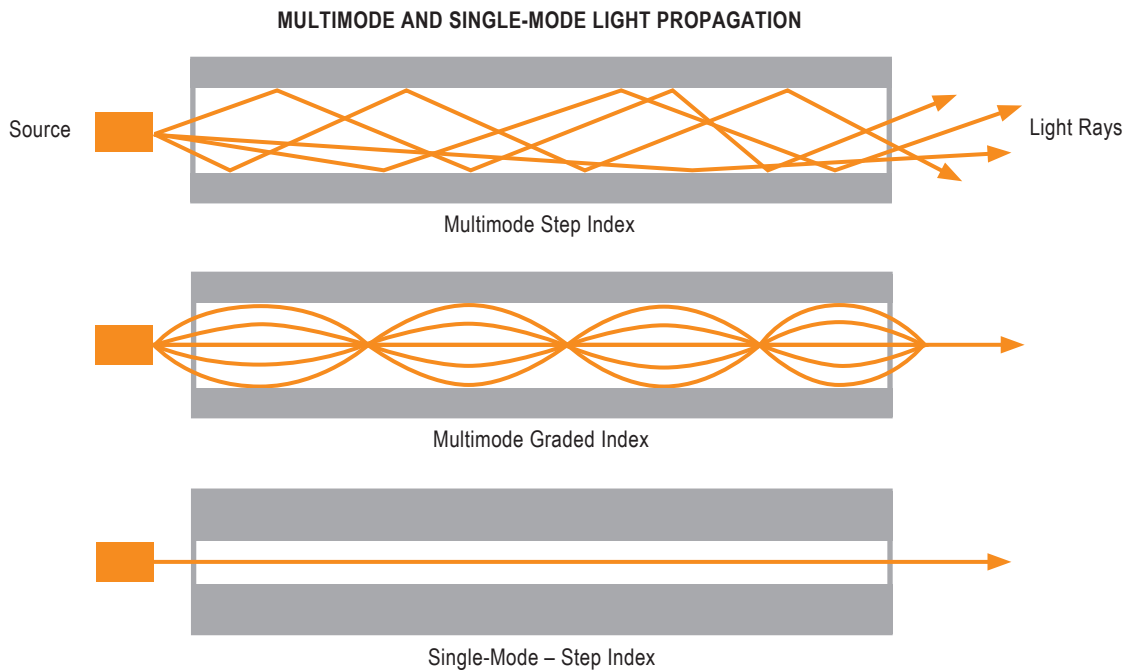
The challenge to technology providers is to make the transition between electrical and optical signals a cost effective solution. In the past, fiber optics and optical modules were expensive and therefore rarely used in the consumer market. However, in the last few years, fibers have become cheaper than copper. They have a smaller footprint and offer superior performance.

Communication over optical fiber is achieved by using an optical module which includes a light source (Laser Diode) and a light detection element (Photo Detector) which are accurately aligned to an optical fiber, and IC's (Integrated Circuits) that interface between standard input/output electrical signals and the Optical chips (Laser Diode and Photodetector).

An AOC comprises a wiring technology which accepts the same electrical inputs as a conventional copper cable, but makes use of optical fiber between the connectors. In order to improve the cable's distance and speed performance without sacrificing its compatibility with standard electrical interfaces, the AOC uses electrical to optical conversion on the cable ends.

There are two major type of optical fibers– Single Mode Fibre (SMF) and Multi-Mode Fibre (MMF):

- a) SMF is superior in terms of transmitted bandwidth over distance. However, it requires  $1\mu\text{m}$  alignment accuracy between the light source and the fibre which increases the manufacturing cost of the optical module. SMF is generally used with edge emitting laser diode based fibre optic transmission equipment for precise calibration required to inject light into the fibre. SMF is usually used in long distance and with higher bandwidth applications and until recently was used solely in telecom applications
- b) MMF have larger cores ( $62.5\ \mu\text{m}$  or  $50\ \mu\text{m}$ ) that guide many modes simultaneously, which means more data can pass through the MMF core at a given time. This will create more light reflections and higher dispersion and attenuation rate, reducing the quality of the signal over long distances. Generally, MMF are used in short distance, data and audio/video applications in LANs.



The OTX technology makes it possible to use SMF cables in consumer market applications, yielding the technical advantages of the SMF cables. The big advantage of single mode is that much higher data rates are possible for much longer lengths than multimode fibre. OTX achieves this by enabling much lower manufacturing costs.

Importantly, SMF performance is superior to MMF and its cost is 50% the cost of MMF. Therefore, cable manufacturers can achieve improved performance and significant cost savings if they can use SMF.

OTX's early technology insight anticipated the transition to ultra-high speed signals and the fact that eventually fiber optics would replace copper wires. Consequently, OTX developed proprietary manufacturing technology to produce and supply optical components for use by cable manufacturers, enabling them to produce new fiber based optical cables (AOC) at price levels suitable for consumer markets.

Two main target markets HDMI and USB have been identified, both based on the view that the OTX technology will enable the increasing adoption of AOC which will result in consumers enjoying improved performance and ease of use and importantly making AOC economically competitive with traditional copper cabling.

The addressable market is estimated as follows:

	2020	2021	2022	2023	2024	2025
	millions	millions	millions	millions	millions	millions
<b>HDMI</b>						
Global forecast (unit sales)	1,000	1,047	1,096	1,148	1,202	1,258
Percentage of global market applicable to OTX	15%	16%	17%	17%	18%	19%
OTX target market (units)	150	165	181	199	219	241
Value of OTX target market (\$)	1,245	1,369	1,505	1,654	1,818	1,999
<b>USB</b>						
Global forecast (Unit Sales)	4,000	4,248	4,511	4,791	5,088	5,404
Percentage of global market applicable to OTX	5%	5%	6%	6%	6%	6%
OTX target market (units)	200	223	249	277	309	345
Value of OTX target market (\$)	1,660	1,851	2,064	2,302	2,567	2,862
<b>Combined HDMI &amp; USB</b>						
OTX target market (units)	350	388	430	477	528	586
Value of OTX target market (\$)	2,905	3,220	3,569	3,956	4,385	4,861

Sources: USB Type-C Report 2018 – HIS Markit

### **HDMI cables**

HDMI cables are commonly used:

- In DVD players and TV for receiving inputs and providing an output through HDTV, or to any other AV devices, through a single standard cable.
- Connected with the input and output multi-pin port present on the back side of the DVD player and TV.
- HDMI inputs are present typically on projectors, HDTV's, and audio-video receivers which will accept the HD Signal coming from the cable box, Blu-ray players, or from many other media.

The global HDMI cable market is expected to grow to \$ 3.52 billion by 2025 from \$ 2.44 billion in 2017 (Cumulative Annual Growth Rate of 4.7%.) The market is fragmented with the presence of several manufacturers, most in the Asia-Pacific region. Demand for a secure, high-speed, and efficient cable for multimedia transmission onto large screens for enhanced viewing experience is the key demand and driver for the HDMI market.

Source: HDMI Cable Market 2025 - Global Analysis and Forecasts by Type; Grade & Application

The biggest drawback of a HDMI copper cable is that it cannot support long-distance transmission. Once the distance exceeds 10m, the loss emerges. The faster the signal transmission is, the greater the attenuation is, which leads to the loss of signals or the decline of the resolution.

HDMI technology continues to be the universal interface for consumer electronics products. HDMI® Licensing Administrator, Inc. (HDMI LA) reports that almost 1 billion HDMI-enabled devices are projected to ship in 2019, bringing the total to 8 billion devices since the release of the first HDMI specification in 2002. Based on a CAGR of 4.7%, annual unit sales of HDMI-enabled devices will exceed 1.2 billion by 2024. However, until now the number of HDMI AOC on the market has been limited. The price of long distance HDMI AOC remains high and is basically over \$150.

### **Cables**

USB is the most successful interface in the history of personal computing. The USB installed base is over 10 billion units and is growing at over 4 billion units a year. With over 18 billion USB enabled devices expected to ship in the next four years, USB represents "the" ubiquitous personal computer interface today. Most recently, the adoption of

USB SuperSpeed as part of the USB 3.0 specifications and its significant improvements in the USB data transfer rate uniquely position USB beyond the traditional short distance peripheral interfaces more specifically targeting video and high speed data storage applications.

### Modification of Product Configuration & Strategy

During the past year, the OTX strategy has been revised. Continuing discussions with potential customers have confirmed that the OTX technology solution offers important competitive advantages in the consumer market, including significant cost savings, and that there is the opportunity for rapid market penetration.

It is important to understand the change in direction that OTX has made. It became clear that there are assembly machines in the market capable of assembling the OTX chip. Consequently, there was no longer a need for OTX to develop a new proprietary machine as originally planned.

The second major change has involved the concept of manufacturing the full module for 4 cables/channels as this is what the market requires and to develop an outsourcing model.

The modification of the original OTX strategy is set out below:

<i>Original OTX Plan</i>	<i>Current OTX Plan</i>
Development of a proprietary machine specially built for the task – the OTX machine. This is a single machine with some non automated features	OTX process can be performed on a slightly adapted generic assembly machine
Laser source: previously manufactured by the founder and his company, HSICS	Third party suppliers have been identified and are available
Risk: If the competitive VCSEL chip were to be aligned on a system on a chip, this could potentially supersede the OTX module	This technical development has not yet been achieved and is unlikely to be a threat in the consumer market
Target market: consumer market	Target market remains the consumer market, which is more price sensitive than the professional market
Wafer supplier previously not identified	Expected supplier is Mizur Technology located in Migdal HaEmek, Israel
Assembly in house	Assembly would move to Galil Micro Wave or a similar assembly house
China expansion through Ping (HHY)	Now direct contact with AOC manufacturers in China, such as Powerise
Risks as stated in the previous PPM	Major risks largely unchanged <ul style="list-style-type: none"> <li>– Actual testing with Powerise</li> <li>– VCSEL aligned 1680nm</li> </ul>

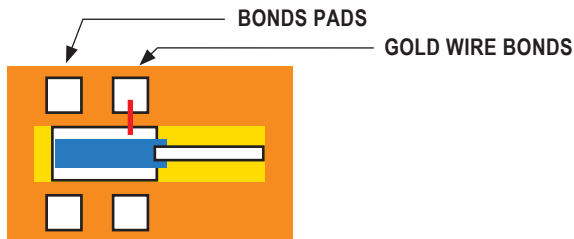
For OTX, the benefits of this modified strategy are expected to be:

- Avoid the capital investment required to establish and manage a production line, including the construction of a clean room and other production facilities.
- Quality control of the manufacturing process, including utilizing the contractor's standard certifications and expertise.
- Ability to minimize the number of in-house employees and save overhead costs.
- Offers scope for massive scaling when market demand for the OTX product is confirmed.



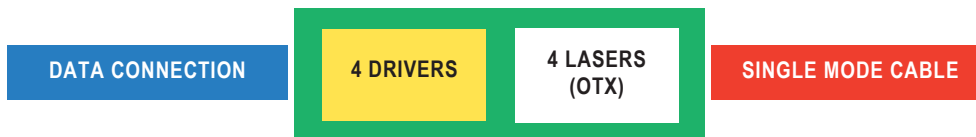
***The change in strategy is reflected in the modified OTX product configuration.***

Previously the OTX product was intended to be a subassembly for one of the four channels in the finished HDMI Cable product, as illustrated below:



Under the original OTX design, the product required the sub assembly of one OTX module per PCB and for this to be sent to China for the assembly of the drivers. The OTX product was intended to be sold as a single module PCB to AOC manufacturers.

Under the new product configuration the Company will sell a PCB module, with 4 drivers, metallic contact to the HDMI box, 4 lasers and the groove to align the single mode cables in the assembly line.



### THE OTX PRODUCT CONFIGURATION AND MANUFACTURING PROCESS

To meet the requirements of the new product configuration requested by the Chinese prospect, during the first six months of 2019 OTX created a network of subcontractors and suppliers to meet its needs.

These include:

1. Designing of the full PCB module. A specialist designer Meir Ben Simon was engaged and as set out below he has agreed to join OTX as Chief Technology Officer.
2. Lasers are now being sourced from Simanex and Laserx.
3. Drivers are now being sourced from two companies – Microchip and Analog.
4. Subassembly of the OTX module in units of four lasers (OTX core technology) Beckemus and Mizur.
5. Assembly of the full PCB module which is the product to be supplied to prospects. Meir Ben Simon will make the initial samples. When OTX scales to larger volumes there are many potential external service suppliers OTX could select.
6. Limited testing will be conducted inhouse by Meir Ben Simon.

OTX now has a clear road map to produce new samples for its potential customer.

### **Business and market opportunity**

In December 2018, Arie Laor, the CEO of OTX met with a number of cable manufacturers in China and presented the OTX product based on the ability to connect one optical channel per module.

Powerise ([www.whpowerise.com](http://www.whpowerise.com)) in Wuhan, the capital city of Hubei Province in Central China emerged as the strongest prospect and requested samples of the OTX product, updated to meet the Powerise requirements, for testing.

Based on these discussions, OTX is increasingly confident in its market entry strategy.

***OTX has received a letter of intent from Powerise confirming their interest in the OTX products and willingness to consider placing significant orders if the planned tests demonstrate substantial savings in their overall production costs by utilizing OTX products.***

The management of Powerise believes that they account for an estimated 50% of the consumer cable market output in China, supplying DVI, HDMI 2.0 and USB 3.0 cables to a long list of customers including Siemens, Philips, Savlink, Konika and other well-known global brands.

Significantly, HDMI 2.0 based optical cables is Powerise's most important line with annual unit sales estimated at 50 million units. In addition, Powerise is understood to produce approximately 20 million USB based cables per year.

It was clear from the discussions that the OTX solution has the potential to enable Powerise to achieve significant cost savings, thereby providing preliminary validation of the OTX business proposition.

Information on Powerise manufacturing processes and cost structures follows:

- a) The Powerise assembly, like that of its competitors, requires a four channel full module that uses alignment of all 4 channels at once to a module containing 4 lasers and the relevant chips. The current assembly process takes 6 minutes. It is understood that each line at Powerise produces 200 connectors per day. Subject to confirmation, OTX believes it may offer Powerise significant cost savings. In addition OTX facilitates a huge technological edge to Powerise enabling increased speed without limitations, by using single mode cables.

Estimated costs are shown in the table:

	<i>Powerise approx. present cost structure of MMF cable (\$)</i>	<i>Expected cost structure of SMF cable with OTX products (\$)</i>
Cable (5 meters)	11.0	4.4
Modules	10.0	12.8
Total	21.0	17.2

OTX believes it may be able to design a driver capable of controlling all 4 lasers with the potential to reduce costs even further.

It should be noted that some HDMI cables go from a laptop to a projector so there is no wall end.

Interest in the OTX technology was also shown by Hengtong ([www.hengtonggroup.com](http://www.hengtonggroup.com)). Hengtong stated their willingness to evaluate SMF cables when the samples of the OTX product are available for testing.

Preliminary indications suggest that there is potential demand of tens of millions of units per annum. This is very much in line with the original "top down" estimates OTX had developed for the HDMI market.

Assuming the OTX product gains market acceptance the following projections of unit sales are believed to be achievable:

<i>Revenues (\$)</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
HDMI unit sales	1,000,000	5,000,000	10,000,000	15,000,000
USB unit sales	–	1,000,000	2,000,000	3,000,000

In financial terms, projected revenues based on the above volumes would be as follows:

<i>OTX's Financial Forecast</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>Revenues</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
HDMI Modules	8.29	41.43	82.86	124.29
USB Modules	–	8.29	16.57	24.86
Total	8.29	49.71	99.43	149.14

These estimates are based on the following major assumptions:

- Unit selling price of the OTX HDMI sub assembly is expected to be \$8.30. This selling price is based on the target of providing a saving an initial 20% and rising to 30% on Powerise's current manufacturing cost structure for an MMF cable.
- Unit sales can be expected to grow according to market penetration based on price and performance of units assuming adoption of the new product. Projected sales of HDMI and USB are based on penetrating 25% of Powerise's current sales volumes which are believed to be 50 million units of HDMI 2.0 and up cables and 20 million units of USB 3.0 and up.
- OTX has the potential to achieve much higher levels of market penetration once it begins to consider the licensing of the technology to third party manufacturers who would have the capacity to achieve much higher levels of production.

### Development

OTX has made important progress since December 2018 when its meetings with Powerise took place. The focus has been on sourcing all the components required for the proposed modified OTX output and on investigating options for establishing an outsourced manufacturing process.

The immediate next steps on the product side is to prepare and submit formal quotes to Powerise and other Chinese prospects. The quotes will include:

- Quotation for a module (TOSA++ Driver) for 100,000/500,000/1 million connectors after approval of the modules
- Plan to supply 100 samples with 4 channels for testing in their assembly line

OTX will also finalize sourcing and assembly arrangements:

- Obtain detailed quotations for all inputs required for 5/10/25/50 million OTX chips per annum, including FP/DFB Lasers, Micro TOSA.
- Finalize an agreement with a single subcontract assembly house. Several discussions have taken place.
- Finalize agreement with a chip designer for the design of the driver for four single mode channels for wall connector and device connector.

OTX will utilize the services of an optics specialist. It is well aware that the tolerances for electronics are much larger than can be tolerated by optics. Optics cannot stand any dust and too high g forces. The lasers will get dusty during the dicing process and OTX subcontractors will apply methods to protect them.

While the Company's immediate priorities for the next twelve months are strictly related to starting commercial production and sales, OTX has a longer-term R&D road map to maintain and to seek to enhance the competitive position of its market innovation. It includes:

- OTX special Edge type laser design containing the OTX alignment grooves for 4 cables (HDMI) or 3 cables (USB) vs commercial FP of DFB lasers assembled on silicon allowing considerable further cost reduction.
- OTX special driver design able to run four channels vs commercial drivers necessitating use of one driver per each channel allowing additional cost reduction.
- Potentially develop a system on a chip that can replace the PCB modules.

## Patents and intellectual property

The schedule shows the current status of the OTX Intellectual Property portfolio as supplied by the Company's intellectual property lawyers:

ASSEMBLY AND PACKAGING METHOD AND SYSTEM FOR OPTICAL COMPONENTS								
Our Ref Client Ref	Country	Earliest Priority	Entry Date	Filing Date Application No.	Publication Date + No. Issue Date + Patent No.	Next Action	Status	Assignee Inventor
46245	USA PRO			01-Jul-2010 61/360,541			Expired	OTX Ltd. BENOLIEL Eii
50833	PCT	01-Jul-2010 61/360,541		30-Jun-2011 IL2011/000522	Publ. Date: 05-Jan-2012 Publ. #: WO2012/001693		Expired	OTX Ltd. BENOLIEL Eii
55280	USA NP	01-Jul-2010 61/360,541	02-Jan-2013	30-Jun-2011 13/807,938	Publ. Date: 02-May-2013 Publ. #: 2013-0108222-A1 <b>29-Jan-2019</b> <b>10,191,234</b>	<b>Tax 3.5</b> <b>29-Jul-2022</b>	Granted	OTX Ltd. BENOLIEL Eii
55282	China NP	01-Jul-2010 61/360,541	04-Jan-2013	30-Jun-2011 201180033181.2	Publ. Date: 27-Mar-2013 Publ. #: CN 103003732 A <b>05-Feb-2019</b> <b>ZL201180033181.2</b>	<b>Tax 10</b> <b>30-Jun-2020</b>	Granted	OTX Ltd. BENOLIEL Eii

ASSEMBLY AND PACKAGING METHOD AND SYSTEM FOR OPTICAL COMPONENTS								
Our Ref Client Ref	Country	Earliest Priority	Entry Date	Filing Date Application No.	Publication Date + No. Issue Date + Patent No.	Next Action	Status	Assignee Inventor
74185	China Utility Model BASIC			21-Feb-2019 201920229140.4		<b>Respond to</b> <b>Office Action</b> <b>Due 10-Sep-2019</b>	Pending	OTX Ltd. BENOLIEL Eii

ASSEMBLY AND PACKAGING METHOD AND SYSTEM FOR OPTICAL COMPONENTS								
Our Ref Client Ref	Country	Earliest Priority	Entry Date	Filing Date Application No.	Publication Date + No. Issue Date + Patent No.	Next Action	Status	Assignee Inventor
76446	USA Basic			21-Feb-2019 16/281,110		<b>Foreign</b> <b>Filing Due</b> <b>21-Feb-2020</b>	Pending	OTX Ltd. BENOLIEL Eii

## Next steps

OTX's road map for the coming months is set out below:

Action	Timing
Publication of PPM	T
Establish funding for the next 12 months	T + 60 days
Assemble on a PCB, 10 modules for HDMI 2.0, based on: 4 DFB/FP lasers (outsourced) assembled as 4 lasers on a grooved bench (the OTX Chip), then on a PCB containing 4 drivers and contacts to HDMI 2.0, testing	T + 70 days
Obtain quotations for all parts for 5/10/25/50 million pieces per annum: FP lasers, Micro TOSA/ROSA, PD, and one four channel controller	T + 95 days
Set up new meetings in China with prospects for demo assemblies with SMF cables & seek first comm.l orders	T + 95 days
Assemble on a PCB, 10 initial test modules for HDMI 2.0	

### **Business development and strategy**

In order to maximize investor value OTX is following a dual strategy:

- a) It will build up its production and marketing capabilities through the arrangements described above in order to achieve commercialization, rapid market penetration and growth.
- b) In parallel opportunities for a merger or acquisition will be actively sought. The electronics industry is known for M&A activity and it is a strong possibility that, if it achieves its business plan, OTX as a new company with a cost reducing technology may attract industry attention as an acquisition target. Management believes that OTX final assembly of all elements can be done in almost any SMT facility. Discussions with several such facilities in preparation for scaling production are in progress.

### **Management**

The Directors are confident that the present team will be able to manage the initial production process in conjunction with outsourced resources. Meir Ben Simon, who has been engaged as OTX's electronics engineer and advisor has agreed to take up the position of Chief Technology Officer following funding.

**Arie Laor**, *Director and Chief Executive Officer* – previously CEO of PCT, a coating company, with the role of business and corporate accelerator. From 2005 to 2011 Arie was the CEO of Greenkote Plc, another coating technology company which he developed from a startup to a profitable US\$ 20 million business. Earlier in his career Arie was VP Marketing for Oral Die Casting, Engineering Manager at Tower Semiconductors, VP Marketing at Ziska Electrode Works and a Director at Weld rite UK, Weld rite US and Sausage France. Arie holds a BSc and MSc in Materials Engineering and an MBA from the Israel Management College.

**Ossie Weitzman**, *Director and Chief Financial Officer* – qualified as a Chartered Accountant in 1978 at Stoy Hayward (now BDO) becoming a manager in the corporate finance and investigations department. In 1983 he founded Neville Weitzman & Co. a London based firm of Chartered Accountants. He immigrated to Israel in 1991 and from 1992 to 1994 was Investment Manager at Concept Investment Services. Since 1995 he has been an independent consultant providing financial, economic and venture marketing services to technology and other companies in Israel. He holds a B.Soc.Sc in Political Science from the University of Birmingham.

**Gerard Mizrahi**, *Director, Managing Partner of Charles Street Securities Europe LLP* – has been financial adviser and sponsors to OTX since 2007. He established the business in 1984. He has had an extensive career in investment banking and private equity investing. He runs the corporate finance and investment teams. Prior to forming the firm he was employed by the Chase Manhattan Bank from 1973 to 1983 in the bank's international, institutional and investment banking areas. He has an MA in Economics from Cambridge University and is based in London.

### **Advisors**

**Meir Ben Simon**, *Chief Technology Officer Designate* – has over 30 years' experience in the electronics sector. During his career he has held senior engineering and operational management positions at Taro Pharmaceutical, Optichrom, Orgil Optical, Tower Semiconductors and Audiopixels Ltd – Digital MEMS Loudspeakers a startup which was acquired and is now traded on the Australian Stock Exchange. This appointment is currently on a project basis and will convert to full time employment when commercial orders are received.

**Nick Ying**, *Adviser and Operations Support in China*. Nick joined OTX in 2017. He has worked with the CEO Arie Laor in similar roles in the past. He has had a varied career in sales and business development including prior positions 1993-1995 Concord Industrial Ltd (Computer Mother Board distributor in Hong Kong; 1995-2005 lived in Canada working for CPI computer as a computer technician and at Mascotte Industrial Associates handling support to global sales team. 2006-2008 founder of manufacturing facilities for functional bags including camera, laptop and similar devices. 2008 to the present, Lead Well Development Ltd (www.leadwell.com), founder and shareholder, manufacturing camera bags integrated with state-of-the-art intercept protector, anti-corrosion technology bags. 2006-Today, Sales Agent of Sunnycity group one of the leading

manufacturer for high precision plastic tooling and molding products. 2010-2012, advisor and consultant of Greenkote Technology. Nick handled the contracts and coordination of Greenkote technology joint venture with Chinese manufacturers.

**Dr. David Selviah, Independent Adviser.** Joined the Department of Electronic and Electrical Engineering, University College London (UCL) in 1997 where he currently holds the position of Reader and leads the Optical Devices and Systems Research Laboratory which is listed as a UK Technology Centre of Excellence. At UCL he has researched for over 25 years in the fields of optics, pattern recognition, adaptive signal processing, image processing and acoustics leading to over 200 publications, patents, book chapters, invited and plenary international conference presentations. Dr. Selviah is a member of the Institute of Electrical and Electronics Engineers, the Institute of Physics, the Optical Society of America, and the European Optical Society. Dr. Selviah serves UK industry as technical expert at the British Standards Institute, He represents the UK as technical expert on the International Electrotechnical Commission (IEC) standards committees on optical fibers, optical connectors and optical circuit boards. Dr. Selviah studied at Trinity College, Cambridge receiving B.A. and M.A. degrees in physics and theoretical physics. He gained his Ph.D. in Engineering specializing in optical devices. He served internships at the Royal Aircraft Establishment, Texas Instruments-Geophysical Service International, and CERN, Geneva.

## PART PART 2

**FINANCIAL****Historic financial information**

£	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited
Operating expenses	242,324	207,801	218,848	161,420
Operating result	(242,324)	(207,801)	(218,848)	(161,420)
Financial costs	13,777	12,508	57,688	11,881
Result before tax	(256,101)	(220,309)	(276,536)	(173,301)

**Funding rounds**

Date	Instrument	Amount	Pre-money valuation
Mar 2007	Bridge loan	£350,000	£2,500,000
23 Jul 2007	Equity placing	£1,499,889	£5,780,000
29 Mar 2010	Bridge loan	£250,000	£7,280,000
07 Jul 2010	Equity placing	£1,301,500	£7,593,757
Jun 2012	Bridge loan	\$140,000	–
Oct 2012	Equity placing	£1,342,612	£11,250,000
Jan 2015	Bridge loan	£75,000	–
May 2015	Bridge loan	£30,000	–
Jun 2015	Equity placing	£633,900	£15,000,000
May 2017	Equity placing	£694,370	£7,853,448

**Exit strategy**

The option of selling the Company will be considered following the receipt and delivery of the first orders from a major customer, such as Powerise.

In any case, the Directors believe that OTX as a technology company, with strong IP, in an industry dominated with large players and addressing substantial worldwide market needs, will be a prime target for acquisition or a candidate for a public listing once it becomes profitable.

The Company will focus on generating value through optimizing the manufacturing process and ensuring that it is fulfilling its mission. It is highly likely that OTX will soon appear on the “radar” of several large companies when its products start to be used by leading cable manufacturers.

There are two groups of companies which could potentially be interested in acquiring OTX:

1. Companies which design and manufacture iC's which target the consumer market
  - Commscope (TE Connectivity), Samtec
2. Companies already in the field of optical cables with market access with their own manufacturing capacity and product portfolio. The fact that the market is moving to almost single type of connector. (usb type 3.1) will force them to look for more innovative and low cost manufacturing technologies
  - Amphenol, Avago, Emcore, Gigoptix h, Leviton, Luxtera, Molex, Merge Optics, reFlex, Photonics, Siemens, VIA technologies, CommScope

## PART THREE

**DIRECTORS AND ADVISERS**

<i>Directors</i>	<b>Arie Laor</b> , <i>Chief Executive Officer</i> <b>Ossie Weitzman</b> , <i>Chief Financial Officer</i> <b>Gerard Mizrahi</b> , <i>Director</i>
<i>Advisers</i>	<b>Nick Ying</b> , <i>Operations support in China</i> <b>Dr David Selviah</b> , <i>University College, London</i>
<i>Receiving Agent</i>	<b>Hallswelle Management Limited</b> Hallswelle House 1 Hallswelle Road, London, NW11 0DH
<i>Company – Israel Registered Office</i>	2 BSR Towers, 27th Floor 1 Ben Gurion Road Bnei Brak 5120149, Israel
<i>Company – China Office</i>	<b>OTX Ltd / co HHY</b> Lead Well Development Ltd. Room 2520, 25/F. New Tech Plaza 34 Tai Yau Street, San Po Kong, Hong Kong
<i>Company UK Office</i>	<b>OTX Plc</b> Elder House, St. Georges Business Park, Brooklands Road Weybridge, Surrey, KT13 0TS
<i>Financial Advisers</i>	<b>Charles Street Securities Europe LLP</b> 1 Wilton Crescent, London, SW1X 8RN
<i>Placing Agent to the Offer</i>	<b>CSS Partners LLP</b> 71-73 Carter Lane, London, EC4V 5EQ
<i>Auditors</i>	<b>haysmacintyre</b> 10 Queen St Place, London EC4R 1AG
<i>Bankers</i>	<b>Bank Leumi (UK) Plc</b> 20 Stratford Place, London, W1C 1BG
<i>Company Secretary</i>	<b>Prism Cosec Limited</b> Elder House, St Georges Business Park 207 Brooklands Road, Weybridge Surrey, KT13 0TS



**DEFINITIONS**

“Application Form”	the application form at Part 5 of this Document
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or the “Directors”	the board of directors of the Company
“Bridge Loan”	The Bridge Loan made on 17 July 2019 and further described in Part 3 of this Document
“CA 2006”	the Companies Act 2006 (as amended)
“China”	the People’s Republic of China
“City Code”	the City Code on Takeovers and Mergers
“Closing Date”	18 October 2019 or such other date as may be determined by the Directors in accordance with the terms and conditions of the Offer
“Combined Code”	the code of best practice, including the principles of good governance, as set out in the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council
“Company”	OTX Plc and, unless the context demands otherwise, its subsidiaries OTX Acquisition Ltd and OTX Ltd (Israel)
“CSS”	Charles Street Securities Europe LLP, authorised and regulated by the FCA, with registered office at 1 Wilton Crescent, London SW1X 8RN and registration number OC334478
“CSS Agreement”	the agreement between the Company and CSS dated July 2019 as described in more detail in Part 4 of this Document
“CSSCM”	CSS Capital Managers, a trading division of CSS engaged in the monitoring of investments, affiliated with CSS
“CSS Partners”	CSS Partners LLP, a partnership with registered number OC311440 whose registered office is at 71-73 Carter Lane, London EC4V 5EQ and an appointed representative of CSS
“Deferred Shares”	the 2,807,743 Deferred Ordinary Shares of £0.001 (one tenth of a penny) each in the capital of the Company
“Document”	this Document including the front cover, contents page and the Application Form
“EIS – VCT”	tax benefits provided to private individuals under the Enterprise Investment Scheme and to Venture Capital Trusts
“Existing Ordinary Shares”	the 29,534,086 Ordinary Shares in issue at the date of this Document
“Existing Shareholders”	the Shareholders of the Company at the date of this Document
“FCA”	the Financial Conduct Authority
“FSMA 2000”	the Financial Services and Markets Act 2000 (as amended)
“IEC”	the International Electrotechnical Commission (IEC) is a global industry association covering the interests in their country companies and businesses, industry associations, educational bodies, governmental and regulatory bodies, operating in the electro technical fields
“Investors”	persons who subscribe for Offer Shares pursuant to the Offer
“Listing”	the listing or trading of the Ordinary Shares on an Investment Exchange
“Minimum Amount”	there is no Minimum Amount under this Offer
“NIS”	the New Israeli Shekel
“Non-Executive Directors”	the non-executive directors of the Company
“Offer”	Private Placing with existing shareholders of the Company through a Rights issue offered on the basis of 1 new Ordinary Shares for every 2 Ordinary shares presently held, with a placing of any shares not taken up by present shareholders, at a price of £0.15 per share to raise up to £1,000,000 before the expenses of the Offer. The Company reserves the right to scale back applications under the Rights Offer, if necessary.

“Offer Price”	15 pence per Offer Share (also expressed as £0.15)
“Offer Shares”	the 6,666,667 Ordinary Shares the subject of the Offer
“Ordinary Shares”	Ordinary Shares of 0.5p each in the capital of the Company
“OTX Acquisition”	OTX Acquisition Limited registered in England and Wales on 1 June 2007 with company number 6266258
“OTX Israel”	OTX Ltd, a company registered in Israel on 27 March 2007 with registered number 51-395861-1
“OTX Plc”	OTX Plc incorporated on 7 June 2007 in England and Wales with company number 6272496 and re-registered as a Public Limited Company on 18 July 2007
“Powerise”	Whuhan Powerise Optoelectronics Inc ( <a href="http://www.whpowerise.com">www.whpowerise.com</a> ), located in Wuhan, the capital city of Hubei Province in Central China
“R&D”	research and development
“Recognised Investment Exchange”	as defined in section 285 of FSMA 2000
“Sale”	either: the unconditional sale, disposal or transfer of all Shares (except, if relevant, those that the purchaser owns immediately prior to such sale, disposal or transfer); or 90% acceptances when a Takeover Offer has been made
“Shareholders”	the registered holders of Shares
“Shares”	the Ordinary Shares and Deferred Shares
“Subscription in Full”	Subscription by Investors of the maximum number of Offer Shares
“Takeover Offer”	a written offer to purchase all the issued and outstanding share capital of the Company
“£” or “Sterling”	the British Pound Sterling denominated currency
“\$”	the United States Dollar denominated currency
“RMB”	the Chinese Renminbi denominated currency

**GLOSSARY OF TECHNICAL TERMS**

Access network	An access network is any network to which the end user connects. The cellular, the TV cable or local phone company are all examples of Access Networks.
CAGR	Compounded Annual Growth Rate being a calculation relating to growth expressed as a percentage.
Chip	A rectangular silicon die cut from a wafer. By extension every large scale integration package is called a chip.
Clean room	A clean room is an environment, typically used in manufacturing or scientific research that has a low level of environmental pollutants such as dust, airborne microbes, aerosol particles and chemical vapours. A clean room has constant temperatures and humidity and a controlled level of contamination that is specified by the number of particles allowed per cubic metre at a specified particle size.
CPU	Is the abbreviation for central processing unit (the processor). The CPU is the brains of the computer where most calculations take place.
Diode	A device which allows the current to flow in one direction.
Dicing	The accurate cutting of silicon chips from silicon.
DFB Laser	Distributed Feedback Laser is a type of laser diode, quantum cascade laser or optical fiber laser where the active region of the device contains a periodically structured element or diffraction grating.
Fiber optics	An optical fiber is a flexible, transparent fiber made by drawing glass (silica) or plastic to a diameter slightly thicker than that of a human hair. Optical fibers are used most often as a means to transmit light between the two ends of the fiber and find wide usage in fiber-optic communications, where they permit transmission over longer distances and at higher bandwidths (data rates) than wire cables. Fibers are used instead of metal wires because signals travel along them with lesser amounts of loss; in addition, fibers are also immune to electromagnetic interference, a problem which metal wires suffer.
FP Laser	Fabry-perot laser is a semiconductor light-emitting device that emits multi-longitudinal mode coherent light with a FP cavity as a resonant cavity. FP lasers are mainly used for low-rate short-distance transmission.
Gbps	Giga bits per second. A way to describe the throughput capability of a pipe or connection. Example: 1 Gigabit per second translates to 1,000,000,000 bits of data flowing per second.
HALT	High Accelerated Life Test (HALT), is a stress testing methodology for accelerating product reliability during the engineering development process. It is commonly applied to electronic equipment and is performed to identify and thus help resolve design weaknesses in newly developed equipment.
Head-end	The optical component in the transceiver. Also called an Optical Transmitter and Receiver (OTR) or optical-chip. See TOSA/ ROSA below.
HDMI	A standard for connecting high-definition video devices.
Integrated Circuit or IC	A circuit which is fabricated on a single chip (or die) of silicon.
Light Peak	The code-name for a new high-speed optical cable technology, developed by Intel Corporation and also known as Thunderbolt, it was designed to connect electronic devices to each other. Light Peak delivers high bandwidth starting at 10 Gbps.
Laser	A laser, (an acronym for light amplification by stimulated emission of radiation) is an optical source that emits light in a coherent beam.
Laser Diode	A Laser Diode is a laser where the active medium is a semiconductor similar to that found in a light-emitting diode ("LED").

Mbps	A contraction of Mega Bits per second. The speed at which information (bits) can be sent down a communications link, (1Mbps translates to 1,000,000 bits per second).
Micro-TOSA	The Company's Optical Sub Assembly, the optical component (laser diode), the micro-TOSA is the main building block of the TOSA (described below).
Monitoring Photo-Diode	Is a component of any TOSA (part of the head-end) that contributes to the optical transmission element of the transceivers.
Photo-Detector (PD)	Is a component of the ROSA (part of the head-end) that contributes to the optical reception element of the transceiver.
Pluggable	A plug sized electronic component that can be easily connected and disconnected.
OEM	Original Equipment Manufacturer.
OTR	Optical Transceiver and Receiver. A module used in connecting optical network sub-systems, which is comprised of, amongst other things, a TOSA and a ROSA.
PCB	Printed circuit board. A back-plate that holds electric components and has prepared contact tracings that electrically connect the components.
ROSA	Receiver Optical Sub Assembly, an optical component used for signal detection which consists of a light detector and fibre optic input.
Semiconductor	A semiconductor is a solid whose electrical conductivity can be controlled over a wide range.
SFP	Small Form Factor Pluggable transceiver.
SFP (OTR)	Small form-factor pluggable optical transceiver, the most widely used optical transceiver in the world with an estimated 30 million devices sold every year. It is targeting mainly datacom applications. SFP supports all typical data throughput speeds, ranging from 100 Mbps to 10 Gbps and distances (up to 10 km) in a single (small) form factor.
SFP	small form-factor pluggable (consisting of TOSA/ROSA combinations plus attending electronics) and OTRs are pluggable modules that send or receive light modulated optical signals and convert them to electrical signals and vice versa. There are two markets: datacom modules (or Ethernet and Fibre Channel transceiver) or telecom module (or SONET/SDH transceiver).
TOSA	Transmitter Optical Sub Assembly, an optical component for signal transmission which consists of a Laser Diode, a light detector and a fibre optic output.
TOSA/ROSA	This is an acronym for "transmitter optical sub-assembly and receiver optical sub-assembly" and is also known as the "head-end" in the transceiver.
Transceiver	A module used in connecting systems used in sending and receiving electrical signals. USB2.0 standard computer connecting copper-cable interface standardized by USB-IF.
USB 3.0	New industry standard interface that incorporates copper and optical fiber (USB Implementers Forum) connecting capability. Standardized by USB-IF.
USB 3.1	New industry standard interface that incorporates copper and optical fiber connecting capability at a 10 Gb per second rate.

## **RISK FACTORS**

The investment detailed in this Document may not be suitable for all its recipients. Before making an investment decision, prospective Investors are advised to consult an investment adviser authorized under the Financial Services and Markets Act 2000 who specializes in investments of the kind described in this Document. Prospective Investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them as investment in the Offer Shares involves a high degree of risk. Any subscriber for the Offer Shares must have no need for any liquidity with respect to this investment and must be able to withstand a total loss of his investment. Each potential Investor must carefully consider the risks described below and the other information set out in this Document before deciding to invest in the Offer Shares.

Potential Investors are advised that the risk factors set out below apply to the Company and/or its wholly owned subsidiaries, OTX Acquisition and OTX Israel. Additional risks and uncertainty not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. In addition to the other relevant information set out in this Document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company.

### **Early stage company**

The Company is an early stage company, moving from the R&D stage to commercialization. The Company's business must be considered in light of the risks, expenses and problems frequently encountered by companies at an early stage of development, particularly companies in the high-technology field. There can be no assurance that the Company will succeed in developing its business. There can be no assurance that the Company will be able to provide or maintain sufficient resources to maintain the operations that may be required in the development and introduction of its products. Typically, a large majority of such companies fail to achieve their business plan and their projections, through a failure to estimate the speed of market penetration, and the cash costs associated with penetrating markets.

### **Product risks, uncertainty of market acceptance**

The Company's production technology is new and, while it has been tested, to some degree, it requires a departure from traditional industry operating practices. There can be no assurance that the Company's production technology will achieve mass production, or that it will achieve its expected cost reductions or that its product will meet the specifications required by the market or that the market will purchase the product in the quantities and at the speed anticipated by the Company's business plan. Also, there is no certainty that the Company will be able to maintain a competitive position or that the Company will have adequate financial and human resources to maintain the rate of product development required by the markets in which it expects to operate.

Companies with innovative products often overestimate the speed of market acceptance of their products. The rate of market penetration by smaller companies in markets dominated by larger suppliers is often quite protracted as it is often difficult to achieve marketing recognition.

### **Risks of further delays**

The Company has experienced considerable delays in bringing its product to market. The Company is entering its commercialization phase but there is no certainty that new delays will not arise as from changes required in its production technology and/or from the specific needs of new customers and the delays that these could entail.

### **Risks of doing business in China**

The Company is entering the Chinese market for the first time. It has limited prior experience of doing business in China and limited infrastructure to support its business activities. Delays in signing contracts, in securing orders, delays in obtaining payment, risks of reverse engineering, theft of intellectual property and enforcement of such intellectual property rights are risks often cited of doing business in China.

**Supplier risks**

The Company has developed an outsourcing production model, relying on a number of external suppliers and subcontract assembly. This production process will be implemented for the first time to deliver samples to its prospective customer. Whilst the Directors will endeavour to avoid placing reliance on a particular supplier to all or any of the components used to manufacture the Company's products, if a supplier's prices increase or if a supplier is no longer able to supply the Company, it may have an adverse effect on the Company's ability to produce its products, or the cost at which its products could be produced, which would be likely to have an adverse impact on the Company's profitability.

**Dependence on management**

The Company is dependent on the members of its Board, on its chief executive, and on external advisers to manage, operate and to advise on its business. The loss of any senior member of the Company would have an adverse effect on the business and prospects of the Company.

**Intellectual property**

The Company's products and processes are proprietary and the Company has filed a number of patent applications as further detailed in Part 4 below. However, there is a possibility that third parties could claim that the Company's current or future technologies or processes infringe or misappropriate their patents or other proprietary rights. Although the Directors do not believe that the Company is currently infringing or misappropriating any proprietary rights of others, legal action claiming infringement or misappropriation could be commenced against the Company at any time and the Company may not successfully defend such litigation given the complex technical issues and inherent uncertainties in such litigation. Any claims, with or without merit, could result in costly litigation and operating changes, which could adversely affect the business of the Company, financial condition and operating results and may force the Company to enter into royalty or licensing agreements, which may not be available on terms acceptable to the Company. Any such claims may result in the Company having to indemnify customers or obtain replacement products or functionality for customers; to significantly increase development efforts and resources to redesign products as a result of these claims; and to discontinue the sale of some or all of the Company's technologies or products.

When patent applications are made, these may not be allowed or competitors may successfully challenge the validity or scope of any future issued patents. Any patent applications filed will be limited to enforcement in the countries in which they are issued. Patent applications alone may not provide the Company with any significant competitive advantage and third parties may develop technologies that are similar or superior to the Company's technology and which avoid infringement of any patents.

In addition, when a patent is not sought by the Company for reasons of confidentiality, it may happen that a competitor may come independently with the same or with a similar idea and file for a patent. In such a case, not only the competitor will be able to use such technology but it may claim for originality and prevent the Company from using its own developed technology.

**Directors**

The Directors are not employed full time by the Company and current and any future Directors have, and may have in the future, additional professional responsibilities and as such, may experience conflicts of interest and demands on their time to the possible detriment of the Company.

**Competition**

While the Directors believe that the Company has developed an innovative proprietary production technology, there is no certainty that it will be able to adequately protect its technology or that competition will not develop or even supersede the Company's process and prevent the realization of the Company's business plan. The Company has commenced patent filings. The Company operates in a very competitive industry, where products offered have been largely commoditized.

If the Company succeeds in bringing its product to market at its projected price advantage, competitive pressures are expected to elicit comparable or superior innovations. The Directors presently expect the Company to maintain its lead on competition for at least 5 years. The Company's research and development road map under the current budget will permit product optimization but not further product development.

The Company's technical adviser has advised that there are technological developments, still at the laboratory stage, which could result in products which may compete with or even replace the Company's products, if they achieve commercialization.

#### **Enforcement of non-competition clauses**

In order to protect the Company's proprietary technology and processes, the Company relies in part on confidentiality agreements with its collaborators, employees and other advisers. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases the Group could not assert any trade secret rights against such a party. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position. Furthermore, non-competition clauses are difficult to enforce in Israel, especially with respect to employees who are exposed to confidential information but are not, however, senior or essential management employees and whose termination of employment may not cause destructive and irreparable damage to the Company.

Israeli courts have required employers seeking to enforce non-compete undertakings against former employees to demonstrate that the former employee breached an obligation to the employer and thereby caused harm to one of a limited number of legitimate interests of the employer recognized by the courts, such as the confidentiality of certain commercial information or a group's intellectual property or trade secrets. In the event that any of the Company's employees (especially with respect to non-senior management employees) chooses to work for one of its competitors, the Company may be unable to prevent such employment.

#### **Adequacy of working capital**

The Company will have adequate working capital for 12 months if the Offer is fully subscribed. If Subscription in Full does not occur, or if the assumptions of the Company's business plan do not materialise, the Company may not have sufficient working capital to maintain its operations.

The Directors recognize that the Company, in the future, may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of the Company's financing may be dilutive to, or otherwise adversely affect, shareholders.

#### **Valuation of the Ordinary Shares**

The valuation of the Ordinary Shares for the purpose of this Offer has been based upon negotiation with the Company and upon an estimate of the potential profitability of the Company at the time of a listing or a trade sale and an assumed rate of return for Investors. There can be no guarantee that the Company will develop as anticipated or that it will achieve milestones to justify the valuation, or that the Ordinary Shares will be able to achieve a higher valuation in the future or the required rate of return, or if achieved, that such valuation will in fact be maintained.

#### **Financial exit for the Company**

Subject to business and market conditions the Company will seek to present itself to potential trade buyers after 2-3 quarters of successful production and sales. There can be no assurance that such a financial exit will be achieved and if achieved at what valuation it will be achieved and what rate of return it will generate for Investors, or if it will create any liquidity for the Company's shares. The Company may need to evidence production and sales for a much longer period of time for a financial exit to be achieved. The founder of the Company controls approximately 37% of the share capital of the Company and will have a decisive influence in the final disposition of the Company. There can be no certainty that the founder's financial motivations will be aligned with those of investing shareholders.

**Dividends**

There is no certainty that the Company will generate sufficient after tax profits to be able to pay a dividend on the Ordinary Shares. Furthermore, the declaration, payment and amount of any future dividends of the Company are subject to the discretion of the shareholders of the Company or, in the case of interim dividends to the discretion of the Directors, and will depend upon, amongst other things, the Company's earnings, financial position, cash requirements and availability of profits as well as provisions for relevant laws or generally accepted accounting principles from time to time.

**Share options and Deferred Shares**

The Company has approved the issue of share options over an aggregate of 2,091,517 Ordinary Shares. As at the date of this Document no share options have been allotted and a share option scheme has not yet been prepared.

The Company has issued, or agreed to issue, a total of 2,151,452 Deferred Shares to CSSCM at par value of 0.01p pursuant to previous placing made in 2007, 2010, 2012, 2015, 2017 and will issue additional Deferred Shares pursuant to this Offer in an amount of 20% of the Ordinary Shares subscribed in the present Offer. Assuming the current Offer is subscribed in full the Company will issue to CSSCM 666,667 Deferred Shares. All Deferred Shares have been aligned to have a final maturity of seven years from the date of this Offer and have the right to be converted into Ordinary Shares upon payment of the difference in the par values between the Deferred and the Ordinary Shares. The exercise of such share options or the conversion of the Deferred Shares into Ordinary Shares would result in a dilution of the shareholdings of other Shareholders.

**Forward-looking statements**

This Document contains certain forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this Document, including statements regarding the Company's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this Document use words like "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will", and similar terms. These forward-looking statements include, but are not limited to, statements about the:

- implementation of the Company's business model and strategic plans for business;
- scope of protection the Company is able to establish and maintain for intellectual property rights covering its products and associated technology;
- Company's ability to operate its business without infringing the intellectual property rights of others;
- estimates of the Company's expenses, future revenues, capital requirements and need for additional financing;
- Company's ability to establish and maintain corporate collaborations;
- timing of regulatory filings and approvals;
- Company's use of proceeds from this Offer;
- demand for the Company's products;
- financial performance of the Company; and
- Company's industry and competing companies and technologies.

The Company's actual results could differ significantly from the results discussed in the forward-looking statements in this Document. Many factors could cause or contribute to these differences, including the factors discussed in this Part 1 of the Document. Investors are urged to read carefully this entire Document before making an investment decision. The forward-looking statements in this Document are based on the Directors' beliefs and assumptions and information only as of the date of this Document, and the forward-looking events discussed in this Document might not occur. Therefore, Investors should not place any reliance on forward-looking statements. Except as required by law, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

**Conflicts of interest relating to CSS and CSS Partners**

CSS has a broad-ranging relationship with the Company which may create conflicts of interest. CSS has acted as financial adviser to the Company in the structuring of this Offer and has assisted in the preparation of this



Document pursuant to the CSS Agreement. A related party, CSS Partners, an authorized representative of CSS, is acting as placing agent in respect of this Offer pursuant to the CSS Agreement. CSS Partners maintains separate, non-advisory, client agreements with private and professional clients who may become subscribers to this Offer. Certain principals of CSS and CSS Partners are partners in CSSCM which holds a position in the Ordinary Share capital of the Company. A fund managed by CSS has provided a bridge loan to the Company. Gerard Mizrahi, the Managing Partner of CSS is also a Director of the Company.

#### **Influence of principal shareholders**

Upon completion of this Offer, assuming Subscription in full, Eli Ben Oliel will own, directly or indirectly, approximately 26.5% of the Ordinary Share capital. As a result, he will be in a position to exert significant influence over the affairs of the Company, including the appointment of the Company's Board and the approval of significant change-in-control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of Mr. Ben Oliel and may have the effect of delaying or preventing an acquisition or other change in control of the Company.

#### **Risks related to the Company's location in Israel**

The principal place of business of the Company is located in Israel. Accordingly, political, economic and military conditions in Israel directly affect the Company's operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighbours. A state of hostility, varying in degree and intensity, has at times led to security and economic problems for Israel.

It is unknown as to how much those hostilities and volatile climate currently hinder Israel's international trade relations and whether they still may limit the geographic markets where the Company can operate. Any resumption of hostilities involving Israel or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could materially and adversely affect the Company's operations.

#### **Taxation**

It should be noted that the information contained in Part 4 of this Document relating to taxation may be subject to legislative change.

#### **EIS qualification**

HM Revenue & Customs has been requested to confirm that, on the basis of the information provided to them, the Company is a Qualifying Company and the shares offered for subscription are Eligible Shares for the purposes of the Enterprise Investment Scheme (EIS). There can be no assurance that HMRC will qualify the Company for the purpose EIS.

#### **Exchange rate fluctuations**

The majority of the Company's expenses are or might be in the future denominated in New Israeli Shekels ("NIS") and its revenues are expected to be denominated in RMB and US dollars. Inflation in Israel or the United Kingdom may have the effect of increasing the £/\$ or NIS/\$ cost of operations in that country. If the NIS declines in value in relation to one or more of these currencies, it will become more expensive to fund operations in the countries that use those other currencies.

#### **Suitability**

An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Investors are advised to consult a person authorised under the Financial Services Act before making their decision. Prospective Investors are reminded that the Company's Shares are not traded on any recognised market, and may not become so traded. There are no arrangements at this time for there to be any dealings in the Shares. As such, it may be difficult for an Investor to realise his investment or to obtain reliable information about either the value of an investment in the Company or the extent of the risks to which an investment in the Company may be exposed. In addition, Investors should note that the value of the Shares may go down as well as up and an Investor may not, on a realisation, recover the amount originally invested.

## PART FOUR

**ADDITIONAL INFORMATION****1. Responsibility**

The Company and the Directors, whose names and functions are set out in paragraph 2 of this Part 4, accept responsibility for all the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect the import of such information.

**2. The Directors.**

The Directors of the Company and their respective functions are as follows:

- Arie Laor (*Chief Executive Officer*)
- Ossie Weitzman (*Chief Financial Officer*)
- Gerard Mizrahi (*Director*)

**3. The Company**

- 3.1 The Company was incorporated under the Companies Act 1985 in England and Wales as a limited company on 7 June 2007, with registered number 6272496, with the name OTX Limited. The liability of the members of the Company is limited. The Company re-registered as a public limited company on 18 July 2007.
- 3.2 The Company's registered office in the UK is at 42-50 Hersham Road, Walton-on-Thames Surrey KT12 1RZ and in Israel 2 BSR Towers, 27th Floor, 1 Ben Gurion Rd. Bnei Brak 5120149, Israel.
- 3.3 The business of the company and its principal activity is that of a holding company. The business of OTX Israel and its principal activity is that of developing optical components for use in the manufacture of communication cables for consumer markets.

**4 Subsidiaries and investments**

4.1 The Company has the following wholly or partly owned subsidiaries:

<i>Company</i>	<i>Date Activities</i>	<i>Date incorporated</i>	<i>Place of incorporation</i>	<i>Shareholder(s)</i>	<i>% ownership</i>
OTX Acquisition Ltd	Intermediate	01/06/2007	England	the Company	100
OTX Ltd	Operating company	26/03/2007	Israel	OTX Acquisition Ltd	100

OTX Acquisition owns the entire issued share capital of OTX Israel. OTX Israel is a private company registered in Israel on 26 March 2007 with registration number 51-395861-1 and whose registered address is at 1 Ben Gurion Rd, Bnei Brak 5120149. OTX Plc is the sole corporate director of OTX Israel.

4.2 Except as stated in this paragraph 4, the Company does not have, nor are there in progress by the Company, any significant investments.

**5. Share capital**

- 5.1 Between the Company's formation in 2007 and 2017 the Company underwent various financing rounds and there were several issuances of shares. Changes in the share capital of the Company prior to 2017 are not recorded in this Document.
- 5.2 Under the 2017 placing 2,221,995 Ordinary Shares were issued at a price of 31.25p per share under a series of closings, approved by the Board of Directors and 320,000 Deferred Shares became issuable under the terms of the PPM to CSSCM

- 5.3 The authorised and issued share capital of the Company at the date of this Document and following Subscription in Full (and including the Bridge Shares) is and will be as set out in Part 1).
- 5.4 Other than as disclosed in this Document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.
- 5.5 Of the Company's authorised share capital, assuming that Subscription in Full occurs, the issued share capital of the Company will be 34,314,086 Ordinary Shares, and 3,474,410 (not including the over-allocation provision) Deferred Ordinary Shares, and 2,085,268 options have been granted by the Company to Avi Strum, Arie Laor and Ossie Weitzman and these will issued under a stock option plan to be adopted in due course.
- 5.6 The issued share capital of the Company, as at the date of this Document is 29,534,086 Ordinary Shares, and 2,151,452 Deferred Ordinary Shares and 2,603,049 options have been provided but no options have yet been formally issued.
- 5.7 If Existing Shareholders do not participate in the Offer, if Subscription in Full occurs (not including the Over-Allocation Provision), Existing shareholders would suffer a dilution of 19.4% in their interest in the Company.
- 5.8 All Shares in the Company may, at present, only be held in certificated form.
- 5.9 Since the incorporation of the Company there were various issuances of share capital which are not recorded in this Document except for these and as disclosed in this Part 4, since the date of incorporation of the Company: (i) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries other than intra-Company issues by wholly owned subsidiaries and pro rata issues by partly owned subsidiaries; and (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital of the Company or any of its subsidiaries.
- 5.10 To the best of the Directors' knowledge, only those persons set out in paragraphs 17 and 18 of this Part 4, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 5.11 Except as disclosed in this Document, no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.

## 6. Share options

The Directors intend to establish a share option scheme in the near future. The Company has authorised the issue of share options over 10% of the capital of the Company which is customary for a company of this nature. 2,085,268 options have been issued by the Company to Avi Strum, Arie Laor and Ossie Weitzman and these will be issued under a share option scheme to be adopted in due course.

## 7. Articles of association

The principal objects of the Company are to carry on business as a general commercial company. The articles of association of the Company contain, amongst others, the following provisions.

### *Votes of members*

- On a show of hands every member who being an individual is present in person or, being a corporation is present by a duly authorised representative, has one vote, and on a poll every member has one vote for every share of which he is the holder. The chairman of the meeting shall have a casting vote.
- Unless the directors determine otherwise, a member of the Company is not entitled in respect of any shares held by him to vote at any general meeting or to exercise any privilege as member of the Company either in person or by proxy if any amounts payable by him in respect of those shares have not been paid.

### *Variation of rights*

Subject to the provisions of CA 2006 and without prejudice to any rights for the time being conferred on the holders of any shares or class of shares, any share in the Company may be allotted with such preferred, deferred or other rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such determination be made, as the directors determine. The quorum at any such meeting is two or more persons holding, or representing by proxy, at least one-third in nominal value of the issued shares in question.

***Alteration of share capital***

The Company in general meeting may from time to time by ordinary resolution:

- i. increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- ii. consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- iii. cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- iv. subject to the provisions of the statutes, sub-divide its shares or any of them into shares of smaller nominal value, and may, by such resolution, determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred or other special rights over or may have such deferred rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares;
- v. subject to statute and any rights attached to shares, the Company may, by special resolution, reduce its share capital, capital redemption reserve fund or share premium account in any way; and
- vi. subject to statute, the articles of association and any rights attached to shares, the Company may purchase any of its own shares of any class.

***Conversion***

Conversion rights of Deferred Ordinary Shares (this will be reflected in a change of the Articles to be effected at the next AGM of the Company following this document).

The Deferred Ordinary Shares may convert into Ordinary Shares upon payment of the difference in the par value of the Deferred Shares and the Ordinary Shares at any time for seven years from the date of issue of the Deferred Ordinary Shares. The maturity of all Deferred Ordinary Shares issued shall be extended to become coterminous in maturity with the issue of Deferred Ordinary Shares pursuant to this Offer.

**8. Transfers of shares**

- 8.1 Subject to the provisions of the articles relating to uncertificated shares all transfers of shares will be effected in the manner authorised by the Stock Transfer Act 1963 and must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- 8.2 The Directors may, in their absolute discretion and without assigning any reason, refuse to register the transfer of a share in certificated form if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped, or if it is by a member who has failed to comply with a section 793 notice.
- 8.3 The articles of association contain no restrictions on the free transferability of fully paid ordinary shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the articles of association, if any, relating to registration have been complied with.
- 8.4 Any person holding Ordinary Shares at the time of a Listing will be prohibited from selling, transferring or otherwise disposing of their Ordinary Shares (or securities arising out of their Ordinary Shares) for a period of six months following a Listing. Exceptions to such prohibition are a disposal by order of the court, following the death of the relevant Shareholder or on a Sale of the Company.

**9. Payment of dividends**

Subject to the provisions of CA 2006 and to any special rights attaching to any shares, the shareholders are to distribute amongst themselves the profits of the Company according to the amounts paid up on the shares held by them, provided that no dividend will be declared in excess of the amount recommended by the Directors. A member will not be entitled to receive any dividend if he has a holding of less than 0.25% of any class of shares of the Company, and has failed to comply with a section 793 notice. Interim dividends may be paid if profits are available for distribution and if the Directors so resolve. The Company or its directors may fix a date as the record date for a dividend provided that the record date is not later than the date on which the dividend is paid or made.

**10. Unclaimed dividends**

Any dividend unclaimed after a period of 12 years from the date of its declaration may be invested by the Company until claimed. The Company is not a trustee in respect of them. No dividend will bear interest against the Company.

**11. Untraceable shareholders**

The Company may sell any share if, during a period of 12 years, at least three dividends in respect of such shares have been paid, no cheque or warrant in respect of any such dividend has been cashed and no communication has been received by the Company from the relevant member. The Company must advertise its intention to sell any such share in both a national daily newspaper and a newspaper circulating in the area of the last known address to which cheques or warrants were sent. Notice of the intention to sell must also be given to the UK Listing Authority.

**12. Return of capital**

On a winding-up of the Company, the balance of the assets available for distribution will, subject to any sanction required by CA 2006, be divided amongst the members.

**13. Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part if it, and subject to the provisions of CA 2006, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

**14. Directors**

- i. No shareholding qualification is required by a director.
- ii. The Directors are entitled to fees at the rate decided by them, subject to an aggregate limit of £100,000 (one hundred thousand pounds) per annum or such additional sums as the Company may by ordinary resolution determine. The Company may by ordinary resolution also vote extra fees to the Directors, which, unless otherwise directed by the resolution by which it is voted, will be divided amongst the Directors as they agree, or failing agreement, equally. The Directors are also entitled to be repaid all travelling, hotel and other expenses incurred by them in connection with the business of the Company.
- iii. Each director shall retire from office at the third annual general meeting following the annual general meeting at which he was appointed or last reappointed. A retiring director is eligible for re-appointment.
- iv. The directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.
- v. Except as provided in paragraphs vi 1) to 7) below, a Director may not vote or be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he has any material interest, which includes the interest of any person connected with him, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. Subject to CA 2006, the Company may by ordinary resolution suspend or relax this provision to any extent or ratify any transaction not duly authorised by reason of a contravention of it.
- vi. In the absence of some other material interest that is indicated below, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:
  - the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
  - the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in its underwriting or sub-underwriting;
  - any contract, arrangement, transaction or other proposal concerning any other Company in which he is interested, as set out in CA 2006, provided that he is not the holder of or beneficially interested in 1% or more of any class of the equity share capital of such Company, or of a third Company through which his interest is derived, or of the voting rights available to members of the relevant Company, any such interest being deemed to be a material interest in all circumstances;
  - any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of HM Revenue & Customs;
  - any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of an employee share scheme which includes full time executive directors of the Company and/or any subsidiary or any arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not accord to any Director any privilege or advantage not generally accorded to the employees to whom such a scheme relates; and
  - any contract, arrangement, transaction or proposal concerning insurance, which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including the Directors.
- vii. If any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other Director will be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fully disclosed. If the question concerns the chairman, it must be referred to such other Director present at the meeting, other than the chairman, as the director's present appoint.
- viii. The directors may provide or pay pensions, annuities, gratuities and superannuation or other allowances or benefits to any Director, ex-Director, employee or ex-employee of the Company or any of its subsidiaries or any wife, widow, children and other relatives and dependents of any such Director, ex-Director, employee or ex-employee.

#### 15. Drag-along rights

If, at any time prior to the Ordinary Shares being admitted to trading on a Recognised Investment Exchange or a market regulated by a Recognised Investment Exchange any Shareholder or Shareholders holding in aggregate 75% or more of the issued Ordinary Shares in the Company wish to transfer their interest in all of their Ordinary Shares, whether by takeover offer, private treaty or otherwise to a third party, such Shareholders may require all other Shareholders to offer the Ordinary Shares held by them to the third party on the same terms. In the event that following that event some of the Convertible Preference Shares are converted such conversion into Ordinary Shares will be counted in the 75% calculation.

#### 16. Tag along

If, at any time prior to the Ordinary Shares being admitted to trading on a Recognised Investment Exchange or a market regulated by a Recognised Investment Exchange, shareholders holding a majority of shares ("Tag Shareholders") receive a bona fide offer to purchase all or some of the shares held by them acceptance is conditional upon:

1. The Tag Shareholders dispatching a notice, within 30 days of accepting the offer, of the main terms of the offer and that they have contracted to accept the offer subject to the terms of article 11 of the articles of association;
2. The proposed buyer has made a binding offer to the other shareholders at the same price per share that is kept open for at least 30 days from delivery of the notice pursuant to article 11; and
3. The 30 days period referred to in (2) above has elapsed or all other shareholders have accepted or completed the offer made to them.

***Increase of capital***

The Company may from time to time by ordinary resolution increase its capital by such sum, to be divided into shares of such amounts and carrying such rights, as the resolution may prescribe.

All new shares are subject to the provisions of these articles with reference to payment of calls, lien, forfeiture, transfer, transmission and otherwise. Unless otherwise provided by these articles, by the resolution creating the new shares or by the conditions of issue, the new shares will upon issue be ordinary shares.

***General meetings***

- a) Subject to the provisions of CA 2006, the annual general meeting will be held at such time and place or places as the directors may determine. All general meetings other than annual general meetings are called extraordinary general meetings. The Directors may call an extraordinary general meeting whenever they think fit, and must do so when required by CA 2006, and extraordinary general meetings must also be convened on such requisition, or in default may be convened by such requisitionists, as provided by CA 2006.
- b) Subject to the provisions of CA 2006, an annual general meeting must be called by at least 21 days' notice, and all other general meetings must be called by at least 14 days' notice. The notice is exclusive of the day on which it is served, or deemed to be served, and of the day for which it is given.
- c) Notices must be given in the manner stated in the articles to all the members, other than those who under the provisions of the articles or under the rights attached to the shares held by them are not entitled to receive the notice, and to the auditors.
- d) No business may be transacted at any general meeting unless a quorum is present, which will be constituted by two persons entitled to vote at the meeting each being a member or a proxy for a member or a representative of a corporation which is a member, duly appointed as such in accordance with CA 2006. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of, or by, members, will be dissolved.
- e) At a general meeting a resolution put to the vote will be decided on a show of hands unless, before or on the declaration of the result of the show of hands, a poll is demanded by the chairman or by at least five members present in person or by proxy and entitled to vote or by a member or members entitled to vote and holding or representing by proxy at least one tenth of the total voting rights of all the members having the right to vote at the meeting. Unless a poll is demanded as above, a declaration by the chairman that a resolution has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of general meetings of the Company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- f) No member shall be entitled to vote at any general meeting either personally or by proxy or to exercise any privilege as a member, unless all calls or other sums presently payable to him in respect of shares in the Company have been paid.
- g) The instrument appointing a proxy may be in any common form, or such other form as may be approved by the Directors, and will be signed by the appointor or if the appointor is a corporation under the hand of a duly authorised officer of the corporation. The Directors may, but will not be bound to, require evidence of authority of such officer or agent.
- h) The proxy will be deemed to include the right to demand or join in demanding a poll and generally to act at the meeting for the member giving the proxy.
- i) The Directors may direct that members or proxies wishing to attend any general meeting must submit to such searches or other security arrangements or restrictions as the Directors consider appropriate in the circumstances and may, in their absolute discretion, refuse entry to, or eject from, such general meeting any member or proxy who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

**Uncertificated shareholding**

The Directors may implement such arrangements as they think fit in order for any class of shares to be held in uncertificated form and for title to those shares to be transferred by means of a system such as CREST in accordance with the Uncertificated Securities Regulations 2001 and the Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

**17. Substantial shareholders**

Except for the interests of the Directors of the Company, which are set out in this Part 4, the following persons are at the date of this Document interested directly or indirectly in 3% or more of the issued ordinary share capital of the Company and their percentage holdings following the Offer, assuming no Deferred Ordinary Shares are:

<i>Name</i>	<i>Ordinary Shares held</i>	<i>Percentage of Share capital assuming Subscription in Full</i>
Eli Ben Oliel	10,673,552	26.5%

- Other than those persons set out above and the interests of the Directors of the Company set out in paragraph 10 below, the Directors are not aware of any person who, directly or indirectly, is interested in 3% or more of the issued ordinary share capital of the Company.
- Other than as set out in Part 4 of this Document, no major holder of Ordinary Shares, either as listed above, or as set out in paragraph 8 of this Part 4, has voting rights different from other holders of Convertible Preference Shares.

**18. Directors' shareholdings in the Company**

<i>Name</i>	<i>Ordinary Shares held</i>	<i>Percentage of Share capital assuming Subscription in Full</i>
Gerard Mizrahi	376,800	1.3%

**19. Directors' interests and other matters**

- Except as disclosed in paragraph 10, none of the Directors, nor any member of their respective immediate families, nor any person connected with them within the meaning of sections 252 to 255 CA 2006, is interested in the share capital of the Company, or any financial product referenced to them.
- Except as set out in this Part 4, there are no outstanding loans granted by the Company to any Director, nor has any guarantee been provided by the Company for their benefit.
- The Company has entered into consultancy agreements and service agreements with the Directors, the terms of which are set out below in paragraph 12 of this Part 4.
- Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the Directors' contracts or in respect of any members of the administrative, management or supervisory bodies of the Company. Except as set out above, none of the Directors has any commission or profit sharing arrangements with the Company.
- The total emoluments of the Directors will not be varied as a result of the Offer.
- Except as disclosed in this paragraph 10 of Part 4, there are no existing or proposed service contracts between any of the Directors and the Company which are not terminable on less than 12 months' notice, nor have any service contracts been amended in the six months prior to the date of this Document.
- In addition to their directorships of the Company, the Directors are or have been, members of the administrative, management or supervisory bodies or partners of the following companies or partnerships (which unless otherwise stated are incorporated in the UK) within the five years prior to the publication of this Document:



	<i>Current</i>	<i>Past</i>
Arie laor	–	Available upon request
Gerard Mizrahi	CSS GP Ltd Phigold UK Plc and subsidiaries CSS Alpha Fund Ltd Lalzit Bay Group Ltd	
Ossie Weitzman	Curewize Health Ltd	Peer TV Plc and subsidiaries (insolvency in 2016)

h) Except as disclosed above no Director has:

Any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences; had a bankruptcy order made against him or entered into an individual voluntary arrangement; been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to be so acting;

- been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
- been subject to the receivership of any asset of such director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

i) Other than as set out in this Document, no Director has been interested in any transaction with the Company, which was unusual in its nature or conditions or significant to the business of the Company during the current financial year, which remains outstanding or unperformed.

j) Other than as set out in this Document, the Directors do not have roles as directors of companies other than the Company, and, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Company. Except as mentioned above, there are no potential conflicts of interest between the duties owed by the Directors to the Company and their duties to third parties.

k) Except for the Directors, the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

## 20. Agreements with Directors and Directors' service contracts

### *Arie Laor*

On 22 February 2017 the Company entered into an agreement with Arie Laor to act as Transition Manager of the Company and he has since been appointed as Chief Executive Officer.

His remuneration is:

- a) \$5,000 (five thousand US Dollars converted to New Israeli Shekels at the representative rate) per month (plus any applicable VAT).

- b) In addition, the Company will develop a management option plan with customary vesting provisions. He will be entitled to options over 4% of the enlarged share capital of the Company at an exercise price of 0.001p per share with a vesting schedule of three years but with acceleration of all non-vested options in a case of sale or IPO of the company. In February 2018 Mr. Laor agreed to a temporary reduction of 50% of his monthly remuneration effective from 1 January 2018. It was agreed that the deferred amount will be paid following the next investment round and that Mr. Laor will be allocated new shares in the Company equal to the value of the amount deferred.

The agreement is to be governed by and construed in accordance with English law and the parties submit to the jurisdiction of the courts of England and Wales.

#### ***Ossie Weitzman***

On 22 February 2017 the Company entered into an agreement with Ossie Weitzman to act as Chief Financial Officer of the Company, effective 1 November 2016.

His remuneration is:

- a) \$4,000 per month (plus any applicable VAT).
- b) In addition, the Company will develop a management option plan with customary vesting provisions. He will be entitled to options over 1.25% of the enlarged share capital of the Company at an exercise price of 0.001p per share with a vesting schedule of three years but with acceleration of all non-vested options in a case of sale or IPO of the company. Should such event take place within 24 months from the date hereof he will be entitled to additional options over a further 1% of the enlarged share capital under identical terms.
- c) In February 2018 Mr. Weitzman agreed to a temporary reduction of 50% of his monthly salary effective from 1 January 2018. It was agreed that the deferred amount will be paid following the next investment round and that Mr. Weitzman would be allocated new shares in the Company equal to the value of the amount deferred.

The fees payable relate to Ossie working an average of five days per month for the Company. In the event of having to work more than five days per month on a regular basis Ossie will be entitled to charge an additional fee for that additional work on a pro rata basis.

The agreement is to be governed by and construed in accordance with English law and the parties submit to the jurisdiction of the courts of England and Wales.

## **21. Material contracts**

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the date of this Document or are other contracts that contain provisions under which the Company has an obligation or entitlement which is material to the Company as at the date of this Document.

#### ***CSS agreement***

In July 2019 the Company entered into an engagement letter with CSS, CSS Partners and CSSCM, whereby CSS agreed to act, on a reasonable basis, as a financial advisor and CSS Partners as placing agent to the Group, in connection with the raising of up to £1,000,000 through a rights issue and placing of Ordinary Shares of the Company, pursuant to an offer of securities in the UK to provide working and development capital for the Company. The details are as follows: (1) A Corporate Finance Fee of £25,500 plus VAT for preparation of documentation for the PPM (2) A Fee of £25,000 plus VAT for financial advice in connection with the offer and preparation of the Offer, both payable from the proceeds of the Offer (3) A sales commission of 10% of the funds raised by CSS from its placement of the Ordinary Shares in respect of all subscriptions of under £100,000 or 8% sales commission on each subscriptions of over £100,000 (4) subject to reaching the minimum subscription, the Company will reimburse CSS for investor marketing costs, direct mailing costs and investor relations costs in connection with the financing. This fee will not exceed 10% of funds raised by CSS for each subscriber of £100,000 and under and shall not be chargeable on any individual subscriptions of over £100,000) All reasonable out of pocket expenses, including legal fees incurred by CSS in connection with the engagement.

**OTX Israel**

Bank Financing Agreement – OTX Israel has a small residual overdraft outstanding of approximately £15,000 which it will seek to repay in months following funding.

**Bridge loans**

CSS Alpha (BVI) Ltd extended a bridge loan to OTX Israel Ltd in July 2019 for an amount of £141,500. The loan is guaranteed by the Company and is secured by debentures registered in England and in Israel. The loan bears interest at 2% per month and is repayable no later than 31 July 2020. In consideration for this loan the Company has allotted to the Lender 1,866,667 Ordinary Shares of the Company as fully paid up.

**22. Working capital**

The Company will have adequate working capital for 12 months if Subscription in Full occurs under the assumptions of its business plan. In the event of a slippage in its plan or if Subscription in Full does not occur, the Company may not have sufficient working capital to maintain its operations. The Company will not have sufficient working capital to implement its business plan for 12 months if Subscription in Full is not achieved.

**23. Litigation**

The Company is not involved in any governmental, legal or arbitration proceedings which have or, in the 12 months preceding the date of this Document, may have had, a significant effect on the Company's financial position or profitability. The Company has several unpaid creditors with whom negotiations are ongoing and if not concluded satisfactorily could result in litigation against the Company.

**24. Intellectual property****OTX Ltd**

- Pct title: Assembly and packaging method and system for optical components
- Filing Date of Application: 30-Jun-2011 (PCT-IL2011/000522)
- Published Date: 5 Jan 2012. Publ. #: WO2012/001693

The Company has developed proprietary technology. The Company's patent attorney Mr. Geoffrey L. Melnick has summarised the patent situation as follows:

- The PCT International application that the Company had in 2012 has now become a series of national applications in the following jurisdictions:
  - USA, Europe, China and South Africa (The South African application is now a granted patent).

In the USA the Examiner has identified not one but two inventions and has requested that the Company choose which of the two to select for him to examine. Once decided, in respect of the invention not chosen at this time the Company will eventually have to decide whether to file a divisional application. In China there is an examination report that is currently being answered. The other applications are awaiting examination.

A summary of the claim:

- aligning an optical fiber with an optical component in a micro-optical sub-assembly, comprises providing a groove in the micro-sub-assembly in alignment with the optical component;
- placing an optical fiber in the groove, thereby aligning the optical fiber with the optical component;
- placing the sub-assembly on a printed circuit board; and extending the optical fiber into a ferrule for onward connection to external components.

**25. Employees**

The Company employed 3 people in 2016, 2015, 2014, and 2013. 5 people in 2012. Since 2016 it has had no employees, other than the directors who are under freelance contracts.

## 26. Other information

- 26.1 The Company's accounting reference date is 31 December.
- 26.2 Except as disclosed in this Document, no exceptional factors have influenced the Company's activities.
- 26.3 Except as disclosed in this Document, there has been no significant or material change in the financial or trading position of the Company.
- 26.4 Except as disclosed in this Document, since incorporation of the Company, there have been no significant authorised or contracted capital commitments at the date of publication of this Document.
- 26.5 The Company does not own any premises.
- 26.6 CSS has given and not withdrawn its written consent to the issue of this Document with references to its name in the form and context in which they appear.
- 26.7 Where information contained in this Document has been stated as sourced from a third party, the Directors confirm that such information has been accurately reproduced and, so far as they are aware and are able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 26.8 The subscription list for the Offer opens on 2 September 2019 and may be closed any time thereafter but not later than 12.00 p.m. on 18 October 2019, unless extended by the Directors. Monies received from applicants pursuant to the Offer will be held in accordance with the terms of the Offer until such time as the Offer becomes unconditional in all respects. If the Minimum Amount has not been received by the Closing Date application monies will be returned to the applicants at their risk without interest.
- 26.9 The financial information relating to the Company contained in this Document does not comprise statutory accounts for the purposes of sections 434 to 436 and 441 of CA 2006.
- 26.10 Offer Shares will be issued and allotted under the laws of England and Wales and their currency will be pounds Sterling.
- 26.11 The Company has not applied for and does not intend to apply for an ISIN number. Investors will receive their Offer Shares in certificated form. Temporary documents of title will not be issued pending dispatch of share certificates, which will be dispatched by first-class post within 30 days of the Closing Date.
- 26.12 The Ordinary Shares of the Company are not, by virtue of the location of the Company's place of central management, subject to the provisions of the City Code and as such the rules regarding mandatory takeover offers set out in the City Code do not apply to the Company. Although the Company's central place of management is not within the United Kingdom, the Channel Islands or the Isle of Man and it is therefore not a company to which the City Code applies, its Directors have resolved that the Company will take account of the rules set out in the City Code so far as is possible and practicable and adhere to the general principles contained in the City Code. Notwithstanding this fact, the panel will have no jurisdiction for so long as the Company is not a company to which the City Code applies. While the Company will seek to comply with the provisions of the City Code, third parties will not be obliged, and the Company will not be able to compel them, to comply with the City Code.
- 26.13 The Shares in the Company are subject to the compulsory acquisition procedures set out in sections 974 to 989 (inclusive) of CA 2006. Under section 979 of CA 2006, where an offeror makes a takeover offer (as defined in section 974 of CA 2006) and receives valid acceptances in respect of, or acquires, more than nine-tenths in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares which have not been acquired or contracted to be acquired.

## 27. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekdays, Saturdays and public holidays excepted, at the offices of CSS Partners LLP for a period of one month from the date of this Document:

- the memorandum and articles of association of the Company, OTX Acquisition and OTX Israel;
- the material contracts referred to in paragraph 21 of this Part 4.

## 28. Copies of this Document

Copies of this Document will be available to the public free of charge at the Company's registered office and at the offices of CSS Partners LLP an Appointed Representative of CSS with registration number OC311440 and located at 71-73 Carter Lane, London EC4V 5EQ during normal business hours on any weekday (other than Saturdays and public holidays), until the Closing Day.

## UNITED KINGDOM TAXATION FOR UK INVESTORS

### Introduction

The information in this section is based on the Directors' understanding of current UK tax law and HM Revenue & Customs' practice as at the date of this Document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional advisor regarding their own tax position and the consequences of making an investment in the Company.

### Tax residence of the Company

The Company is considered to be dual resident for tax purposes in both Israel and the UK. This dual residence results as the Company is UK tax resident by virtue of its incorporation in the UK (under UK tax residency rules) and also tax resident in Israel as it is controlled and managed by its Board in Israel (under corresponding Israeli tax residency rules). Notwithstanding the fact that the Company is dual resident by operation of "local" rules, it is considered that the Taxation Agreement entered into between the UK and Israel operates so as to treat the Company as solely tax resident in Israel (this under the relevant residency "tie breaker" provisions provided for in the Agreement which attributes tax residency to the state in which "effective management" is located). Accordingly the Company is regarded as "treaty nonresident" for UK tax purposes such that the information provided in this section reflects the taxation treatment appropriate to an investment in a non UK tax resident company.

### Taxation of dividends

The taxation of dividends paid by the Company and received by an Investor resident for tax purposes in the UK is summarized below:

#### a) *Individuals*

An individual Investor who is resident in the UK (for UK tax purposes) and who receives a dividend from the Company will be taxable on the dividend payment as the top slice of the individual Investor's income. Each individual has an annual Dividend Allowance of £5,000 (anticipated to be reduced to £2,000 with retrospective effect from 6 April 2017) which provides for a nil rate of income tax with respect to the dividend income received. Dividends received in excess of the Dividend Allowance will be subject to income tax at the individual Investor's marginal rate of income tax. Dividends falling within the individual Shareholder's basic rate band will be taxed at 7.5% (the "dividend ordinary rate") those falling within the higher rate band at 32.5% (the "dividend upper rate") and those falling within the additional rate band at 38.1% (the "dividend additional rate").

#### b) *Trustees and other non-corporate Investors*

UK resident trustees of a discretionary trust in receipt of dividends from the Company will generally be subject to income tax at a rate of 38.1%. The trustees of such a trust do not benefit from the Dividend Allowance. UK pension funds and charities are generally exempt from tax on dividends which they receive.

#### c) *Companies*

Investors who are within the charge to UK corporation tax will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular corporate Investor, although it is expected that the dividends paid by the Company would normally be exempt.

### **Withholding tax in Israel**

As the Company is considered to be tax resident in Israel it is liable to account for dividend withholding tax in Israel on any dividend payments made to its UK resident shareholders. In accordance with the tax treaty between the State of Israel and the UK a withholding tax of 15% of the dividend paid by the Company is required to be withheld by the Company where the dividend is paid to a shareholder resident in the UK. The tax withheld is not refundable but may be offset and thereby reduce the tax payable by the relevant UK resident shareholder.

### **Capital gains tax**

A gain realized on a disposal of the Offer Shares may be subject to capital gains tax, or, in the case of a corporate investor, corporation tax.

#### *a) Individuals and trustees*

Gains realized on a disposal of Offer Shares by an individual or trustees will, subject to any available reliefs or exemptions, be subject to capital gains tax at a rate of 20% (10% for individuals only whose total income and gains fall below the income tax basic rate limit). Shares of the same class acquired by the same person and in the same capacity are “pooled” and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed.

With effect from 6 April 2008 indexation relief is not available to individuals and trustees in computing any gain subject to capital gains tax.

#### *b) Companies*

UK resident corporate shareholders are not subject to capital gains tax. In general capital gains realized by such companies, as reduced by available indexation relief, are subject to corporation tax at the company’s relevant rate. The full rate of corporation tax is currently 19% reducing to 17% for gains realized after 1 April 2020. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed. As for individuals and trustees, shares of the same class held by a corporate shareholder are “pooled”.

#### *c) Non residents*

Investors who are not resident in the UK and who are not affected by the rules relating to temporary non residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realized on the disposal of their Offer Shares. Such Investors may be subject to foreign taxation on any gain realized under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

### **Inheritance tax**

The Offer Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for two years prior to the chargeable transfer for inheritance tax purposes.

### **Stamp duty and Stamp Duty Reserve Tax (“SDRT”)**

Transfers of Ordinary Shares may give rise to liabilities to stamp duty or SDRT. The paragraphs below summarize the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No liability to stamp duty or SDRT will generally arise on the allotment and issue of new Ordinary Shares by the Company.

#### *a) Transfers outside CREST*

An instrument (generally a stock transfer form) transferring Ordinary Shares outside CREST will be liable to ad valorem stamp duty broadly at a rate of 0.5% of the actual consideration paid. Stamp duty is normally paid by the purchaser. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock

transfer form within two months of the day on which the agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at a rate of 0.5% of the consideration paid). If within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument any liability to SDRT will be cancelled or repaid.

b) *Transfers within CREST*

Paperless transfers of Ordinary Shares within CREST will be charged to SDRT (rather than stamp duty) at a rate of 0.5% of the consideration paid. SDRT is payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the system.

**EIS qualification**

HM Revenue & Customs has been requested to confirm that, on the basis of the information provided to them, the Company is a Qualifying Company and the shares offered for subscription are Eligible Shares for the purposes of the Enterprise Investment Scheme (EIS). Individual subscribers for Offer Shares may therefore, depending on their individual circumstances, be able to obtain income tax relief under the EIS, subject to the limitations referred to in this Document, on the basis that the Company is and will continue to be a qualifying company. There can be no assurance that HMRC will qualify the Company for the purpose of EIS.

## PART FIVE

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### TERMS AND CONDITIONS OF THE PLACING AND OFFER

1. The subscription list will open at 9.00 am on 2 September 2019 and will close when the Offer is fully subscribed or noon on 18 October 2019, unless extended by the Directors prior to that date, pursuant to the terms of the Offer.
2. The Ordinary Shares will be in certificated form.
3. Temporary documents of title will not be issued. It is expected that certificates representing the Ordinary Shares will be dispatched by first-class post no later than thirty days from the subscription list closing. The Company reserves the right to reject in whole or in part or to scale down any applications at the Company's discretion, and to present any cheque or banker's draft for payment on receipt. If any application is not accepted, or is accepted for fewer Ordinary Shares than the number applied for, the application monies or, as the case may be, the balance of the application monies will be returned (without interest) by returning the applicant's cheque or banker's draft or by sending a cheque for the balance crossed "A/C Payee" in favour of the first named applicant through the post to the address of the first named applicant at the risk of the applicant(s). Incorrectly completed Application Forms may be treated as valid and binding upon the relevant applicant's request at the option of the Company.
4. Applications for Ordinary Shares must be made on the Application Form. By completing an Application Form, you as the applicant(s):
  - 4.1 irrevocably offer to subscribe for the number of Ordinary Shares specified in your Application Form (or for such smaller number in respect of which the application is accepted) at the Offer Price applicable (as determined by the Directors in accordance with this memorandum) on the terms and subject to the conditions set out in the Application Form (of which these terms and conditions of application and the guide to the Application Form are a part) and subject to and on the basis of the information contained in this Document and subject to the Articles of association of the Company (as referred to in this Document as to be in effect immediately following the Offer);
  - 4.2 authorise the Company to send definitive certificates for the number of Ordinary Shares for which your application is accepted and/or a cheque crossed "A/C Payee" for any monies returnable (without interest) or your cheque or banker's draft in each case by post, at the risk of the person(s) entitled thereto, to your address (or, in the case of joint applicants, to that of the first named applicant set out in your Application Form) and do all things necessary to procure that your name (together with the name(s) of any joint applicant(s)) is placed on the respective registers of the Company in respect of such Ordinary Shares for which your application is accepted;
  - 4.3 in consideration of the Company agreeing that it will consider and process applications for Ordinary Shares under the Offer in accordance with the procedures set out in this Document, which will become binding on receipt of the Application Form by the Company at the address specified in the Application Form you:
    - 4.3.a warrant that your remittance will be honoured on first presentation and agree that if such remittance is not so honoured, you will not be entitled to receive certificates in respect of the Ordinary Shares applied for or to enjoy or receive the new rights of distribution in respect of any Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Company (which acceptance will be in its absolute discretion and on the basis that you indemnify the Company against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance being honoured on first presentation) and that, at any time prior to unconditional acceptance by the Company of such late payment in respect of such Ordinary Shares, the Company may (and without prejudice to any other rights) avoid the agreement to allocate such Ordinary Shares to you and may reallocate Ordinary Shares without liability to you or to some other person, in which case you will not be entitled to any refund or payment in respect of such Ordinary Shares (other than the refund to you at your risk of any proceeds of the cheque or banker's draft accompanying your application, without the interest);
    - 4.3.b agree promptly, on request by the Company, to disclose in writing to it any information which it may request in connection with your application and authorise the Company to disclose any information relating to your application which it may consider appropriate;



- 4.3.c agree that any definitive certificates in respect of the Ordinary Shares to which you might become entitled and monies to be returned to you may be retained pending clearance of your remittance or pending investigation of any suspected breach of the warranties in these terms and conditions of application and that such monies will not bear interest;
  - 4.3.d warrant that if you sign an Application Form on behalf of someone else or a corporation, you have authority to do so and such person shall be bound accordingly and will be deemed also to have made the offer and given the authority, confirmation, warranties and undertakings contained in these terms and conditions of application;
  - 4.3.e confirm that in making this application, neither you nor any person on whose behalf you are applying, is relying on any information or representation in relation to the Company other than such as may be contained in this Document and you accordingly agree that none of the Company, the Directors, or any other person acting on behalf of them or any other person responsible solely or jointly for this Document or any part of it shall have any liability for any such information or representation (except in the case of fraud or wilful concealment);
  - 4.3.f warrant that no other application is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, that no other application is being made by you not being such an application as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any other person or persons as aforesaid;
  - 4.3.g agree that all applications, acceptances of applications and contracts resulting from them under this Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances of application or contracts in any manner permitted by law or in any court of competent jurisdiction;
  - 4.3.h warrant that in connection with your application, you will observe the laws of all relevant territories, obtain any requisite governmental or other consents which may be required, comply with all requisite formalities and pay any issue, transfer or other taxes due in connection with your application in any territory, other than stamp duty or stamp duty reserve tax, and that you have not taken any action or omitted to take any action which will or may result in the Company or any of its respective directors, officers, agents or employees being in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
  - 4.3.i warrant that if you are applying for Ordinary Shares on behalf of any other person, in connection with your participation in the Offer, you have observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering, you accept full responsibility for any requirement to verify the identity of any other persons in respect of whom you have applied and you are a person: (1) subject to the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in force in the United Kingdom; or (2) subject to the EC Money Laundering Directive; or (3) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and are based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the EC Money Laundering Directive;
  - 4.3.j warrant that you are aware of your obligations under the Proceeds of Crime Act 2002 which relate to money laundering;
  - 4.3.k warrant that neither the application made by, nor the allotment to you, for or of any Ordinary Shares will infringe any provision of the law or regulations of any country outside the UK;
  - 4.3.l agree that, having had the opportunity to read this Document, you shall be deemed to have notice of all information and representations concerning the Company contained in it; and
  - 4.3.m if you are a natural person, warrant that you are not under 18 years of age on the date of your application and that you are not applying on behalf of a person who is under 18 years of age on the date of your application.
5. No person receiving a copy of this Document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her

or such Application Form could lawfully be used without contravention of any registration or other regulatory or legal requirements without any action being required by or on behalf of the Company for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by a person outside the UK that he/she must satisfy himself/herself as to the full observance of the laws of any relevant territory in connection with the application including obtaining any requisite or governmental or other consents which may be required and comply with requisite formalities, and paying any issue, transfer or other taxes due in any such territory. This Document and any other documents relating to the Offer have not been submitted to the clearance procedures of any authorities outside the UK. The Company reserves the right, in its absolute discretion, to reject any application made by any person outside the UK. All payments under the Offer must be made in pounds sterling.

6. For US Investors. The Shares have not been and will not be registered under the Securities Act. Accordingly, except where a transaction is exempt under the Securities Act, the Shares may not be offered, sold or renounced, directly or indirectly, in the United States of America, its territories, possessions and other areas subject to its jurisdiction ("United States") to or for the account or benefit of a US person. This Document shall not constitute an offer to sell or the solicitation of an offer to buy any of the Shares. If an Application Form is received by any US person, or the agent of a US person, he/she should not seek to subscribe for any Shares unless it constitutes an exempt transaction under the Securities Act. An application and payment made under an Application Form will constitute a representation and warranty that the person so applying is not a US person and will not hold or acquire any of the Shares in the United States or to or for the account or benefit of a US person or that the application constitutes a transaction which is exempt under the Securities Act. For the purposes of this Document, the term "US person" means a citizen of the United States resident in the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to the United States Federal income taxation, regardless of its source, but does not include a branch or agency of a US bank or insurance company that is operating outside the United States for valid business reasons as a legally regulated branch or agency engaged in the banking or insurance business and not solely for the purpose of investing in securities not registered under the Securities Act. Similar provisions apply in respect of Canada, Australia and Japan.
7. For Israeli Investors. This Document should not be copied or distributed by any means including electronic transmission, to persons with addresses in Israel, and this Offer is not being made in or into Israel and will not be capable of acceptance in Israel, except to certain persons referred to in Section 15A(b)(1) of the Securities Law, 5728-1968, of Israel (the "Israeli Securities Law") and listed in Appendix One thereto (which includes certain mutual, provident and venture capital funds, banks, insurers, portfolio managers, investment advisors, stock exchange members, underwriters and certain corporations fully-owned by any of the above). The Company is not sending, and brokers, dealers, commercial banks, trust companies and other nominees have been instructed not to forward, this Document to Israel, except to such persons referred to above, all as defined under the Israeli Securities Law. Should a person or the agent of a person receive this Document in Israel and not be a person referred to above, this Document does not constitute an offer to him/her to sell, or a solicitation from him/her of an offer to purchase, the Ordinary Shares offered by this Document. An Application Form contained in an envelope postmarked in Israel, signed or signature guaranteed in Israel, or otherwise appearing to the Company or its agents to have been sent from Israel, will not constitute a valid Application Form, unless from a person referred to above, or pursuant to an applicable exemption under, or otherwise in accordance with the Israeli Securities Law, 5728-1968, and any regulations promulgated thereunder.
8. The Offer is conditional on the passing of a resolution of the Board of Directors of the Company approving the Offer.
9. It is a further condition of the Offer that the Company or the Receiving Agent may, in their absolute discretion, require verification of identity from persons lodging an Application Form ("applicant") or of any person on whose behalf the applicant appears to be acting, to ensure compliance with the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. If satisfactory evidence of identity has not been obtained within a reasonable time, then the transaction will not proceed any further and the application monies (without interest) will be returned to the bank account where the cheque was drawn. In the case of a joint application, references in these terms and conditions of application to "you" are to each joint applicant and the liability of joint applicants is joint and several.
10. Other than for subscribers to the rights issue, the minimum amount per subscriber required under the Offer shall be equal to 50,000 Ordinary Shares (i.e. an aggregate Offer Price of £7,500).

## GUIDANCE NOTES TO THE APPLICATION FORM

The following should be read in conjunction with the Application Form.

1. Insert in the first space provided in paragraph 1 (in figures) the number of Ordinary Shares for which you would like to apply. Other than for subscribers to the rights issue, the minimum amount per subscriber required under the Offer shall be equal to 50,000 Ordinary Shares (i.e. an aggregate Offer Price of £7,500).
2. Insert in the space provided in paragraph 2 (in figures) the amount of your cheque or banker's draft. The amount of your cheque or banker's draft should be the Offer Price of 15p per Share multiplied by the number of Ordinary Shares inserted in the space in paragraph 1.
3. Date and sign the Application Form in the space provided in paragraph 5. The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney or a duly certified copy of them must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated. Applications may not be made by anyone aged under 18.
4. Insert your full name and address in BLOCK CAPITALS in the space provided in paragraph 5.
5. Attach a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be payable to OTX for the amount payable on application as inserted in paragraph 2, and should be crossed "A/C Payee".
6. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers drafts' to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to OTX. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by endorsing the cheque/bankers' draft to such effect. Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any monies to be returned will be done so by returning the cheque to the applicant or by sending a cheque crossed "A/C Payee" in favour of the person named in paragraph 5. An application will be accepted by the Company (either in whole or in part) immediately upon the board of Directors of the Company (or a committee of it) passing a resolution allotting the Ordinary Shares to the applicant(s). If any application is not accepted the amount paid will be returned by cheque sent by post at the risk of the applicant(s). The Company reserves the right:
  - 6.1 to present all cheques for payment and to retain certificates and surplus application monies pending clearance of applicants' cheques;
  - 6.2 to reject any application or to accept any application in part only on any basis it sees fit; and
  - 6.3 to accept an application not complying with the requirements specified in these notes or in the Application Form.
7. All cheques, certificates and other documents will be dispatched by post at the risk of the person(s) entitled thereto.
8. You may apply jointly with other persons. You must then arrange for the Application Form to be completed by or on behalf of each other joint applicant (up to a maximum of three other persons). Their full names should be inserted in BLOCK CAPITALS in the space provided in paragraph 6. Paragraph 6 must be signed by or on behalf of each joint applicant (other than the first applicant, who should complete paragraph 5 and sign the box at paragraph 5). If anyone is signing on behalf of any joint applicant(s), the power(s) of attorney or a duly certified copy thereof must be enclosed for inspection.
9. You must send your completed Application Form by post, or deliver it by hand to:  
Hallswelle Management Limited at Hallswelle House, 1 Hallswelle Road, London, NW11 0DH, so as to be received not later than noon on 18 October 2019 (unless extended by the Directors).
10. If you post your Application Form, you are recommended to use first-class post and allow at least two days for delivery. Photocopies of your Application Form are not acceptable.

You must send your completed Application Form by post, or post it or deliver it by hand to Hallswelle Management Ltd Hallswelle House, 1 Hallswelle Road, London, NW11 0DH. The subscription lists will open at 9.00 a.m. on 2 September 2019 and may be closed any time thereafter or when the Offer is fully subscribed, but in any event not later than 12.00 p.m. on 18 October 2019, unless previously extended by the Directors, pursuant to the terms of the Offer.

PRIVATE PLACING WITH EXISTING SHAREHOLDERS AND OTHER INVESTORS of up to £1,000,000 in Ordinary Shares.

You may only apply for Ordinary Shares in the multiples stated in note 1 of the Guide to the Application Form.

1. I/We offer to acquire \_\_\_\_\_ Ordinary Shares in respect of which this application may be accepted at 15p per Share on the terms and subject to the conditions of this Document) and subject to the Articles of association of the Company.
2. I/We attach a cheque or banker's draft for the amount payable of £ \_\_\_\_\_ (15p multiplied by the number of Ordinary Shares inserted above) made payable to made payable to **OTX**.
3. I/We request that you send me/us certificates for the number of Ordinary Shares in respect of which this application may be accepted together with a cheque for any surplus application money (without interest) by post at my/our risk, to the address given below. I/We understand that the completion and delivery of the Application Form accompanied by a cheque constitutes an undertaking that the cheque will be honoured on first presentation. I/We understand that no application will be accepted unless and until payment in full for the Ordinary Shares has been made.
4. I/We confirm that I am/we are applying on my/our behalf, that I/we have read, accepted and understood the terms and conditions set out in this Document, that I/we have taken appropriate professional advice before submitting this Application Form and that I am/we are aware of the risks involved in investing in the Ordinary Shares subject to the Offer. I/We further confirm that I am/we are investing in the Company on the basis only of the information contained in the Document which supersedes all other information (whether written or oral) concerning the Company and the Ordinary Shares or otherwise prior to the date of the Document and that I am/we are aware that any such other information or representations must not be relied upon in subscribing for Ordinary Shares.
5. Please register any Ordinary Shares allotted to me/us in my/our name(s).

PLEASE USE BLOCK CAPITALS

<i>Dated</i>	<i>Signature</i>
_____	_____
<i>Mr., Mrs., Miss or title</i>	<i>Forenames in full</i>
_____	_____
<i>Surname</i>	_____
<i>Address in full</i>	_____
<i>Postcode</i>	<i>Email</i>
_____	_____
<i>Tel (office)</i>	<i>Tel (home)</i>
_____	_____

6. We authorise the Directors of the Company to contact me/us by telephone in connection with queries arising on my/our behalf. If there is more than one applicant please complete below:

<i>Mr., Mrs., Miss or title</i>	<i>Mr., Mrs., Miss or title</i>	<i>Mr., Mrs., Miss or title</i>
_____	_____	_____
<i>Surname</i>	<i>Surname</i>	<i>Surname</i>
_____	_____	_____
<i>Forenames</i>	<i>Forenames</i>	<i>Forenames</i>
_____	_____	_____
<i>Signature</i>	<i>Signature</i>	<i>Signature</i>
_____	_____	_____

7. INTERMEDIARIES. If you are completing this application through an Agent please complete below:

<i>Agent's name</i>	<i>Reference</i>
_____	_____
<i>Address in full</i>	_____
_____	_____
<i>Authorisation code</i>	<i>Tel No.</i>
_____	_____



