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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)

CONTINUING CONNECTED TRANSACTION – SUPPLY AGREEMENT

The Board announces that on 21 August 2018, O-Net Shenzhen entered into the Supply Agreement with Butterfly for a term of three years commencing with retrospective effect from 1 January 2018 and expiring on 31 December 2020 regarding the supply of the Relevant Products by O-Net Shenzhen to Butterfly. The annual cap under the Supply Agreement for each of the three years ending 31 December 2020 shall be RMB10,000,000.

GENERAL

Butterfly is a company owned as to 80% by Mr. Na, the chairman, chief executive officer and executive Director of the Company and is therefore an associate of Mr. Na and further a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Supply Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the proposed cap in respect of the Supply Agreement for each of the three years ending 31 December 2020 exceeds HK\$3,000,000 and the applicable ratios calculated thereof are more than 0.1% but are less than 5%, the transactions contemplated under the Supply Agreement are subject to the reporting and announcement requirements but are exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement made by the Company dated 21 May 2014 in relation to the entering into a supply agreement (“**2014 Supply Agreement**”) between O-Net Shenzhen and Butterfly for the supply on the Relevant Products by O-Net Shenzhen to Butterfly. The 2014 Supply Agreement has expired on 31 December 2016.

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Set out below are the principal terms of the Supply Agreement.

THE SUPPLY AGREEMENT

Date

21 August 2018

Parties

- (1) O-Net Shenzhen, a wholly-owned subsidiary of the Company; and
- (2) Butterfly, a company owned as to 80% by Mr. Na

Subject matter

Pursuant to the Supply Agreement, O-Net Shenzhen shall supply to Butterfly the Relevant Products.

Term

The term of the Supply Agreement is three years commencing with retrospective effect from 1 January 2018 and expiring on 31 December 2020.

Pricing

Pursuant to the Supply Agreement, the prices payable by Butterfly for the Relevant Products shall be determined by reference to (i) arm's length negotiation by the parties by taking into account the prevailing market price; (ii) the prices charged by O-Net Shenzhen for comparable types of products to Independent Third Parties under normal commercial terms and in the ordinary course of its business.

O-Net Shenzhen shall quote prevailing market prices in respect of the Relevant Products to Butterfly every thirty days and thus the prices for Relevant Products shall be adjusted by reference to such prevailing market price as well as the demand for the Relevant Products by Butterfly from time to time, and such prices shall be fair and reasonable, on normal commercial terms and no less favourable than those offered by O-Net Shenzhen to Independent Third Parties.

In order to make sure the prices actually charged are on normal commercial terms and are not less favourable than those offered by O-Net Shenzhen to Independent Third Parties, the sales department of O-Net Shenzhen will conduct inspection to review and assess whether every individual transaction is carried out pursuant to the Supply Agreement and is not less favourable than those terms offered to Independent Third Parties.

Payment

The fee for the Relevant Products has been paid / shall be paid on a date as agreed by both parties from time to time.

Historical transactions

The actual transaction amounts for the supply on Relevant Products by O-Net Shenzhen to Butterfly under the 2014 Supply Agreement for the three years ended 31 December 2014, 2015 and 2016 were HK\$2,731,000, HK\$2,001,000 and HK\$2,020,000 (equivalent to RMB2,164,000, RMB1,608,000 and RMB1,750,000) respectively. Upon the expiry of the 2014 Supply Agreement, O-Net Shenzhen continued to make contractual supply on Relevant Products to Butterfly and such transaction amounts for the year ended 31 December 2017 were HK\$1,082,000 (equivalent to RMB937,000).

Annual caps

The actual transaction amount for the supply of the Relevant Products by O-Net Shenzhen to Butterfly under the Supply Agreement since 1 January 2018 and up to 31 July 2018 was approximately HK\$760,000 (equivalent to RMB621,000).

The annual caps under the Supply Agreement for the three years ending 31 December 2020 shall be RMB10,000,000 respectively, which were determined by reference to: (i) the historical transaction amounts for such transactions for the four years ended 31 December 2017; (ii) the anticipated growth in demand by Butterfly for the Relevant Products as a result of its business development; and (iii) the anticipated future unit price of the Relevant Products.

REASONS FOR THE CONTINUING CONNECTED TRANSACTION

The Company is an investment holding company and the Group is principally engaged in the 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.

The Group has been supplying Relevant Products to Butterfly for a long time as Butterfly has a stable demand for Relevant Products. As Butterfly is in the progress of further expanding its business, the Directors believe that the establishment of long-term cooperation relationship with Butterfly contributes to the stabilization of the Group's operation, and enables the Group to fully utilize its production capacity and factory area, as well as enhances the income stream of the Group.

Given the aforesaid and after taking into account the terms of the Supply Agreement, the Directors (including the independent non-executive Directors, but excluding Mr. Na, who has a material interest in the Supply Agreement and has abstained from voting in favour of the Board resolution for approving the same) consider that the Supply Agreement was entered into on

normal commercial terms which were reached by the parties after arm's length negotiation, 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.

LISTING RULES REQUIREMENTS

Butterfly is a company owned as to 80% by Mr. Na, the chairman, chief executive officer and executive Director of the Company and is therefore an associate of Mr. Na and further a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Supply Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the proposed cap in respect of the Supply Agreement for each of the three years ending 31 December 2020 exceed HK\$3,000,000 and the applicable ratios calculated thereof are more than 0.1% but are less than 5%, the transactions contemplated under the Supply Agreement are subject to the reporting and announcement requirements but are exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 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)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) and/or company(ies) who/which is (are) independent of the Company and its connected persons (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 chairman, chief executive officer and 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 the 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 PRC 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 August 2018 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 Technologies (Group) Limited
Na Qinglin
Chairman and Chief Executive Officer

Hong Kong, 21 August 2018

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.