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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)

CANCELLATION OF ORIGINAL OPTIONS AND GRANT OF REPLACEMENT OPTIONS

This announcement is made pursuant to Rule 17.06A of the Listing Rules.

On 1 June 2012, the Board resolved to grant 40,651,000 Replacement Options to subscribe for new Shares to the Grantees in exchange for the cancellation of share options previously granted to them under the Original Options, provided that the grant of Replacement Options to Mr. Na is conditional upon the approval of the Shareholders in the manner stated below.

The total number of Shares to be issued upon exercise of the Replacement Options granted to Mr. Na, the Co-Chairman, chief executive officer, an executive Director of the Company, and an associate of O-Net (BVI), which is a substantial Shareholder of the Company, will represent in aggregate over 0.1% of the Shares in issue, and will have an aggregate value, based on the closing price of the Shares on the Date of Grant of Replacement Options, in excess of HK\$5 million in the 12-month period up to and including the Date of Grant of Replacement Options. Therefore, pursuant to Rule 17.04(1) of the Listing Rules, the grant of Replacement Options to Mr. Na is conditional upon the approval of the Shareholders at the EGM at which Mr. Na, his associates and all connected persons (as defined in Rule 1.01 of the Listing Rules) of the Company shall abstain from voting in respect of the resolution approving the grant of the Replacement Options to Mr. Na at the EGM to be convened.

A circular containing, among other things, further details of the grant of Replacement Options to Mr. Na, together with the notice of EGM, will be dispatched to the Shareholders as soon as practicable.

This announcement is made pursuant to Rule 17.06A of the Listing Rules.

The Board announces that on 1 June 2012, the Board resolved to grant 40,651,000 Replacement Options to subscribe for new Shares to the Grantees in exchange for the cancellation of share options previously granted to them under the Original Options.

The objectives of the Share Option Scheme are mainly to provide incentives for the Grantees on a fair and equitable basis, and to enhance the Company's long-term growth and value. Since the exercise price of the Original Options has failed to integrate with the latest market price of the Company, to better achieve the effectiveness of the Share Option Scheme, all relevant Grantees have voluntarily expressed their consent to the cancellation of the share options granted to them under the Original Options.

The Board has also resolved to implement the Share Option Exchange Programme. The Share Option Exchange Programme is to cancel the Original Options and to issue the Replacement Options pursuant to the Share Option Scheme.

The Replacement Options will be issued under the Scheme Mandate Limit granted by the Shareholders to the Directors on 9 April 2010. The Board considers that the Share Option Exchange Programme would not have any material adverse financial impact on the Group.

The details of the grant of Replacement Options are as follows:-

Date of Grant of Replacement Options : 1 June 2012

Exercise price of Replacement Options granted : HK\$1.910 per Share (being no less than the higher of (i) the closing price of HK\$1.910 per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant of Replacement Options; (ii) the average closing price of HK\$1.872 per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant of Replacement Options; and (iii) the nominal value of HK\$0.01 per Share)

Number of Replacement Options granted : 40,651,000 Replacement Options (each Replacement Option shall entitle the holder of the Replacement Options to subscribe for one Share) are divided into the following tranches:-

Tranche 1 – 20,929,000

Tranche 2 – 1,360,000

Tranche 3 – 4,390,000

Tranche 4 – 13,972,000

Closing price of the Share on the Date of Grant of Replacement Options : HK\$1.910 per Share

Validity period of Replacement Options : The Replacement Options shall be exercisable in the following manners:

Tranche 1:

For 6,000,000 Replacement Options to Mr. Na,
500,000 Replacement Options to each of Mr. Bai

Xiaoshu, Mr. Deng Xinping and Mr. Ong Chor Wei and 13,429,000 Replacement Options to certain employees of the Company:-

- (i) 40% of the Replacement Options shall be exercisable from 2 June 2012;
- (ii) another 20% of the Replacement Options shall be exercisable from 2 June 2013;
- (iii) another 20% of the Replacement Options shall be exercisable from 2 June 2014; and
- (iv) the remaining Replacement Options shall be exercisable from 2 June 2015.

Tranche 2:

For 1,360,000 Replacement Options to certain employees of the Company:-

- (i) 25% of the Replacement Options shall be exercisable from 2 June 2012;
- (ii) another 25% of the Replacement Options shall be exercisable from 2 June 2013;
- (iii) another 25% of the Replacement Options shall be exercisable from 2 June 2014; and
- (iv) the remaining Replacement Options shall be exercisable from 2 June 2015.

Tranche 3:

For 4,390,000 Replacement Options to certain employees of the Company:-

- (i) 1/3 of the Replacement Options shall be exercisable from 2 June 2013;
- (ii) another 1/3 of the Replacement Options shall be exercisable from 2 June 2014; and
- (iii) the remaining Replacement Options shall be exercisable from 2 June 2015.

Tranche 4:

For 800,000 Replacement Options to Mr. Na and 13,172,000 Replacement Options to certain employees of the Company:-

- (i) 1/3 of the Replacement Options shall become exercisable from 2 June 2012;

- (ii) another 1/3 of the Replacement Options shall become exercisable from 13 July 2012; and
- (iii) the remaining Replacement Options shall become exercisable from 13 July 2013.

All Replacement Options shall lapse on 9 April 2020.

The Grantees shall not be allowed to exercise the Replacement Options in a manner which results in the issue of Shares not forming a whole board lot of Shares.

Restriction of the sale of the Shares and target price : The Grantees shall not sell, hypothecate, encumber or otherwise transfer any Shares or any right in such Shares until such time that the fair market value of a Share corresponding to each of Tranches 1 to 4 exceed the following target price for each respective exercisable period which are as follows:-

- (i) HK\$3.00 - For the Replacement Options which can be allowed to be exercisable on or before 2 June 2013; and
- (ii) HK\$3.50 - For the Replacement Options which can be allowed to be exercisable on or after 13 July 2013.

Of the above total number of Replacement Options granted, 8,300,000 Replacement Options were resolved to be granted to the Directors. Details of the Replacement Options granted to the Directors are as follows:

Name of Directors	Capacity	Number of Replacement Options granted	Approximate percentage of the issued share capital of the Company as the date of this announcement
Mr. Na	Co-Chairman, chief executive officer and an executive Director	6,800,000	0.86%
Mr. Bai Xiaoshu	Independent non-executive Director	500,000	0.06%
Mr. Deng Xinping	Independent non-executive Director	500,000	0.06%
Mr. Ong Chor Wei	Independent non-executive Director	500,000	0.06%

The grant of such Replacement Options to the above Directors have been approved by the independent non-executive Directors (excluding the independent non-executive Director who is a grantee of Replacement Options) in accordance with the Rule 17.04(1) of the Listing Rules and the rules governing the Share Option Scheme, provided that the grant of Replacement Options to Mr. Na is conditional upon the approval of the Shareholders in the manner stated below.

On the Date of Grant of Replacement Options, there are 787,365,240 Shares in issue. The total number of Shares to be issued upon exercise of the Replacement Options granted to Mr. Na, the Co-Chairman, chief executive officer, an executive Director of the Company and an associate of O-Net (BVI), which is a substantial Shareholder of the Company, will represent in aggregate over 0.1% of the Shares in issue, and will have an aggregate value, based on the closing price of the Shares on the Date of Grant of Replacement Options, in excess of HK\$5 million in the 12-month period up to and including the Date of Grant of Replacement Options. Therefore, pursuant to Rule 17.04(1) of the Listing Rules, the grant of the Replacement Options to Mr. Na is conditional upon the approval of the Shareholders at the EGM at which Mr. Na, his associates and all connected persons (as defined in Rule 1.01 of the Listing Rules) of the Company shall abstain from voting in respect of the resolution approving the grant of the Replacement Options to Mr. Na at the EGM to be convened.

The Board believes that it is in the best interests of the Company and its Shareholders as a whole to make the grant of Replacement Options to Mr. Na to provide incentives to him and to motivate him to promote long-term growth of the Group.

Save as disclosed above, none of the Grantees is a Director, chief executive or substantial Shareholder of the Company, or an associate of any of them.

EGM

An EGM will be convened to consider and approve the grant of Replacement Options to Mr. Na.

A circular containing, among other things, further details of the grant of Replacement Options to Mr. Na, together with the notice of EGM, will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	O-Net Communications (Group) Limited, an exempted company incorporated in the Cayman Islands on 12 November 2009 under the Companies Law with limited liability
“Date of Grant of Replacement Options”	1 June 2012, being the date of grant of the Replacement Options by the Company to the Grantees
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve, among other things, the grant of Replacement Options to Mr. Na
“Grantees”	with respect to the cancellation of the Original Options, refers to certain employees who were granted the Original Options; and with respect to the Replacement Options, refers to those Grantees who were granted the Replacement Options
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Na”	Mr. Na Qinglin, the Co-Chairman, chief executive officer and an executive Director of the Company
“Original Options”	an aggregate of 40,651,000 share options granted by the Company to the Grantees and remain outstanding and unexercised at an exercise price of HK\$3.128 per Share on 2 June 2010 and HK\$5.374 per Share on 13 January 2011 in accordance with the Share Option Scheme

“O-Net (BVI)”	O-Net Holdings (BVI) Limited, a company incorporated in British Virgin Islands and a substantial Shareholder (as defined in the Listing Rules) and one of the controlling Shareholders (as defined in the Listing Rules) of the Company
“Replacement Option(s)”	such new share options which were issued by the Company and to be granted by the Company in replacement of any options that will be surrendered by the Grantees subject to their respective acceptances
“Scheme Mandate Limit”	has the meaning ascribed to it in the Share Option Scheme
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 9 April 2010
“Share Option Exchange Programme”	the programme for the cancellation of the Original Options and the issuance of the Replacement Options
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 1 June 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. Bai Xiaoshu, Mr. Deng Xinping and Mr. Ong Chor Wei.