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O-NET TECHNOLOGIES (GROUP) LIMITED

昂納科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 877)

**MEMORANDUM OF UNDERSTANDING IN RELATION TO
A POSSIBLE ACQUISITION
DISCLOSEABLE TRANSACTION**

The Board is pleased to announce that on 24 October 2016 (after trading hours), O-Net Communications entered into the MOU with the Vendor in relation to the Possible Acquisition.

Pursuant to the MOU, O-Net Communications shall pay to the Vendor the Earnest Money within 5 days upon signing of the MOU.

As one of the relevant percentage ratios under the Listing Rules in respect of the payment of the Earnest Money exceeds 5% but is less than 25%, the payment of the Earnest Money under the MOU constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements under the Listing Rules.

The Possible Acquisition, if materialized, may constitute a discloseable transaction of the Company under the Listing Rules. Should the Company enter into the Formal Agreement or the MOU shall lapse, or if there are any material developments with respect to the Possible Acquisition, the Company will make further announcement(s) in accordance with the Listing Rules when appropriate.

The Board wishes to emphasis that notwithstanding the payment of the Earnest Money, the Possible Acquisition may or may not materialise and Shareholders and potential investors should exercise caution when dealing in the Shares.

The Board is pleased to announce that on 24 October 2016 (after trading hours), O-Net Communications entered into the MOU with the Vendor in relation to the Possible Acquisition of the entire issued share capital and shareholder's loan of the Target Company.

MEMORANDUM OF UNDERSTANDING

The major terms of the MOU are as follows:

Date: 24 October 2016

- Parties: (1) O-Net Communications Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser
- (2) Advance Photonics Investments Limited, as vendor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Subject matter of the MOU

O-Net Communications shall purchase the entire issued share capital and shareholder's loan of the Target Company.

The Consideration for the Possible Acquisition shall not be more than US\$20.5 million. The Consideration will be determined in the Formal Agreement.

Earnest Money

Within 5 days upon signing of the MOU, O-Net Communications shall pay the Earnest Money of US\$15 million to the Vendor. Should the parties fail to enter into the Formal Agreement for the Possible Acquisition within the Exclusivity Period, the Earnest Money shall be refunded, inclusive of interest at 1 year LIBOR, to O-Net Communications within 5 days upon the Vendor receiving a written notice from the O-Net Communications indicating that Possible Acquisition is fallen through.

The Earnest Money shall be applied as part of the Consideration upon execution of the Formal Agreement.

Exclusivity Period

During the Exclusivity Period of 180 days from the date of signing of the MOU, O-Net Communications has an exclusive right for the Possible Acquisition in order to carry out due diligence investigation on the Target Company and to negotiate and finalize the Formal Agreement.

In the event that O-Net Communications and the Vendor do not enter into the Formal Agreement for the Possible Acquisition before the expiry of the Exclusivity Period, the MOU shall lapse and all the obligations of O-Net Communications and the Vendor shall cease, save for the return of the Earnest Money to O-Net Communications.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Target Company is a wholly owned subsidiary of the Vendor and is a company incorporated in France which engaged in research, development, manufacturing and supplying of innovative chips and laser products for telecommunications and data communications as well as innovative high end markets such as light detection and ranging product (the “**LiDAR**”) for advanced driving assistance system (the “**ADAS**”) market.

The Group is principally engaged in the design, manufacturing and sale of optical networking products for the highspeed telecommunications and data communications systems, machine vision systems and sensors for smart manufacturing market as well as optical components for LiDAR and manufacturing of LiDAR in the ADAS application.

The terms of the MOU were arrived at after arm’s length negotiations between O-Net Communications and the Vendor. The payment of the Earnest Money will be funded by the internal resources and banking facility available to the Group.

The Directors considered that the Possible Acquisition provides an excellent opportunity for the Group to extend its research, development and manufacturing capability, and to diversity its products range from optical products and solutions to chips, laser products and solutions.

The Directors considered that the MOU is of normal commercial terms, fair and reasonable, and the Possible Acquisition is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The MOU is not intended to be legally binding (save for the refund of the Earnest Money and exclusivity). If O-Net Communications proceeds with the Possible Acquisition, it will enter into the Formal Agreement with the Vendor in respect of the Possible Acquisition.

As one of the relevant percentage ratios under the Listing Rules in respect of the payment of the Earnest Money exceeds 5% but is less than 25%, the payment of the Earnest Money under the MOU constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements under the Listing Rules.

The Possible Acquisition, if materialized, may constitute a discloseable transaction of the Company under the Listing Rules. Should the Company enter into the Formal Agreement or the MOU shall lapse, or if there are any material developments with respect to the Possible Acquisition, the Company will make further announcement(s) in accordance with the Listing Rules when appropriate.

The Board wishes to emphasis that notwithstanding the payment of the Earnest Money, the Possible Acquisition may or may not materialise and shareholders of the Company and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	O-Net Technologies (Group) Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (stock code: 877)
“Consideration”	the consideration for the Possible Acquisition which shall not be more than US\$20.5 million
“Director(s)”	the director(s) of the Company
“Earnest Money”	the earnest money of US\$15 million to be paid by O-Net Communications to the Vendor pursuant to the terms of the MOU
“Exclusivity Period”	the period of 180 days from the date of signing of the MOU granting O-Net Communications an exclusive right to carry out due diligence investigation on the Target Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between O-Net Communications and the Vendor setting forth in detail the terms, provisions and conditions for the Possible Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company and its subsidiaries (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding entered into between O-Net Communications and the Vendor on 24 October 2016 in relation to the Possible Acquisition

“O-Net Communications”	O-Net Communications Holdings Limited, a company incorporated in the British Virgin Islands limited liability and is a wholly-owned subsidiary of the Company
“Possible Acquisition”	the possible acquisition of the entire issued share capital and shareholder’s loan of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	3SP Technologies, a company incorporated in France
“Vendor”	Advance Photonics Investments Limited, a company incorporated under the laws of Hong Kong with limited liability
“US\$”	United States dollars, the lawful currency of United States
“%”	per cent.

By Order of the Board
O-Net Technologies (Group) Limited
Na Qinglin
Chairman and Chief Executive Officer

Hong Kong, 24 October 2016

As at the date of this announcement, the executive Director is Mr. Na Qinglin, the non-executive Directors are Mr. Tam Man Chi, Mr. Chen Zhujiang and Mr. Huang Bin, and the independent non-executive Directors are Mr. Deng Xinping, Mr. Ong Chor Wei and Mr. Zhao Wei.