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O-NET COMMUNICATIONS (GROUP) LIMITED

昂納光通信（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 877)

CONTINUING CONNECTED TRANSACTION

The Board announces that on 21 May 2014, O-Net Shenzhen entered into the Supply Agreement with Butterfly regarding the supply to Butterfly the Relevant Products on a long-term and ongoing basis.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the supply of the Relevant Products by Butterfly under the Supply Agreement are, on an annual basis, less than 5% but the annual consideration is more than HK\$1,000,000, the transaction contemplated under the Supply Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2), and is exempt from independent Shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

THE SUPPLY AGREEMENT

Date : 21 May 2014

Parties : (1) O-Net Shenzhen, a wholly-owned subsidiary of the Company; and
(2) Butterfly, which is owned as to 80% by Mr. Na, the co-chairman, the chief executive officer and an executive Director of the Company, and is therefore an associate of Mr. Na and a connected person of the Company under Chapter 14A of the Listing Rules.

Subject : O-Net Shenzhen is principally engaged in design, manufacturing and sales of optical networking products, and to supply to Butterfly the Relevant Products

Term : for a term of three years with retrospective effect from 1 January 2014 and ending on 31 December 2016

Price : to be determined by reference to the prevailing market price at the relevant time and demand of the Relevant Products and shall be no less favourable than (i) those proposed to the Group by Independent Third Parties; and/ or (ii) those given by the Group to Independent Third Parties.

The amount received by O-Net Shenzhen for the supply of the Relevant Products up to 30 April 2014 is amounted to approximately RMB763,948.

The Board expects that the supply of the Relevant Products for each of the three financial years ending 31 December 2014, 2015 and 2016 shall not exceed RMB8,000,000, and therefore proposed to set the respective cap thereat for the said three financial years. The annual caps are determined by reference to the anticipated demand by Butterfly and the price per unit of the Relevant Products.

REASONS FOR THE CONTINUING CONNECTED TRANSACTION

The entering into the Supply Agreement is to enable the Group to fully utilize its production capacity and factory area and enhance the income stream of the Group.

The Board (including the independent non-executive Directors) considers that the Supply Agreement are entered into on normal commercial terms which were negotiated at arm's length basis, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Company and its shareholders as a whole. The Board (including the independent non-executive Directors) is also of the view that the proposed annual caps are fair and reasonable.

Butterfly is owned as to 80% by Mr. Na, the Co-Chairman, the chief executive officer and an executive Director of the Company, and is therefore an associate of Mr. Na and a connected person of the Company under Chapter 14A of the Listing Rules. In view of the fact that Mr. Na has a material interest in the Supply Agreement, he has abstained from voting in respect of the Board resolution for approving the Supply Agreement.

LISTING RULES REQUIREMENTS

As Butterfly is owned as to 80% by Mr. Na, the co-chairman, the chief executive officer and an executive Director of the Company, Butterfly is an associate of Mr. Na and a connected person of the Company, and the transaction contemplated under the Supply Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the supply of the Relevant Products to Butterfly under the Supply Agreement are, on an annual basis, less than 5% but the annual consideration is more than HK\$1,000,000, the transaction contemplated under the Supply Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2), and is exempt from independent Shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

GENERAL

The Company is an investment holding company and the Group is principally engaged in design, manufacturing and sale of optical networking subcomponents, components, modules and subsystem used in high-speed telecommunications and data communications.

Butterfly is principally engaged in design, manufacturing and sale of micro-projectors and interactive products in the PRC.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Butterfly”	紅蝶科技（深圳）有限公司（Butterfly Technology (Shenzhen) Limited), a company incorporated in the PRC with limited liability which is owned as to 80% by Mr. Na
“Board”	the board of Directors
“Company”	O-Net Communications (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)
“Director(s)”	the director(s) of the Company
“Group”	O-Net Communications (Group) Limited and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	parties 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
“Mr. Na”	Mr. Na Qinglin, the co-chairman, the chief executive officer and an executive Director of the Company

“O-Net Shenzhen”	昂納信息技術（深圳）有限公司（O-Net Communications (Shenzhen) Limited), a company incorporated in PRC with limited liability and is a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Relevant Products”	subcomponents, components, materials, article or goods, mainly for lens and surface mount technology in accordance with the terms of the Supply Agreement
“RMB”	Reminbi, the lawful currency of the PRC
“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
“Supply Agreement”	the supply agreement entered into on 21 May 2014 between O-Net Shenzhen and Butterfly for the supply on the Relevant Products to Butterfly by O-Net Shenzhen
“%”	per cent.

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

Hong Kong, 21 May 2014

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.