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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)

COMPLETION OF THE ACQUISITION OF 3SP TECHNOLOGIES DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 19 March 2019, O-Net Communications completed the acquisition of the Target Company through the Subscription of the Subscription Shares by entering into the Supplemental Agreement with the Existing Shareholder and Advance Photonics Investments, pursuant to which (a) O-Net Communications agreed to subscribe for the Subscription Shares; (b) O-Net Communications agreed to advance to Advance Photonics Investments the Shareholder's Loan; and (c) the Existing Shareholder agreed to convert one Existing Share into one Non-voting Deferred Share. Completion of the acquisition of the Target Company took place immediately upon the signing of the Supplemental Agreement.

The total Consideration comprises (a) HK\$9,999 for the Subscription; (b) US\$13,500,000 for the provision of the Shareholder's Loan; and (c) US\$6,382,718.08 for the Deferred Share Conversion.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are above 5% but less than 25%, the transaction contemplated under the Supplemental Agreement constitutes a discloseable transaction of the Company. Accordingly, the Company is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcements of O-Net Technologies (Group) Limited (the "**Company**") dated 24 October 2016 and 21 April 2017 relating to the acquisition of 3SP Technologies (the "**Target Company**"). Unless otherwise defined, capitalized terms used in this announcement shall bear the same meanings as those defined in the Announcements.

The Board announces that on 19 March 2019, O-Net Communications completed the acquisition of the Target Company through the Subscription of the Subscription Shares by entering into the Supplemental Agreement with the Existing Shareholder and Advance Photonics Investments, pursuant to which (a) O-Net Communications agreed to subscribe for the Subscription Shares; (b) O-Net Communications agreed to advance to Advance Photonics Investments the Shareholder's Loan; and (c) the Existing Shareholder agreed to convert one Existing Share into one Non-voting Deferred Share. Completion of the acquisition of the Target Company took place immediately upon the signing of the Supplemental Agreement.

THE SUPPLEMENTAL AGREEMENT

Set out below are the principal terms of the Supplemental Agreement:

Date

19 March 2019

Parties

1. O-Net Communications
2. The Existing Shareholder
3. Advance Photonics Investments

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Shareholder, Advance Photonics Investments and their respective ultimate beneficial owners are independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Subject Matter

Pursuant to the terms of the Supplemental Agreement, the parties agreed to restructure the transaction under the Formal Agreement relating to the acquisition of the Target Company, (a) O-Net Communications agreed to subscribe for the Subscription Shares at the consideration of HK\$9,999; (b) O-Net Communications agreed to advance to Advance Photonics Investments the Shareholder's Loan in the principal amount of US\$13,500,000 for repayment of the amount due to the Existing Shareholder; and (c) the Existing Shareholder agreed to convert one Existing Share into one Non-voting Deferred Share at the consideration of US\$6,382,718.08.

All parties to the Supplemental Agreement agreed that all conditions relating to the Proposed Acquisition have been fulfilled or waived.

Completion of the acquisition of the Target Company took place immediately upon the signing of the Supplemental Agreement.

Deferred Share Conversion

Pursuant to the Supplemental Agreement, the Existing Shareholder agreed to convert one Existing Share into one Non-voting Deferred Share.

As a result of the Deferred Share Conversion, following Completion:

- (i) O-Net Communications will be the holder of the Subscription Shares, representing all the ordinary shares of Advance Photonics Investments which effectively owns the entire interest in the Target Company immediately following the Deferred Share Conversion;
- (ii) the Existing Shareholder will be the holder of one Non-voting Deferred Share;
- (iii) the Existing Shareholder will not be entitled to any dividends which may be declared by the board of directors of Advance Photonics Investments from time to time;
- (iv) the Existing Shareholder will not be entitled to any distribution of assets on winding up of Advance Photonics Investments as regards the first HK\$100,000,000,000 of such assets, Advance Photonics Investments will only be entitled to any distribution of the remaining balance of the assets after the above distributions;
- (v) effectively, the Existing Shareholder will not be entitled to any participation in the profits and assets of Advance Photonics Investments; and
- (vi) the Existing Shareholder will not be entitled to vote at any general meeting of Advance Photonics Investments.

Consideration

The total Consideration comprises (a) HK\$9,999 for the Subscription; (b) US\$13,500,000 for the provision of the Shareholder's Loan; and (c) US\$6,382,718.08 for the Deferred Share Conversion.

The total Consideration was based on the Paid Consideration in the Formal Agreement which was determined after arm's length negotiation between the parties with reference to the present value of discounted cash flows of the Target Company.

INFORMATION ON THE PARTIES

The Existing Shareholder is a company incorporated in British Virgin Islands with limited liability and its principal activity is investment holding.

Advance Photonics Investments is a company incorporated in Hong Kong with limited liability and its principal activity is investment holding.

The net assets and total assets value of Advance Photonics Investments as extracted from its unaudited accounts as at 31 December 2018 was approximately HK\$3,502,000 and HK\$191,776,000 respectively.

The financial results of Advance Photonics Investments as extracted from the audited and unaudited accounts for the two financial years ended 31 December 2018 are as follows:

	For the year ended 31 December	
	2017	2018
	(audited)	(unaudited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net loss before taxation and extraordinary items	2,641	40
Net loss after taxation and extraordinary items	2,641	40

UPDATED FINANCIAL INFORMATION ON THE TARGET COMPANY

The net liability and the total assets value of the Target Company as extracted from its unaudited accounts as at 31 December 2018 was approximately EUR8,046,000 and EUR21,134,000 respectively.

The financial results of the Target Company as extracted from the audited and unaudited accounts for the two financial years ended 31 December 2018 are as follows:

	For the year ended 31 December	
	2017	2018
	(audited)	(unaudited)
	<i>(EUR'000)</i>	<i>(EUR'000)</i>
Net loss before taxation and extraordinary items	1,876	1,020
Net loss after taxation and extraordinary items	1,876	1,020

Upon the signing of the Supplemental Agreement, Completion takes place immediately and Advance Photonics Investments and the Target Company become wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group's financial statements.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SUPPLEMENTAL AGREEMENT

The Target Company 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 Group since 2015 has been purchasing chips and laser products from the Target Company, the Directors believe that completion of the acquisition of the Target Company would mainly enable the Group to minimize its production costs on LiDAR and pump laser products.

The Directors considered that through the Subscription of Shares to acquire the Target Company provides an excellent opportunity for the Group to extend its research, development and manufacturing capability, and to diversify its products range from optical products and solutions to chips, laser products and solutions.

The Directors considered that the Supplemental Agreement is of normal commercial terms, fair and reasonable, and the Subscription of Shares is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are above 5% but less than 25%, the transaction contemplated under the Supplemental Agreement constitutes a discloseable transaction of the Company. Accordingly, the Company is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Advance Photonics Investments”	Advance Photonics Investments Limited, a company incorporated in Hong Kong with limited liability, and being the sole shareholder of the Target Company
“Completion”	Completion of the acquisition of Advance Photonics Investments and the Target Company pursuant to the terms of the Supplemental Agreement
“Consideration”	the total consideration pursuant to the Supplemental Agreement
“Deferred Share Conversion”	the conversion of one Existing Share into one Non-voting Deferred Share pursuant to the Supplemental Agreement
“EUR”	Euro dollars, the official currency of Euro Union

“Existing Share”	one ordinary share of Advance Photonics Investments, representing the entire issued share capital of Advance Photonics Investments before the Subscription
“Existing Shareholder”	Pha Nga Bay Limited, a company incorporated in British Virgin Islands with limited liability, and being the sole shareholder of Advance Photonics Investments
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Non-voting Deferred Share(s)”	the non-voting deferred shares of Advance Photonics Investments with such rights and restrictions as set out in the new memorandum of articles of association of Advance Photonics Investments
“Paid Consideration”	US\$19,884,000 paid by O-Net Communications to Advance Photonics Investments pursuant to the Formal Agreement
“Shareholder’s Loan”	the loan in the principal amount of US\$13,500,000 provided by O-Net Communications to Advance Photonics Investments for repayment of the amount due to the Existing Shareholder
“Supplemental Agreement”	the supplemental agreement to the Formal Agreement dated 19 March 2019 entered into between O-Net Communications, the Existing Shareholder and Advance Photonics Investments for the purpose of acquisition of the Target Company
“Subscription”	the subscription by O-Net Communications of the Subscription Shares pursuant to the Supplemental Agreement
“Subscription Shares”	9,999 ordinary shares, representing all the ordinary shares in the issued share capital of Advance Photonics Investments immediately following the Completion

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

Hong Kong, 19 March 2019

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