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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE

Placing Agents

Piper Jaffray

NOMURA

PLACING AGREEMENT

On 1 November 2010, the Vendors, the Company and the Placing Agents entered into the Placing Agreement pursuant to which the Vendors have agreed to place, and the Placing Agents have agreed to procure not less than six Placees, for the purchase of 115,293,000 Placing Shares at the Placing Price or, failing which, purchase the Placing Shares at the Placing Price on a fully underwritten basis. The Placing Shares represent (i) approximately 14.91% of the Company's existing issued share capital as at the date of this announcement; and (ii) approximately 13.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

SUBSCRIPTION AGREEMENT

On 1 November 2010, the First Vendor and the Company entered into the Subscription Agreement pursuant to which the First Vendor has agreed to subscribe up to 60,000,000 Subscription Shares which is less than the number of Placing Shares actually placed under the Placing, at the Subscription Price of HK\$5.50 per Subscription Share.

The Subscription is conditional upon (i) the completion of the Placing; (ii) the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and (iii) the Executive Director of the Corporate Finance Division of the SFC granting the First Vendor a waiver from the obligation to make a general offer under the Takeovers Code with respect to its acquisition of the Subscription Shares. Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is, on or before 15 November 2010. If completion of the Subscription does not take place within 14 days after the date of the Placing Agreement, it will be a connected transaction and the Company is required to comply with all the requirements in relation to connected transaction under the Listing Rules.

Further announcement will be made by the Company upon completion of the Placing and the Subscription.

PLACING AGREEMENT

Date:

1 November 2010

Parties:

The Vendors, the Company and the Placing Agents

The Vendors:

- (1) The First Vendor, one of the controlling shareholders of the Company. As at the date of this announcement, the First Vendor is interested in 280,003,463 Shares, representing approximately 36.22% of the entire issued share capital of the Company; and
- (2) The Second Vendor, the other controlling shareholder of the Company. As at the date of this announcement, the Second Vendor is interested in 252,929,237 Shares, representing approximately 32.71% of the entire issued share capital of the Company.

Number of Placing Shares to be placed:

The maximum number of 115,293,000 Shares represent (i) about 14.91% of the Company's existing issued share capital; and (ii) about 13.84% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Placing Agents and underwriting:

- (1) Piper Jaffray Asia Securities Limited; and
- (2) Nomura International (Hong Kong) Limited

The Placing Agents and each of their ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

The Placing Agents will be entitled to receive a placing agent commission of 1% on the gross proceeds of the number of the Placing Shares they have underwritten to be placed, which was arrived at after arm's length negotiation between the Company and each of the Placing Agents. The Directors consider that the rate of the commission is fair and reasonable.

The Placing Agents have agreed, severally (and not jointly or jointly and severally) to purchase or procure the Placees to purchase the Placing Shares on a fully underwritten basis.

Placees

The Placing Agents agreed to place the Placing Shares to not fewer than six Placees who will be independent individual, corporate, institutional or other professional investors selected and procured by the Placing Agents for the placing of the Placing Shares and so far as the Company is aware, such Placees and their ultimate beneficial owners shall be parties independent of and not connected with any of the Company, its subsidiaries, their respective directors, chief executives, substantial shareholders, and their respective associates (as defined in the Listing Rules).

Placing Price:

HK\$5.50 per Placing Share, representing a discount of approximately 4.84% to the closing price of HK\$5.78 per Share as quoted on the Stock Exchange on the Last Trading Day, and a discount of approximately 4.35% to the average closing price of HK\$5.75 per Share as quoted on the Stock Exchange for the last five trading days ended on and including the Last Trading Day.

Rights attached to the Placing Shares:

The Placing Shares will be sold free of any third party rights and together with all dividends and distributions declared, made or paid after the date of the Placing Agreement.

Conditions of the Placing:

There is no condition to completion of the Placing Agreement. However, the Placing Agents may terminate the Placing Agreement by written notice no later than 9:30 a.m. (Hong Kong time) on 4 November 2010 if at any time on or prior to 4 November 2010:

- (A) in the reasonable opinion of the Placing Agents there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (B) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agents or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to closing date of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by any of the Vendors and the Company of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agents is material in the context of the Placing.

Completion of the Placing:

Completion of the Placing is expected to take place on 4 November 2010 or such other date as the Vendors and the Placing Agents shall agree.

Non-disposal Undertaking

- (A) Each of the Vendors undertakes to each Placing Agent that (except for the sale of Placing Shares pursuant to the Placing Agreement) for the period commencing from the date of the Placing Agreement and ending 3 months from the closing date of the Placing Agreement, it will not, directly or indirectly or conditionally or unconditionally, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it (the “**Intermediaries**”) shall, directly or indirectly or conditionally or unconditionally, offer for sale, sell, transfer, contract to sell or otherwise dispose of (including without limitation by the creation of any option, rights, interests, warrant to purchase or otherwise transfer or dispose of, or any encumbrance over), or announce any intention to dispose of, any Shares or any interest therein (including any interest in a company which, directly or indirectly, holds

any such Shares or other securities of the Company) or any other securities of the Company which are of the same class as, or convertible or exchangeable for, or which carry a right to subscribe, purchase or acquire, or represent the right to receive, any such Shares, or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares, in respect of which it is a beneficial owner (directly or indirectly and whether or not such Shares are held through any of its Intermediaries) and/or which are registered in its name or the name of any of its Intermediaries, unless the prior written consent of the Placing Agents to any such disposal or grant shall have been obtained; and

- (B) the Company undertakes that it will not and will procure that none of its subsidiaries will issue or agree to allot or issue any Shares (other than pursuant to (i) options outstanding under any existing shares option scheme or (ii) any scrip dividend scheme or (iii) the Subscription Agreement) or other securities or grant or agree to grant any options (other than options granted pursuant to an existing shares option scheme), warrants or other rights to subscribe for shares or other securities or to repurchase any securities of the Company, for the period commencing from the date of the Placing Agreement and ending 3 months from closing date of the Placing Agreement unless with the prior written consent of the Placing Agents.

SUBSCRIPTION AGREEMENT

Date:

1 November 2010

Parties involved:

The Company and the First Vendor

Number of new Shares subscribed for:

The number of Subscription Shares is less than the number of Placing Shares actually placed under the Placing, being a maximum number of 60,000,000 Subscription Shares.

Subscription Price:

The Subscription Price is HK\$5.50 per Subscription Share. The Subscription Price is the same as the Placing Price and was determined after arm's length negotiation between the Company and the First Vendor with reference to the Placing Price.

The Company will pay the costs and expenses of the Subscription, and will repay to the First Vendor its costs and expenses of the Placing. The net price to the Company of each Subscription Share is about HK\$5.44.

The Directors are of the view that the Subscription Price, which is the same with the Placing Price, is fair and reasonable.

Shareholding structure of the Company before and after the Placing and Subscription:

The following table sets out the shareholding structure of the Company prior to and upon completion of the Placing and the Subscription (assuming that there are no other changes in the issued share capital of the Company and the Placing Shares are placed in full):

	Existing shareholding		Shareholding after the Placing but before the Subscription		Shareholding after the Placing and Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The First Vendor (<i>Note 1</i>)	280,003,463	36.22	190,003,463	24.58	250,003,463	30.01
The Second Vendor (<i>Note 2</i>)	252,929,237	32.71	227,636,237	29.44	227,636,237	27.32
Mr. Tam Man Chi	9,337,480	1.21	9,337,480	1.21	9,337,480	1.12
The placees	0	0	115,293,000	14.91	115,293,000	13.84
Other public	230,825,060	29.86	230,825,060	29.86	230,825,060	27.71
Total	773,095,240	100.00	773,095,240	100.00	833,095,240	100.00

Notes:

1. The First Vendor is owned as to 49.18% by Mandarin IT Fund I (Note 3), 23.70% by Mariscal Limited (Note 4), 18.48% by O-Net Employee Plan Limited (Note 6), 6.95% by Mr. Na Qinglin and 1.69% by Mr. Xue Yahong as at the date of this announcement;
2. The Second Vendor is wholly-owned by Shenzhen Kaifa Technology Co., Ltd., approximately 49.64% of which is owned by Great Wall Technology Company Limited, a company incorporated in the PRC and is listed on the Stock Exchange (Stock code: 74);
3. Mandarin IT Fund I is owned as to 37.25% by HC Capital Limited, an indirect wholly-owned subsidiary of Hsin Chong International Holdings Limited with Mr. Yeh Meou Tsen Geoffrey as its controlling shareholder; therefore, each of Mandarin IT Fund I, HC Capital Limited, Hsin Chong International Holdings Limited and Mr. Yeh Meou Tsen Geoffrey is deemed to be interested in 280,003,463 Shares under the SFO;
4. Mariscal Limited is held as to 44.45% by Mandarin IT Fund I and as to 55.55% by Mandarin Assets Limited (Note 5);
5. Mandarin Assets Limited is 100% owned by Mr. Na Qinglin; and
6. O-Net Employee Plan Limited is held as to approximately 33.33% respectively by Mr. Na Qinglin, Mr. Tam Man Chi and Mr. Xue Yahong.

Mandate to issue the Subscription Shares:

The Subscription Shares will be issued pursuant to the General Mandate granted to the Directors at the general meeting of the Company held on 9 April 2010. The Directors were authorised to allot and issue up to 154,619,048 Shares pursuant to the General Mandate. Up to the date of the Announcement, the Directors have not utilised the General Mandate.

Ranking:

The Subscription Shares, when fully paid, will rank pari passu in all respects with the existing issued Shares.

Conditions of the Subscription:

The Subscription is conditional upon (i) the completion of the Placing; (ii) the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and (iii) the Executive Director of the Corporate Finance Division of the SFC granting the First Vendor a waiver from the obligation to make a general offer under the Takeovers Code with respect to its acquisition of the Subscription Shares.

If the conditions are not fulfilled on or prior to 15 November 2010 or such later date as may be agreed between the Company and the First Vendor, the Subscription Agreement shall terminate and neither of the parties will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

The Company will apply to the Stock Exchange for listing of and permission to deal in the Subscription Shares.

Completion:

Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is, on or before 15 November 2010.

If completion of the Subscription does not take place within 14 days after the date of the Placing Agreement, it will be a connected transaction and the Company is required to comply with all the requirements in relation to connected transaction under the Listing Rules.

Further announcement will be made by the Company upon completion of the Subscription.

Proceeds of Placing

Subject to completion of the Placing, the net proceeds of the Placing in respect of the 60,000,000 Shares sold by the First Vendor shall be held by Piper Jaffray Asia Securities Limited and the First Vendor jointly in a joint bank account pending completion of the Subscription Agreement. On completion of the Subscription Agreement, the net proceeds of the Placing of the 60,000,000 Shares sold by the First Vendor shall be paid from the said joint bank account to the Company upon completion of the Subscription Agreement to settle the Subscription Price pursuant to the terms of the Subscription Agreement.

REASONS OF THE TRANSACTIONS

The net proceeds to the Company from the Subscription (assuming all Placing Shares sold by the Vendors will be duly placed) will be approximately HK\$326 million for (i) potential investment in technology relating to production of optical components; and (ii) general working capital of the Group. The Company is in preliminary study of a potential investment as mentioned above.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising exercise in the past twelve-month period immediately before the date of this announcement.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“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 of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning set out in the Listing Rules
“Directors”	the directors of the Company
“First Vendor”	O-Net Holdings (BVI) Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“General Mandate”	the general mandate granted to the Directors at the general meeting of the Company held on 9 April 2010 to allot or otherwise deal with the unissued Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	1 November 2010, being the full trading day immediately prior to the Placing Agreement and the Subscription Agreement were entered into
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional institutional or other investor procured by or on behalf of the Placing Agents to purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 115,293,000 Shares beneficially owned by the Vendors pursuant to the Placing Agreement
“Placing Agents”	Piper Jaffray Asia Securities Limited and Nomura International (Hong Kong) Limited
“Placing Agreement”	a placing agreement between the Vendors, the Company and the Placing Agents dated 1 November 2010 in relation to the Placing
“Placing Price”	HK\$5.50 per Placing Share
“Placing Shares”	a total of 115,293,000 Shares beneficially owned by the Vendors and to be placed under the Placing
“PRC”	the People’s Republic of China

“Second Vendor”	Kaifa Technology (H.K.) Limited, a company incorporated in Hong Kong and a controlling shareholder of the Company
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement between the Company and the First Vendor dated 1 November 2010 in relation to the Subscription
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Price”	HK\$5.50 per Subscription Share
“Subscription Shares”	60,000,000 new Shares to be subscribed by the First Vendor
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Vendors”	the First Vendor and the Second Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
O-Net Communications (Group) Limited
Na Qinglin
Co-Chairman

Hong Kong, 1 November 2010

* *For identification purposes only*

As at the date of this announcement, the executive Directors are Mr. Na Qinglin and Mr. Xue Yahong, 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. Bai Xiaoshu and Mr. Ong Chor Wei.