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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

RESULTS

The Board of Directors (the "Directors") of O-Net Communications (Group) Limited (the "Company") is pleased to announce the consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010 together with the comparative figures. The interim results for the six months ended 30 June 2010 have been audited by PricewaterhouseCoopers, the auditors of the Company, and reviewed by the Company's Audit Committee. The audit opinion issued by PricewaterhouseCoopers was modified due to the fact that the comparative figures for the six months ended 30 June 2009 were not subject to audit but a review undertaken by PricewaterhouseCoopers (see details in Note 10).

CONSOLIDATED INCOME STATEMENT

(All amounts in Hong Kong dollars thousands unless otherwise stated)

		Six months ended 30 June	
		2010	2009
		(audited)	(unaudited)
			(Note 10)
	Note	***HKD'000***	*HKD'000*
Revenue		**296,750**	125,225
Cost of sales		**(145,971)**	(73,768)
Gross profit		**150,779**	51,457
Other gains – net		**416**	1,706
Selling and marketing costs		**(15,316)**	(6,742)
Research and development expenses		**(14,201)**	(7,439)
Administrative expenses		**(24,405)**	(13,567)
Operating profit		**97,273**	25,415
Finance income	*4*	**33**	698
Finance costs	*4*	**(4,358)**	(365)
Finance (costs)/income – net	*4*	**(4,325)**	333
Profit before income tax		**92,948**	25,748
Income tax expenses	*5*	**(11,307)**	(2,426)
Profit for the period		**81,641**	23,322
Profit attributable to:			
Equity holders of the Company		**81,641**	23,322
Earnings per share for profit attributable to equity holders of the Company (HKD per share)			
Basic	*7*	**0.1262**	0.0402
Diluted	*7*	**0.1261**	0.0402

CONSOLIDATED BALANCE SHEET
(All amounts in Hong Kong dollars thousands unless otherwise stated)

	Note	**As at 30 June 2010 (audited) *HKD'000***	As at 31 December 2009 (audited) *HKD'000*
ASSETS			
Non-current assets			
Land use right		**28,357**	28,396
Property, plant and equipment		**60,472**	40,157
Intangible assets		**823**	496
Deferred income tax assets		**732**	924
		90,384	69,973
Current assets			
Inventories		**78,528**	56,293
Trade and other receivables	*8*	**217,851**	169,508
Cash and cash equivalents		**547,309**	26,544
		843,688	252,345
Total assets		**934,072**	322,318
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share Capital		**7,731**	–
Reserves		**788,663**	188,381
Total equity		**796,394**	188,381
LIABILITIES			
Current liabilities			
Trade and other payables	*9*	**126,191**	123,040
Current income tax liabilities		**11,487**	10,897
		137,678	133,937
Total liabilities		**137,678**	133,937
Total equity and liabilities		**934,072**	322,318
Net current assets		**706,010**	118,408
Total assets less current liabilities		**796,394**	188,381

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Hong Kong dollars thousands unless otherwise stated)

	Six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
		(Note 10)
	HKD'000	*HKD'000*
Profit for the period	**81,641**	23,322
Other comprehensive income		
Currency translation differences	**3,197**	(1,796)
Total comprehensive income for the period	**84,838**	21,526
Total comprehensive income attributable to:		
Equity holders of the Company	**84,838**	21,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANIZATION

(a) General information

O-Net Communications (Group) Limited (the "Company") was incorporated in the Cayman Islands on 12 November 2009, as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 April 2010 (the "IPO"). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacturing and sale of optical networking subcomponents, components, modules and subsystem used in high-speed telecommunications and data communications (the "Listing Business").

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 10 August 2010.

(b) Group reorganization and basis of consolidation

Prior to incorporation of the Company, the Listing Business was owned by O-Net Communications Limited ("O-Net Cayman"), a company collectively controlled by Mandarin IT Fund I, Mariscal Limited, O-Net Employee Plan Limited ("O-Net Trust"), Mr. Na Qinglin, Mr. Xue Yahong as a group (the "Shareholders Group") and Kaifa Technology (H.K.) Limited ("Kaifa HK", altogether defined as the "Controlling Shareholders").

In preparation for the IPO, a group reorganization (the "Reorganization") was undertaken, pursuant to which the group companies engaged in the Listing Business owned by O-Net Cayman were transferred to the Company. The Reorganization involved the following:

(i) On 6 November 2006, O-Net Communications Holdings Limited ("O-Net BVI") was incorporated in the British Virgin Islands ("BVI"). At the time of its establishment, O-Net BVI was wholly owned by Mr. Na Qinglin. In March 2007, Mr. Na Qinglin transferred all his equity interest in O-Net BVI to O-Net Cayman;

(ii) On 12 March 2007, O-Net BVI entered into agreements to acquire O-Net Cayman's equity interest in O-Net Communications (Shenzhen) Limited ("O-Net Shenzhen") and O-Net Communications (HK) Limited ("O-Net Hong Kong"), the two subsidiaries engaging in the Listing Business at a consideration of HKD24,274,000;

(iii) On 12 November 2009, the Company was incorporated as a wholly owned subsidiary of O-Net Cayman with an authorized share capital of HKD390,000 divided into 39,000,000 shares of par value HKD0.01 each, and the initial subscriber share of par value HKD0.01 issued and allotted was transferred to O-Net Cayman; and

(iv) On 22 February 2010, the Company issued an additional 9,999 shares of HKD0.01 each to O-Net Cayman and all the said 10,000 shares were credited as fully paid up by the Company in consideration of the transfer by O-Net Cayman of all its shareholding interests in O-Net BVI to the Company. After the transfer, O-Net BVI became a wholly-owned subsidiary of the Company and the Company became the holding company of the Group.

Under Hong Kong Financial Reporting Standards ("HKFRS") 3 (Revised) "Business Combination" which became effective for the financial year beginning 1 January 2010, the Reorganization relating to the transfer of the Listing Business to the Company is not considered a business combination because the Company has not involved in any other businesses prior to the Reorganization and do not meet the definition of a business. The directors of the Company consider that it is merely a reorganization of the Listing Business which has not changed the management and operations of the Listing Business. Accordingly, the consolidated financial statements of the Group are presented using the carrying values of the Listing Business controlled by the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009.

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies.

Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2010:

- IFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company has accounted for the transaction under reorganization occurred during the current period in 2010 with reference to HKFRS 3 (Revised).

However, as mentioned in Note 1 above, as the Company has not involved in any other businesses prior to the Reorganization and does not meet the definition of a business, the Reorganization is not considered as a business combination.

- HKFRS 2 (Amendment), "Share-based payment". The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There was no substantial impact arising from this amendment.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010. The Group has early adopted the amendment to HKFRS 8 "Operating segment" in 2009.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

- "Additional exemptions for first-time adopters" (Amendment to HKFRS 1).

- HK(IFRIC)-Int 17, "Distributions of non-cash assets to owners".

- HKAS 39 (Amendment), "Eligible hedged items".

- Annual improvement projects published in 2008 and 2009 to amend the following standards:

  - HKAS 1 (Amendment) Presentation of financial statements
  - HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - HKAS 7 (Amendment) Cash flow statements
  - HKAS 17 (Amendment) Leases
  - HKAS 18 (Amendment) Revenue
  - HKAS 36 (Amendment) Impairment of assets
  - HKAS 38 (Amendment) Intangible assets
  - HKAS 39 (Amendment) Financial instruments: Recognition and measurement
  - HKFRS 2 (Amendment) Share-based Payment
  - HK(IFRIC)-Int 9 (Amendment) Reassessment of embedded derivatives
  - HK(IFRIC)-Int 16 (Amendment) Hedges of a net investment in a foreign operation

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
HKFRS 9, "Financial instruments" – Classification and Measurement	1 January 2013
HKAS 24 (Revised) "Related party disclosures"	1 January 2011
HKAS 32 (Amendment) Financial Instruments: Presentation	1 February 2010
HK(IFRIC) 14 (Amendment) HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions	1 January 2011
HK(IFRIC)-Int 19, "Extinguishing financial liabilities with equity instruments"	1 July 2010
IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards	1 July 2010
Annual improvement project published in 2010 to amend the following standards:	1 January 2011
– HKFRS 7 Financial Instruments: Disclosures	
– HKAS 1 Presentation of Financial Statements	
– Transition requirements for amendments arising as a result of HKAS 27 Consolidated and Separate Financial Statements	
– HKAS 34 Interim Financial Reporting	
– HK(IFRIC)-Int 13 Customer Loyalty Programmes	
– HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards	
– HKFRS 3 Business Combinations	

The group is in the process of making an assessment of the impact of these new/revised standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

3 SEGMENT REPORTING

The chief operating decision-maker has been identified as the senior executive management of the Company. The chief operating decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The senior executive management team considers that the business of the operating performance of Group is assessed by its different product lines, including wavelength management, transmission management, power management, signal conditioning and monitoring management and others. They have been adopted for the determination of the operating segments for financial reporting purposes. The reportable operating segments derive their revenue from manufacturing and sales of the respective products.

Other operating segments mainly include the manufacture and sales of other optical and fiber products, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "All other segments" column.

The senior executive management team assesses the performance of the operating segments based on a measure of gross profit, which is determined by using the accounting policies which are the same as disclosed in Note 2. The Group does not allocate operating costs or assets to its segments, as its chief operating decision-maker does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of profit for each reportable segment and total assets.

(a) The segment information provided to the senior executive management for the reportable segments for the six months ended 30 June 2009 is as follows:

	Wavelength management (unaudited) *HKD'000*	Transmission management (unaudited) *HKD'000*	Power management (unaudited) *HKD'000*	Signal conditioning and monitoring management (unaudited) *HKD'000*	All other segments (unaudited) *HKD'000*	Unallocated (unaudited) *HKD'000*	Total (unaudited) *HKD'000*
Total revenue (all from external customers)	28,251	43,635	44,809	2,568	5,962	–	125,225
Cost of sales	(15,748)	(20,645)	(29,100)	(1,550)	(6,725)	–	(73,768)
Gross profit	12,503	22,990	15,709	1,018	(763)	–	51,457
Other gains – net						1,706	1,706
Selling and marketing costs						(6,742)	(6,742)
Research and development expenses						(7,439)	(7,439)
Administrative expenses						(13,567)	(13,567)
Operating profit						25,415	25,415
Finance income – net						333	333
Profit before income tax						25,748	25,748
Income tax expenses						(2,426)	(2,426)
Profit for the year						23,322	23,322

(b) The segment information provided to the senior executive management for the reportable segments for the six months ended 30 June 2010 is as follows:

	Wavelength management (audited) *HKD'000*	Transmission management (audited) *HKD'000*	Power management (audited) *HKD'000*	Signal conditioning and monitoring management (audited) *HKD'000*	All other segments (audited) *HKD'000*	Unallocated (audited) *HKD'000*	Total (audited) *HKD'000*
Total revenue (all from external customers)	58,719	95,561	130,453	5,372	6,645	–	296,750
Cost of sales	(26,547)	(45,212)	(66,395)	(2,869)	(4,948)	–	(145,971)
Gross profit	32,172	50,349	64,058	2,503	1,697	–	150,779
Other gains – net						416	416
Selling and marketing costs						(15,316)	(15,316)
Research and development expenses						(14,201)	(14,201)
Administrative expenses						(24,405)	(24,405)
Operating profit						97,273	97,273
Finance costs – net						(4,325)	(4,325)
Profit before income tax						92,948	92,948
Income tax expenses						(11,307)	(11,307)
Profit for the period						81,641	81,641

(c) Revenue from external customers in the PRC, Europe, North America and other Asia countries excluding the PRC is as follows:

	For the six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
	HKD'000	*HKD'000*
The PRC	**137,860**	61,091
Europe	**84,143**	19,946
North America	**22,953**	17,867
Other Asia countries excluding the PRC	**51,794**	26,321
	296,750	125,225

(d) The total of non-current assets, other than financial instruments and deferred tax assets, of the Group as at 30 June 2010 and 31 December 2009 are as follows:

	As at	
	30 June 2010 (audited) *HKD'000*	31 December 2009 (audited) *HKD'000*
The PRC	**89,450**	68,884
Hong Kong and BVI	**202**	165
	89,652	69,049

(e) During the six months ended 30 June 2010 and 2009, revenue derived from sales made to two single external customers amounted to 10% or more of the Group's total revenue, respectively. These revenues are attributable to the wavelength management, transmission management, power management and signal conditioning and monitoring management segments.

4 FINANCE COSTS/(INCOME) – NET

	For the six months ended 30 June	
	2010 (audited) *HKD'000*	2009 (unaudited) *HKD'000*
Finance income		
– Interest income derived from bank deposits	**(33)**	(25)
– Exchange gain	**–**	(673)
Finance costs		
– Interest expenses on bank borrowings	**–**	365
– Exchange loss	**4,358**	–
Finance costs/(income) – net	**4,325**	(333)

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2010 (audited) *HKD'000*	2009 (unaudited) *HKD'000*
Current income tax		
– Hong Kong profits tax *(b)*	**–**	92
– PRC corporate income tax *(c)*	**11,108**	2,339
Total current income tax	**11,108**	2,431
Deferred income tax		
– Origination and reversal of temporary differences	**199**	(61)
– Tax losses carried forward	**–**	56
Total deferred income tax	**199**	(5)
Income tax expenses	**11,307**	2,426

(a) The Company and O-Net BVI are not subject to profits tax in their jurisdictions.

(b) Hong Kong profits tax

The applicable Corporate Income Tax rate for Hong Kong profits is 16.5%. No Hong Kong profits tax has been provided as the Group has no assessable profit arising in Hong Kong for the six months ended 30 June 2010.

(c) PRC enterprise income tax (the "PRC EIT")

PRC EIT is provided on the assessable income of entities within the Group incorporated in the PRC, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

O-Net Shenzhen was established in the Shenzhen Special Economic Zone. It was entitled to exemption from the PRC EIT for the two years commencing from their respective first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from the enacted EIT rate for the next three years (the "5-Year Tax Concession").

Pursuant to the PRC EIT Law passed by the Tenth National People's Congress on 16 March 2007 (the "New PRC EIT Law"), the new EIT for domestic and foreign enterprises is unified at 25%, which is effective from 1 January 2008 onwards. The New PRC EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. On 26 December 2007, the State Council issued the "Circular to implement of the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates of companies established in Shenzhen Special Economic Zone before 31 March 2007 should be 18%, 20%, 22%, 24% and 25%, respectively in 2008, 2009, 2010, 2011 and 2012.

After promulgation of the New PRC EIT Law, the "5-Year Tax Concession" enjoyed by O-Net Shenzhen could be continued to be applied. As the first profit making year of O-Net Shenzhen after offsetting of cumulative carry-forward losses is 2006, the enacted tax rate applicable to O-Net Shenzhen in 11% (being 50% of the enacted EIT rate for 2010).

In addition, O-Net Shenzhen applied to the relevant authorities in the PRC and has successfully been granted the qualification as a High and New Technology Enterprise in the PRC. It would be entitled to a concessionary EIT tax rate of 15% for a period of 3 years from 2008 to 2010. Given the fact that the applicable EIT tax rate under the 5-Year Tax Concession is more preferential and beneficial to O-Net Shenzhen, the enacted tax rate applicable to O-Net Shenzhen for 2010 was determined based on the 5-Year Tax Concession, as described in the preceding paragraph.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rates applicable to the entities comprising the Group as follows:

	For the six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
	HKD'000	*HKD'000*
Profit before income tax	**92,529**	25,748
Tax calculated at statutory tax rates applicable to entities comprising the Group	**20,479**	5,118
Tax effect of:		
Preferential tax concession	**(9,857)**	(2,771)
Expenses not deductible for tax purposes	**685**	79
Income tax expenses	**11,307**	2,426

6 DIVIDENDS

The directors of the Company proposed not to distribute any dividends for the six months ended 30 June 2010.

7 EARNING PER SHARE

(a) Basic

Basic earnings per share ("EPS") are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
Profit attributable to equity holders of the Company for the six months (HKD'000)	**81,641**	23,322
Weighted average number of ordinary shares in issue (thousands)	**647,089**	579,815
Basic EPS (HKD per share)	**0.1262**	0.0402

The weighted average number of ordinary shares in issue during the six months ended 30 June 2010 used in the basic earnings per share calculation is determined on the assumption that the 579,805,000 shares issued upon the capitalization issue and 10,000 shares issued under the Reorganization (Note 1) had been in issue since the beginning of the periods presented (1 January 2009) (for the six months ended 30 June 2009: same).

(b) Diluted

Diluted EPS are calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted EPS).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the periods) based on the sum of the monetary value of the subscription rights attached to the outstanding share options and their relevant remaining share-based compensation expenses to be recorded in future periods. The number of shares so calculated is compared against the number of shares that would have been issued assuming the exercise of the share options.

The above two differences are added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	For the six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
Profit attributable to equity holders of the Company for the six months (HKD'000)	**81,641**	23,322
Weighted average number of ordinary shares in issue (thousands shares)	**647,089**	579,815
Adjustments for share options (thousands shares)	**596**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousands shares)	**647,685**	579,815
Diluted EPS (HKD per share)	**0.1261**	0.0402

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 (audited) HKD'000	31 December 2009 (audited) HKD'000
Trade receivables *(a)*	**190,765**	132,249
Less: provision for impairment of receivables *(b)*	**(2,079)**	(1,622)
Trade receivables – net	**188,686**	130,627
Amounts due from related parties	**–**	997
Bills receivables *(c)*	**16,374**	35,207
Prepayments	**5,382**	1,337
Other receivables	**7,409**	1,340
	217,851	169,508

As at 30 June 2010 and 31 December 2009, the fair value of trade and other receivables of the Group approximated their carrying amounts.

(a) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 30 June 2010 (audited) HKD'000	31 December 2009 (audited) HKD'000
RMB	**89,445**	89,030
USD	**121,972**	75,883
HKD	**5,814**	1,393
JPY	**620**	3,202
	217,851	169,508

The credit period generally granted to customers is from 30 to 105 days. The ageing analysis of trade receivables is as follows:

Trade receivables

	As at 30 June 2010 (audited) HKD'000	31 December 2009 (audited) HKD'000
Within 30 days	**64,956**	50,550
30 to 60 days	**49,178**	36,258
60 to 90 days	**45,775**	23,681
90 to 180 days	**26,136**	17,821
180 to 365 days	**2,213**	1,163
Over 365 days	**2,507**	2,776
	190,765	132,249

As at 30 June 2010 and 31 December 2009, trade receivables of HKD109,316,000 and HKD37,641,000 were past due but not impaired. These relate to a number of independent customers that have good trading records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The aging analysis of these trade receivables is as follows:

	As at	
	30 June	31 December
	2010	2009
	(audited)	(audited)
	HKD'000	*HKD'000*
Past due 1 to 90 days	**105,141**	33,043
Past due 91 to 180 days	**2,855**	2,461
Past due 181 to 365 days	**1,236**	1,554
Past due over 365 days	**84**	583
	109,316	37,641

As at 30 June 2010 and 31 December 2009, trade receivables of HKD2,079,000 and HKD1,622,000 were impaired. All these balances had been fully provided for impairment losses. The aging of these trade receivables is as follows:

	As at	
	30 June	31 December
	2010	2009
	(audited)	(audited)
	HKD'000	*HKD'000*
Past due over 365 days	**2,079**	1,622
	2,079	1,622

(b) Movement of the provision for impairment of trade receivables is as follows:

	For the six months ended 30 June	
	2010	2009
	(audited)	(unaudited)
	HKD'000	*HKD'000*
Opening balance	**1,622**	1,671
Provision for/(write back of) impairment	**440**	(35)
Exchange difference	**17**	1
Closing balance	**2,079**	1,637

(c) Bills receivables are with maturity dates between 30 and 180 days. The aging analysis of bills receivables is as follows:

Bills receivables

	As at	
	30 June 2010	31 December 2009
	(audited)	(audited)
	HKD'000	*HKD'000*
Within 30 days	**7,134**	10,552
31 to 90 days	**1,369**	11,468
91 to 180 days	**7,871**	13,187
	16,374	35,207

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

9 TRADE AND OTHER PAYABLES

	As at	
	30 June 2010	31 December 2009
	(audited)	(audited)
	HKD'000	*HKD'000*
Trade payables *(a)*	**101,872**	68,890
Amount due to related parties	**–**	33,951
Accrued expenses	**11,581**	10,746
Payroll payable	**8,478**	6,604
Other payables	**1,483**	1,522
Advances from customers	**235**	177
Other taxes payable	**2,542**	1,150
	126,191	123,040

As at 30 June 2010 and 31 December 2009, the fair value of trade and other payables of the Group approximated their carrying amounts due to their short maturities.

(a) The ageing analysis of trade payables is as follows:

	As at	
	30 June 2010	31 December 2009
	(audited)	(audited)
	HKD'000	*HKD'000*
Within 30 days	**42,358**	27,548
Over 30 days and within 60 days	**21,365**	12,183
Over 60 days and within 180 days	**33,236**	23,788
Over 180 days and within 365 days	**1,794**	2,298
Over 365 days	**3,119**	3,073
	101,872	68,890

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at	
	30 June 2010	31 December 2009
	(audited)	(audited)
	HKD'000	*HKD'000*
RMB	**94,136**	99,077
USD	**31,075**	16,664
HKD	**980**	7,282
Euro	**–**	17
	126,191	123,040

10 COMPARATIVE FIGURES

The accounting information in this announcement for the six months ended 30 June 2009 was not audited but was subject to review under Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has focused on the research, development, manufacture and sale of passive fiber optic components mainly used in fiber optic network system. During the first half of 2010, the Group achieved remarkable results.

MARKET REVIEW

The outburst of the global financial turmoil has taken place for more than one year, the economic environment has become more stable. The deepest distress should have been through and a moderate continuous up-moving trend emerges gradually. International Monetary Fund (IMF) updated the World Economic Outlook on 8 July, where it forecasted that an approximately 4.5% and 4.25% growth in the world economy this year and next year will be recorded, respectively. Supported by the recovery of global economy, which make some countries increase or accelerate their plans on the telecommunication expenses in international market. Meanwhile, the rise in domestic demand in China has helped fuel the return of rapid economic growth in China. In domestic market, the Group maintained its presence steadily in the market of PRC fiber optic components suppliers and also one of the beneficiaries in huge capital expenditure (the "Capex") plan in China.

BUSINESS REVIEW

The first half of 2010 has been a remarkable period for the Group in terms of business growth. The global economic recovery started in 2009 and increasing demand for bandwidth have led to surge in need for fiber optic equipment. We experienced strong demand from customers all over the world, for all major product categories what we are engaged in. As a result, the Company is pleased to report record high growth in top line, and with greater economies of scale, even faster growth in bottom line.

During first half of 2010, the Company further expanded its operation scale to cope with increasing demand from customers. The Company has significantly increased capacity in power management, wavelength management and transmission management product lines. Total operating space was increased by 1,564 square meters. Total headcount has increased to 2,154 as of June 30 2010, from 1,518 as of end of 2009.

The Company has continued its success in customer development and new product launches. During first half of 2010 the Company has successfully completed qualifications with two new customers in China and further enhanced business relationships with additional customers in Europe. The Company has also started shipment of a few new products targeting at 40G and 100G next-generation networking technology areas. In the mean time the Company has stepped up its effort in the next generation research and development including new projects and related equipment and staffing.

The successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 29 April 2010 (the "Listing Date") has further improved the Company's financial position and overall competitiveness. The net proceeds from the initial public offering (the "IPO") amounted to approximately HKD512.8 million.

FINANCIAL REVIEW

Revenue

Revenues for the six months ended 30 June 2010 were HKD296.8 million, an increase of HKD171.6 million, or 137.1%, from revenues of HKD125.2 million for the six months ended 30 June 2009. Revenues from the power management segment were HKD130.5 million for the six months ended 30 June 2010, an increase of HKD85.7 million or 191.3%, from revenues of HKD44.8 million from the power management segment for the six months ended 30 June 2009. Revenues from the transmission management segment were HKD95.6 million for the six months ended 30 June 2010, an increase of HKD52.0 million, or 119.3%, from revenues of HKD43.6 million from the transmission management segment for the six months ended 30 June 2009. Revenues from the wavelength management segment were HKD58.7 million for the six months ended 30 June 2010 an increase of HKD30.4 million, or 107.4%, from revenues of HKD28.3 million from the wavelength management segment for the six months ended 30 June 2009. Revenues from the signal conditioning and monitoring management segment were HKD5.4 million for the six months ended 30 June 2010, an increase of HKD2.8 million, or 107.7%, from revenues of HKD2.6 million from the signal conditioning and monitoring management segment for the six months ended 30 June 2009. Revenues from the others segment were HKD6.6 million for the six months ended 30 June 2010, an increase of HKD0.7 million, or 11.9%, from revenues of HKD5.9 million from the others segment for the six months ended 30 June 2009.

The increase in revenues in the six months ended 30 June 2010 is primarily attributable to growth of customer demand in Europe and China, added by increasing purchase orders from customers in Asia Pacific (excluding China) and U.S.. The increase in revenues from the power management segment is primarily attributable to growth of VOA products sales to the customers around the world, added by increasing demand for EDFA products as we qualified these products with new and existing customers. The increase in revenues from the transmission management segment is primarily attributable to the increasing shipment of wavelength lockers, added by increasing demand for our optical isolators from existing customers in China. The increase in revenues from the wavelength management segment is primarily attributable to the increase of new wavelength management product, added by growing demand for DWDM products. The increase in revenues from the signal conditioning and monitoring management segment is primarily attributable to growth of the demand for tap-PD products. The increase in revenues from the others segment is primarily attributable to growing demand for our etalon products in first half of 2010.

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 June 2010 was HKD150.8 million, an increase of HKD99.3 million, or 192.8%, from gross profit of HKD51.5 million for the six months ended 30 June 2009. Gross profit as a percentage of total revenues, or gross profit margin, increased to 50.8% for the six months ended 30 June 2010 as compared to 41.1% for the six months ended 30 June 2009. As more fully described below, this increase was caused by a focus on higher margin products, price reductions in raw materials and improved production efficiency. The increase in gross profit margin was primarily attributable to improvement of gross profit margin in power management and wavelength management products primarily as a result of the launches of higher margin products in these categories. Our gross profit margin of power management products increased from 35.1% for the six months ended 30 June 2009 to 49.1% for the six months ended 30 June 2010 as a result of increasing sales of new VOA products which carry higher margin than conventional EDFA products. Our gross profit margin of wavelength management products also increased from 44.3% for the six months ended 30 June 2009 to 54.8% for the six months ended 30 June 2010 as a result of new products such as interleaver which have higher margin in this category, added by the improvement of production yield in WDM products. The gross profit margin of our transmission management products was 52.7% for the six months ended 30 June 2010 which is same with the gross profit margin for the six months ended 30 June 2009 primarily as a result of the improved production efficiency and yield improvement as sales increased and the decrease of cost of key materials offset partially by the price concessions we offered to our customers. In addition, new products launched by us such as wavelength lockers have a higher profit margin than other existing transmission management products. Our gross profit margin of signal conditioning and monitoring products increased from 39.6% for the six months ended 30 June 2009 to 46.6% for the six months ended 30 June 2010 primarily due to improvement of cost structure of tap PD products. Our gross profit margin of other products increased from -12.8% for the six months ended 30 June 2009 to 25.5% for the six months ended 30 June 2010 primarily due to the new etalon products which carry high gross margin.

Other Gains

Other gains for the six months ended 30 June 2010 were HKD0.4 million, a decrease of HKD1.3 million, or 76.5%, from other gains of HKD1.7 million for the six months ended 30 June 2009. Such decrease is primarily the result of government grants reduced by HKD1.5 million for the six months ended 30 June 2010 as compared to 2009.

Selling and Marketing Costs

Selling and marketing costs for the six months ended 30 June 2010 were HKD15.3 million, an increase of HKD8.6 million, or 128.4%, from selling and marketing costs of HKD6.7 million for the six months ended 30 June 2009. The increase in selling and marketing costs was primarily attributable to increasing sales commission we paid to our sales distributors around the world, and increase in freight expenses. Selling and marketing costs as a percentage of revenues decreased to 5.2% for the six months ended 30 June 2010 as compared to 5.4% for the six months ended 30 June 2009. The decrease in selling and marketing costs as a percentage of revenues was primarily attributable to a higher revenue base and lower sales and marketing costs attributable to the increasing sales in China. We generally cover customers in China directly by our own sales team and therefore do not pay commission.

Staff expenses excluding share option expenses for the six months ended 30 June 2010 were HKD1.8 million, an increase of HKD0.5 million, or 38.5%, from HKD1.3 million for the six months ended 30 June 2009. The increase was primarily attributable to increased hiring of sales personnel in 2010.

Sales commissions for the six months ended 30 June 2010 were HKD9.2 million, an increase of HKD6.5 million, or 240.7%, from HKD2.7 million for the six months ended 30 June 2009. The increase was primarily attributable to the fact that our overseas revenues for the six months ended 30 June 2010 increased by HKD94.8 million, or 147.9% from our overseas revenues for the six months ended 30 June 2009. We generally do not incur distributor commission for sales in China, the effective commission rate, which is the result of total commissions paid by the company divided by total overseas revenues, was 4.2% for the six months ended 30 June 2009 and 5.8% for the six months ended 30 June 2010. The increase in effective commission rate is due to we pay relatively higher commission on the new products which started volume shipment in 2010.

Utilities expenses for the six months ended 30 June 2010 were HKD0.8 million, an increase of HKD0.4 million, or 100%, from HKD0.4 million for the six months ended 30 June 2009. The increase was primarily attributable to hiring more sales personnel in 2009.

Freight expenses for the six months ended 30 June 2010 were HKD1.8 million, an increase of HKD1.0 million, or 125.0%, from HKD0.8 million for the six months ended 30 June 2009. The increase was primarily attributable to increased sales and shipping activities in 2010.

Advertising expenses for the six months ended 30 June 2010 were HKD0.4 million which is approximately same with the advertising expenses for the six months ended 30 June 2009 as the Company essentially kept the same marketing activities including trade shows and advertisings in 2009 and 2010.

Research and Development Expenses

Research and development expenses for the six months ended 30 June 2010 were HKD14.2 million, an increase of HKD6.8 million, or 91.9%, from research and development expenses of HKD7.4 million for the six months ended 30 June 2009. The increase in research and development expenses was primarily attributable to the increase in material costs related to the research and development (the "R&D") projects and staff costs. Research and development expenses as a percentage of revenues decreased to 4.8% for the six months ended 30 June 2010 as compared to 5.9% for the six months ended 30 June 2009. The decrease in research and development expenses as a percentage of revenues was primarily attributable to faster revenue growth than that of research and development expenses.

Staff expenses excluding share option expenses for the six months ended 30 June 2010 were HKD5.4 million, an increase of HKD1.5 million, or 38.5%, from HKD3.9 million for the six months ended 30 June 2009. The increase was primarily attributable to increased hiring of research and development personnel.

Raw material costs for the six months ended 30 June 2010 were HKD6.9 million, an increase of HKD4.8 million, or 228.6%, from HKD2.1 million for the six months ended 30 June 2009. The increase was primarily attributable to new R&D projects the Company undertook in first half 2010, particularly on the 40G and 100G areas.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2010 were HKD24.4 million, an increase of HKD10.8 million, or 79.4%, from HKD13.6 million for the six months ended 30 June 2009. The increase in administrative expenses was primarily attributable to increase in staff expenses and auditor's remuneration expenses. Administrative expenses as a percentage of revenues decreased to 8.2% for the six months ended 30 June 2010 as compared to 10.9% for the six months ended 30 June 2009 primarily because of the faster growth of revenue and economy of scales achieved.

Staff expenses for the six months ended 30 June 2010 were HKD12.3 million, an increase of HKD4.2 million, or 51.9%, from HKD8.1 million for the six months ended 30 June 2009. The increase was primarily attributable to increased hiring of staff in 2010 as the Company increases its operation scale.

Auditor's remuneration expenses for the six months ended 30 June 2010 were HKD1.9 million, an increase of HKD1.8 million as compared to the six months ended 30 June 2009. The increase was primarily attributable to the expenses associated with half year financial audit as a result of being public company.

Finance Costs

Finance costs for the six months ended 30 June 2010 were HKD4.3 million, as compared to a finance income HKD0.3 million for the six months ended 30 June 2009. The change from finance income to finance costs was primarily attributable to an increase in foreign exchange loss during the period due to the exchange loss from IPO proceeds which is denominated in HKD rather than RMB.

We currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. We will also monitor and maintain our US dollar cash balance in order to minimize the need for unnecessary foreign exchange conversion which may result in exchange loss.

Profit before Tax and Profit before Tax Margin

Profit before tax increased by HKD67.2 million from HKD25.7 million for the six months ended 30 June 2009 to HKD92.9 million for the six months ended 30 June 2010. Profit before tax as a percentage of total revenues, namely profit before tax margin, increased from 20.5% for the six months ended 30 June 2009 to 31.3% for the six months ended 30 June 2010. The increase in profit before tax and profit before tax margin for the six months ended 30 June 2010 was primarily due to an increase in gross profit margin of 50.8% as compared to 41.1% of the same period in 2009 and a decrease in overall expenses incurred during the six months ended 30 June 2010.

Income Tax Expense

Current income tax expenses of the Company consist of the Hong Kong profits tax and PRC Enterprise Income Tax ("PRC EIT").

The applicable Corporate Income Tax rate for Hong Kong profits is 16.5%. No Hong Kong profits tax has been provided as the Group has no assessable profit arising in Hong Kong for the six months ended 30 June 2010.

PRC EIT is provided on the assessable income of entities within the Group incorporated in the PRC, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

Tax expenses for the six months ended 30 June 2010 were HKD11.3 million, an increase of HKD8.9 million, or 370.8% from a tax expense of HKD2.4 million for the six months ended 30 June 2009. The increase in tax expenses was primarily due to an increase of our profits in 2010 and an increase of the enacted tax rate of O-Net Shenzhen from 10% in 2009 to 11% in 2010.

Profit Attributable to Equity Holders of the Company and Net Profit Margin

Profit attributable to equity holders increased by HKD58.3 million from HKD23.3 million for the six months ended 30 June 2009 to HKD81.6 million for the six months ended 30 June 2010. Profit attributable to equity holders as a percentage of total revenues, namely net profit margin, increased from 18.6% for the six months ended 30 June 2009 to 27.5% for the six months ended 30 June 2010. The increase in profit attributable to equity holders and net profit margin for the six months ended 30 June 2010 was primarily due to an increase in gross profit margin of 50.8% as compared to 41.1% of the same period in 2009 and a decrease in overall expenses incurred during the six months ended 30 June 2010.

Profit Forecast disclosed in the Prospectus

The Group's consolidated profit attributable to equity holders for the six months ended 30 June 2010 was approximately HKD81.6 million, being approximately 23.8% higher than the profit forecast as disclosed in the prospectus of the Company dated 19 April 2010 (the "Prospectus"), primarily due to the substantial increase in the sales volume, added by improvement in gross profit margin of the products in the Group's core business and lower amount of operating expenses due to our cost control efforts.

Non-GAAP Financial Measures

The Group believes that the use of non-GAAP financial measures are helpful for investors comparing our financial performance with most of the comparable company listed in NYSE or NASDAQ which using non-GAAP financial measures. Generally, these non-GAAP financial measures are a numerical measure of a Group's performance and financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with Hong Kong Financial Reporting Standards, Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants. A reconciliation of non-GAAP financial measures can be found in the accompanying tables. The Group believes that, while these non-GAAP financial measures are not a substitute for results, they provide a basis for evaluating the Company's cash requirements for ongoing operating activities. These non-GAAP financial measures have been reconciled to the nearest measure as required under Hong Kong Financial Reporting Standards, Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	Six months ended 30 June	
	2010	2009
	HKD'000	*HKD'000*
Gross profit	**150,779**	51,457
Adjustments to measure non-GAAP financial measures:		
Related to cost of sales:		
Provision for/(reversal of) write-down of inventories	**(1,998)**	–
Non-GAAP Gross profit	**148,781**	51,457
Net profit	**81,641**	23,322
Adjustments to measure non-GAAP financial measures:		
Related to cost of sales:		
Provision for/(reversal of) write-down of inventories	**(1,998)**	–
	79,643	23,322
Related to operating expenses:		
Share options granted to directors, employees and sales distributors	**2,693**	1,680
Amortization to intangible assets	**375**	351
Non-GAAP Net Profit	**82,711**	25,353
EPS		
– Basic	**0.1278**	0.0437
– Diluted	**0.1277**	0.0437
Non-GAAP Gross Profit Margin	**50.1%**	41.1%
Non-GAAP Net Profit Margin	**27.9%**	20.2%

Non-GAAP Profit Analysis

Non-GAAP net profit for the six months ended 30 June 2010 was HKD82.7 million, compared to Non-GAAP net profit of HKD25.4 million, reported for the six months ended 30 June 2009. Non-GAAP net profit for the six months ended 30 June 2010 exclude HKD2.0 million in reversal of provision for excess and obsolete inventory, HKD2.7 million in share options granted to directors, employees and sales distributors expenses and HKD0.4 million in amortization of intangibles. Non-GAAP net profit for the six months ended 30 June 2009 exclude HKD1.7 million in share options granted to directors, employees and sales distributors expenses, HKD0.4 million in amortization of intangibles.

RESEARCH AND DEVELOPMENT

The Group continuously expands the size of its R&D team to enhance its R&D capabilities in respect of launching new products. During the period under review, the Group's major R&D projects undertaken and key products launched included some new type EDFA, wavelength locker and DPSK.

COMPREHENSIVE DEVELOPMENT OF NEW PRODUCTS

The Group is proactively engaged in the R&D of new products, and it has successfully increased the number of suitable R&D and quality control experts in the industry in order to keep abreast of the latest information and technology in the world for maintaining its leading position in the industry. The Group has increased investment in technology which is mainly for accelerating the development of new products, standardizing the technology basic administration, enhancing the improvement of technology and optimizing the structure of existing products. The Group actively expanded the product structure, enriched product categories and gradually develope new products, such as TDC and OCM.

FUTURE PROSPECT

Network bandwidth demand has been the ultimate driving force of the demand for our industry. The macro-economic fundamentals continue to point positively towards our industry growth – the number of broadband users continues to rise; new applications such as video continue to proliferate; and network carriers are working hard to satisfy the ever-growing need of their customers.

As the market and industry evolves, we will continue to execute our business plan to expand our core technology platforms, vertically-integrated business model, operation efficiency and customer base. We have established core competence in a couple of key optical technologies such as coating and precision processing. The Company is further investing in other key technology areas. The Company is further developing other core technology parts to supplement its supply chain and optimize cost structure. The Company has also successfully engaged more customers with new product offerings, particularly in the fast-growing 40G and 100G areas. The addition of new products and customers will benefit the Company's revenue and profit growth for future years to come.

We are a company with unique business model in the fiber optic component industry and well-established leadership in our focused areas. As the industry continues to grow, we strongly believe the Company is well positioned to take advantage of the trend and deliver outstanding growth in the future.

Group's Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Company's issued share capital is HKD7,730,952.4 divided into 773,095,240 shares of HKD0.01 each and the total equity of the Group was approximately HKD796.4 million (31 December 2009: HKD188.4 million). The Group had current assets of HKD843.7 million and current liabilities of HKD137.7 million and the current ratio was 6.1 times (31 December 2009: 1.9 times). The Group's net debt-to-equity ratio (calculated as total borrowings net of cash and cash equivalents over shareholders' equity) and gearing ratio (calculated as total borrowings over shareholders' equity) was not applicable as at 30 June 2010 since the

Group did not have any borrowing. As of 30 June 2010, the Group had cash and cash equivalents of approximately HKD547.3 million (31 December 2009: HKD26.5 million). The significant increase was due to net proceeds from IPO. The majority of the Group's funds was deposited in banks in the PRC and licensed banks in Hong Kong and the Group possesses sufficient cash and bank balances to meet its commitment and working capital requirement in the coming financial year.

Pledge on Group Assets

As at 30 June 2010, the Group had not pledged any of its assets to its bankers to secure banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

During the period under review, the Group was committed to the expansion of existing facilities and building of new facilities to enhance its production capacity. As at 30 June 2010, the Group has contractual capital commitments of approximately HKD1.5 million. As at 30 June 2010, the directors of Company had also authorized a capital expenditure of approximately HKD200 million for the construction of a new factory facility. As of 30 June 2010, the Group had not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

Capital Expenditure

During the six months ended 30 June 2010, the Group's capital expenditure on property, plant and equipment consisted primarily of additions to building, plants and machinery, office equipment and construction in progress of approximately HKD25.9 million (2009: HKD1.7 million).

Exposure to Fluctuations in Exchange Rates and Related Hedge

The costs and expenses of the Group are predominantly in RMB, whereas the Group's revenues are mainly in US dollars and RMB. As such the Group face foreign exchange and conversion risks primarily through sales that are denominated in currencies other than RMB. Fluctuation in the exchange rate between RMB and the US dollar may adversely affect our business, financial condition and results of operations.

The Group currently do not have a foreign currency hedging policy. However, management monitors exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Save for the net proceeds from IPO, the Group will also monitor and maintain a US dollar cash balance in order to minimize the need for unnecessary foreign exchange conversion which may result in exchange loss. For further details, please refer to the section headed "Risk Factors – Fluctuation in the value of the Renminbi could expose us to foreign currency risks and may have an adverse effect on our financial position" in the Prospectus.

The reporting currency of the Group is presented in HKD, which is the Group's presentation currency, as the directors consider that such presentation is more appropriate for a company to be listed in Hong Kong and for the convenience of the shareholders. The Group's cash and bank deposits are mostly denominated in HK dollars. The Company will pay dividends in Hong Kong Dollars if dividends are declared.

Employee Benefit

As at 30 June 2010, the Group had a total of 2,154 employees (2009: 1,518). The Group's staff cost (including directors' fees) amounted to HKD50.7 million (2009: HKD28.0 million). The remuneration policy of the Group is reviewed annually by the Remuneration Committee of the Company and is in line with the prevailing market practice.

The Group have provided to the employees with medical insurance, work-related personal injury insurance, maternity insurance, and unemployment insurance, each as required by Chinese laws and regulations.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group operates a share option scheme which was adopted by the Group before the IPO (the "Pre-IPO Share Option Scheme") and a share option scheme which was adopted by the Company for issuance of share options after the IPO (the "Post-IPO Share Option Scheme"). These two share option schemes are both equity-settled, share-based compensation schemes, under which the entity receives the services from eligible participants as consideration for equity instruments (options). Eligible participants include any directors, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or a company in which the Company holds an interest or a subsidiary of such company.

Under the Pre-IPO Share Option Scheme, the shares authorized for the issuance of options are the shares of a shareholder of the Company. Under the Post-IPO Share Option Scheme, the shares authorized for issuance of options are the shares of the Company.

The Post-IPO Share Option Scheme was adopted on 9 April 2010 to retain staff members who have made contributions to the success of the Group. During the period ended 30 June 2010, options in aggregate of 30,648,000 shares were granted to 5 Directors and 315 employees of the Group. The Directors believe that the compensation package offered by the Group to staff members are competitive in comparison with market standards and practices.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2010 (2009: Nil).

Significant Investments Held and Material Acquisition

Save for the undertaking of the reorganization in preparation for the listing of the Company's shares on HKSE as more particularly described in the Prospectus, the Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2010.

Future Plans for Material Investments/Capital Assets & Source of Fund

As at 30 June 2010, the Group maintained sufficient funds for the capital investment and operations in the coming year.

Material Event since the End of the Financial Period

Apart from the 'Future Plans and Use of Proceeds' as set out in the Prospectus, there has been no other important event affecting the Group since 30 June 2010.

Use of Net Proceeds from the Company's Initial Public Offering

The Company was listed on HKSE on 29 April 2010 with net proceeds from the share offer ("IPO Net Proceeds") amounted to HKD512.8 million. Due to the foreign exchange control in PRC, most of the IPO Net Proceeds was deposited into a licensed financial institution in Hong Kong. The Group will apply the Net Proceeds in the manner set out in the Prospectus.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Subsequent to the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

The Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

During the period from 29 April 2010 to 30 June 2010, the Company was in compliance with code provisions set out in the CG Code except for the deviations from code provision A.2.1 which is explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman ("Chairman") and chief executive officer ("CEO") should be divided. The Company has a CEO, Mr. Na Qinglin and he currently also performs as a Co-Chairman. The Board believes that vesting the roles of both Co-Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the period from 29 April 2010 to 30 June 2010.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 9 April 2010 with written terms of reference in compliance with the CG Code, and currently comprises three independent non-executive Directors, Mr. Bai Xiaoshu, Mr. Deng Xinping and Mr. Ong Chor Wei. The Audit Committee is chaired by Mr. Ong Chor Wei. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the audited interim financial statements for the six months ended 30 June 2010 before they were tabled for the Board's review and approval and are of the opinion that such report complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

On behalf of the Board
O-Net Communications (Group) Limited
Na Qinglin
Co-Chairman

Hong Kong, 10 August 2010

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.