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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)

**VOLUNTARY ANNOUNCEMENT
IN RELATION TO
THE FORMATION OF A JOINT VENTURE**

The Board is pleased to announce that on 4 June 2013, O-Net BVI, a wholly-owned subsidiary of the Company, entered into the Investment Agreement pursuant to which OPDI and O-Net BVI will form the Joint Venture in “O-Net WaveTouch Limited” based in Hong Kong for the purpose of the deployment of the WaveTouch Technology.

Pursuant to the terms of the Investment Agreement, O-Net BVI shall subscribe for, and O-Net WaveTouch shall issue and allot to O-Net BVI, 40,000 JV Shares for a cash consideration of US\$3,000,000 payable by O-Net BVI to O-Net WaveTouch, whereas OPDI shall subscribe for, and O-Net WaveTouch shall issue and allot to OPDI, 59,999 JV Shares in consideration of the intellectual property rights in relation to WaveTouch Technology valued at US\$4,500,000 to be transferred and assigned by OPDI to O-Net WaveTouch as contribution in kind.

Immediately after the formation of the Joint Venture, O-Net WaveTouch will be owned as to 60% by OPDI and as to the remaining 40% by O-Net BVI. Pursuant to the terms of the Shareholders Agreement, O-Net BVI shall be granted an option which is exercisable at the discretion of O-Net BVI to purchase additional JV Shares directly from OPDI for a consideration of US\$10 million within 48 months after the closing of the Investment Agreement so that immediately after the exercise of such option by O-Net BVI, O-Net BVI would hold 75% of the total issued JV Shares while OPDI would hold 25% of the total issued JV Shares.

This is a voluntary announcement made by the Company.

INVESTMENT AGREEMENT

The Board is pleased to announce that on 4 June 2013, O-Net BVI, a wholly-owned subsidiary of the Company, entered into the Investment Agreement pursuant to which OPDI and O-Net BVI will form the Joint Venture in “O-Net WaveTouch Limited” based in Hong Kong for deployment of the WaveTouch Technology. Further particulars of the Investment Agreement are as follows:

Date : 4 June 2013

Parties : O-Net BVI, a wholly-owned subsidiary of the Company;
OPDI; and
O-Net WaveTouch

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the Investment Agreement, OPDI, O-Net WaveTouch and their respective ultimate beneficial owners are Independent Third Parties.

Formation of the Joint Venture

Pursuant to the Investment Agreement, O-Net BVI and OPDI agreed to establish the Joint Venture based in Hong Kong for the purpose of the deployment of the WaveTouch Technology.

Pursuant to the terms of the Investment Agreement, O-Net BVI shall subscribe for, and O-Net WaveTouch shall issue and allot to O-Net BVI, 40,000 JV Shares for a cash consideration of US\$3,000,000 payable by O-Net BVI to O-Net WaveTouch, whereas OPDI shall subscribe for, and O-Net WaveTouch shall issue and allot to OPDI, 59,999 JV Shares in consideration of the intellectual property rights in relation to WaveTouch Technology valued at US\$4,500,000 to be transferred and assigned by OPDI to O-Net WaveTouch as contribution in kind.

Immediately after the formation of the Joint Venture, O-Net WaveTouch will be owned as to 60% by OPDI and as to the remaining 40% by O-Net BVI.

Closing took place on the same date of signing of the Investment Agreement.

SHAREHOLDERS AGREEMENT

O-Net BVI and OPDI also entered into the Shareholders Agreement dated 4 June 2013 in respect of, among others, the establishment of the Joint Venture.

For so long as the shareholding of O-Net BVI and OPDI in the JV Company is maintained at 40% and 60% respectively, the board of directors of the JV Company will comprise of four directors, and both OPDI and O-Net BVI shall have the rights to nominate two persons to the board of the JV Company respectively.

Pursuant to the terms of the Shareholders Agreement, O-Net BVI shall be granted an option which is exercisable at the discretion of O-Net BVI to purchase additional JV Shares directly from OPDI for a consideration of US\$10 million within 48 months after the closing of the Investment Agreement so that immediately after the exercise of such option by O-Net BVI, O-Net BVI would hold 75% of the total issued JV Shares while OPDI would hold 25% of the total issued JV Shares. The exercise period of such option shall be extended by an additional 24 months if before the expiry of the 48-month period, the parties have agreed that a material adverse change in the development and/or commercialisation of the WaveTouch Technology has occurred and is persisting.

REASONS FOR AND BENEFIT OF THE ESTABLISHMENT OF THE JV COMPANY

The Group believes that the establishment of the JV Company will allow the Company to diversify to a new business category, which is beneficial to the long-term development of the Company.

The Directors consider that the terms of the Investment Agreement and Shareholders Agreement were arrived after arm's length negotiation between O-Net BVI and OPDI, entered into on normal commercial terms, and are fair and reasonable, and is in the interest of the Company and the shareholders as a whole.

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.

O-Net BVI is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

To the best knowledge of the Directors, OPDI is principally engaged in the development of intelligent photonic sensors used for applications in various markets such as IT and smart energy solutions.

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, the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Parties”	individuals or companies which are independent of and not being a connected person (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange) of any members, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates
“Investment Agreement”	the investment agreement entered into between O-Net BVI, OPDI and O-Net WaveTouch dated 4 June 2013 in respect of, among others, the establishment of the Joint Venture

“Joint Venture”	a joint venture to be formed between O-Net BVI and OPDI in O-Net WaveTouch pursuant to the terms of the Investment Agreement and the Shareholders Agreement
“JV Company” or “O-Net WaveTouch”	O-Net WaveTouch Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by OPDI immediately before the formation of the Joint Venture
“JV Share(s)”	ordinary share(s) in O-Net WaveTouch in par value of US\$1.00 each
“O-Net BVI”	O-Net Communications Holdings Limited, a company incorporated in British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“OPDI”	OPDI Technologies A/S, a company incorporated in Denmark with limited liability
“Shareholders’ Agreement”	the joint venture and shareholders agreement entered into between O-Net BVI and OPDI dated 4 June 2013 in respect of, among others, the establishment of the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America
“WaveTouch Technology”	an optical touch technology developed for consumer electronic products

By Order of the Board
O-Net Communications (Group) Limited
Kung Sze Wai
Company Secretary

Hong Kong, 4 June 2013

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.