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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)**

### **DISCLOSEABLE TRANSACTION**

### **CONSTRUCTION CONTRACT**

On 13 November 2012, O-Net Shenzhen, an indirect wholly-owned subsidiary of the Company, has entered into the Construction Contract with the Contractor under which the Contractor has agreed to undertake the Construction Work for O-Net Shenzhen upon the Land for the Contract Price.

The Directors (including the independent non-executive Directors) consider that the terms of the Construction Contract and the Contract Price are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Contractor and its ultimate beneficial owner are Independent Third Parties.

As the applicable percentage ratios under the Listing Rules in respect of the Construction Contract exceed 5% but are less than 25%, the transaction under the Construction Contract constitutes a discloseable transaction of the Company and therefore is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **CONSTRUCTION CONTRACT**

The principal terms of the Construction Contract are as follows:-

Date: 13 November 2012

Parties: Party A: O-Net Shenzhen, an indirect wholly-owned subsidiary of the Company

Party B: the Contractor

### **Construction Work**

Pursuant to the Construction Contract, two respective factory buildings will be constructed on the Land, each of them having a gross floor area of approximately 20,335 square meters.

## **Contract Price and payment terms**

The Contract Price is estimated to be RMB65,977,587.10 (equivalent to approximately HK\$82,412,604.05) (including tax), and shall be payable by stages in accordance with the progress of the Construction Work as follows:-

1. a sum of RMB6,597,758.71 (equivalent to approximately HK\$8,241,260.40), representing 10% of the Contract Price, shall be payable within 10 days after issuance of the construction order;
2. the Construction Work will be carried out in nine stages and payment representing 80% of the value of the Construction Work completed in each stage shall be payable;
3. the Contractor submits audit report and information within 60 days upon completion of work. O-Net Shenzhen reviews the audit report and information within 60 days upon receipt from the Contractor. Upon settlement audit of the value of the Construction Work, O-Net Shenzhen shall pay up to an amount representing 90% of the value of the Construction Work done within 14 days after completion of the settlement audit for the Construction Work concerned;
4. the balance of the Contract Price (after retaining a sum representing 3% of such balance as the Quality Assurance Retention Money) shall be payable within 14 days after the acceptance of the completion of the Construction Work;
5. a sum representing 50% of the Quality Assurance Retention Money shall be payable on the first anniversary date after the acceptance of the completion of the Construction Work; and
6. the balance of the Quality Assurance Retention Money shall be payable on the second anniversary date after the acceptance of the completion of the Construction Work.

## **Duration of the Construction Work**

Pursuant to the Construction Contract, the Construction Work will take about 240 calendar days and is expected to complete on or around 18 July 2013.

## **Basis of the Contract Price**

The Contract Price was determined after arms' length negotiation and taking into account the experience and market position of the contractors and the quality of the construction work to be provided by the Contractors.

The Contract Price will be financed by the internal resources of the Group.

## **REASONS FOR AND BENEFITS OF THE CONSTRUCTION CONTRACT**

In order to meet the growing demand on the optical networking products, the Group decided to expand its production lines by constructing the new factory buildings on the Land.

The Construction Contract was entered into between O-Net Shenzhen and the Contractor for the construction of the new factory buildings on the Land, and the purpose of the Construction Work is for the ordinary and usual course of business of the Group.

After the Construction Work is completed, additional production lines and other auxiliary operations will be set up at the new factory buildings. The Directors believe that the expansion plan and the related increase in the production capacity will enable the Group to meet the growing demand for its products in the future.

The Directors (including the independent non-executive Directors) consider that the terms of the Construction Contract and Contract Price are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Contractor and its ultimate beneficial owner are Independent Third Parties.

As the applicable percentage ratios under the Listing Rules in respect of the Construction Contract exceed 5% but are less than 25%, the transaction under the Construction Contract constitutes a discloseable transaction of the Company and therefore is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **GENERAL INFORMATION**

The Company and its subsidiaries are principally engaged in design, manufacturing and sale of optical networking subcomponents, components, modules and subsystem used in high-speed telecommunications and data communications.

The Contractor is principally engaged in the construction work in the PRC.

## **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 Communications (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the main board of the Stock Exchange
“Construction Contract”	the construction contract entered into between the Contractor and O-Net Shenzhen on 13 November 2012 in respect of the Construction Work
“Construction Work”	the construction work carried out under the Construction Contract involving the construction of, among others, two respective five floors factory buildings on the Land, each of them having a gross floor area of approximately 20,335 square meters

“Contractor”	深圳市華誠通建築工程有限公司 (Shenzhen Huacheng Tong Construction Engineering Company Limited), a company incorporated in the PRC
“Contract Price”	the total consideration price payable by O-Net Shenzhen to the Contractor under the Construction Contract in an estimated amount of RMB65,977,587.10
“Directors”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	the third parties which are independent of the Company and its connected persons (as defined in the Listing Rules)
“Land”	the piece of land owned by the Group which is located in the industrial zone of the Group at Cuijing Road, Pingshan Industrial Zone, Longgang District, Shenzhen, The PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“O-Net Shenzhen”	O-Net Communications (Shenzhen) Limited, a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Quality Assurance Retention Money”	the retention money to cover the costs of rectifying any quality defects found within two years after the date of the acceptance of the completion of the Construction Work under the Construction Contract
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*Note: For reference purpose only, the conversion of Renminbi to Hong Kong dollars is based on the exchange rate of RMB1.00 to HK\$1.2491 in this announcement.*

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

Hong Kong, 13 November 2012

*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.*