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**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in O-Net Communications (Group) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)****GRANT OF REPLACEMENT OPTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an Extraordinary General Meeting of O-Net Communications (Group) Limited (the "Company") to be held at 29/F., Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 July 2012 at 11:00 a.m., at which, the above proposal will be considered, is set out on page 9 of this circular.

Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

20 June 2012

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## RESPONSIBILITY STATEMENT

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**This circular, for which the Directors (as defined herein) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules (as defined herein) for the purpose of giving information with regard to the Company. The Directors (as defined herein), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.**

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## DEFINITIONS

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

“associates”	has the meaning as defined under 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 29/F., Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 July 2012 at 11:00 a.m.
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	15 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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

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## DEFINITIONS

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“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 granted by the Company in replacement of the Original Options
“Share(s)”	ordinary shares 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Director:*

NA Qinglin (Co-Chairman and Chief Executive Officer)

*Non-Executive Directors:*

TAM Man Chi (Co-Chairman)

CHEN Zhujiang

HUANG Bin

*Independent Non-Executive Directors:*

BAI Xiaoshu

DENG Xinping

ONG Chor Wei

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal Place of Business*

*in Hong Kong:*

Unit 1608

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

20 June 2012

*To the Shareholders*

Dear Sir or Madam,

### GRANT OF REPLACEMENT OPTIONS

#### INTRODUCTION

As set out in the Company's announcement dated 1 June 2012, the Board resolved at the Board meeting held on 1 June 2012 to grant 40,651,000 Replacement Options to the Grantees, inter alia, 6,800,000 Replacement Options were granted to Mr. Na, to subscribe for new Shares in exchange for the cancellation of share options previously granted to them under the Original Options.

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 (i) since Mr. Na has a material interest in the Replacement Options to be granted to him, therefore Mr. Na and his associates shall abstain from voting in relation to the resolution approving the

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## LETTER FROM THE BOARD

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grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 2.15 of the Listing Rules; and (ii) since the Replacement Options to be granted to Mr. Na, an associate of O-Net (BVI), a substantial Shareholder, representing 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 all other connected persons (as defined in Rule 1.01 of the Listing Rules) of the Company shall abstain from voting in favour of the resolution approving the grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 17.04(1) of the Listing Rules. There is no Shareholder who are required to abstain from voting in favour and intends to vote against the resolution at the EGM.

The purpose of this circular is to provide you with information relating to (i) the grant of Replacement Options to Mr. Na; and (ii) the notice of EGM at which resolution of the above matter will be proposed for approval.

### SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 9 April 2010. The purpose of the Share Option Scheme is to recognize and acknowledge the contributions that the eligible participants had or may have made to the Group. The Share Option Scheme will provide the eligible participants with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives:

- (i) motivate the eligible participants to optimize their performance and efficiency for the benefit of the Company; and
- (ii) attract and retain or otherwise maintain an ongoing business relationship with the eligible participants whose contributions are, will or are expected to be beneficial to the Company.

None of the Directors is a trustee of the Share Option Scheme nor has any direct or indirect interest in the trustee.

### GRANT OF REPLACEMENT OPTIONS

Details of the 6,800,000 Replacement Options granted on 1 June 2012 to Mr. Na, representing approximately 0.86% of the issued share capital of the Company as at the Latest Practicable Date, in exchange for the cancellation of share options previously granted to him under the Original Options are as follows:

Date of Grant of Replacement Options : 1 June 2012

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## LETTER FROM THE BOARD

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- 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), which was determined at the basis under Rule 17.03(9) and Rule 17.04(3)(a) of the Listing Rules
- Number of Replacement Options granted : 6,800,000 Replacement Options (each Replacement Option shall entitle Mr. Na to subscribe for one Share) are divided into the following tranches:
- Tranche A – 6,000,000  
Tranche B – 800,000
- 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 A:
- For 6,000,000 Replacement Options to Mr. Na:
- (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 B:
- For 800,000 Replacement Options to Mr. Na:
- (i) 1/3 of the Replacement Options shall become exercisable from 2 June 2012;



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## LETTER FROM THE BOARD

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- (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.

Mr. Na 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 : Mr. Na 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 A and B 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.

### IMPLICATIONS OF THE LISTING RULES

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 (i) since Mr. Na has a material interest in the Replacement Options to be granted to him, therefore Mr. Na and his associates shall abstain from voting in relation to the resolution approving the grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 2.15 of the Listing Rules; and (ii) since the Replacement Options to be granted to Mr. Na, an associate of O-Net (BVI), a substantial Shareholder, representing 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 all other connected persons (as defined in Rule 1.01 of the Listing Rules) of the Company shall abstain from voting in favour of the resolution approving the grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 17.04(1) of the Listing Rules. There is no Shareholder who are required to abstain from voting in favour and intends to vote against the resolution at the EGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the following connected persons of the Company are required to abstain from voting in favour of the resolution approving the grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 17.04(1) of the Listing Rules:–

<b>Name of Shareholder</b>	<b>Number of ordinary Shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
O-Net (BVI)	247,913,463	31.49%
Kaifa Technology (H.K.) Limited	227,636,237	28.91%
Mr. Tam Man Chi	9,337,480	1.19%

Each of the above connected persons controls or is entitled to exercise control over the voting rights in respect of their respective Shares.

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.

### EXTRAORDINARY GENERAL MEETING

Set out on page 9 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the grant of Replacement Options to Mr. Na.

A form of proxy for use at the EGM is enclosed herewith. If you are not able to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted by poll.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, O-Net (BVI) is holding an aggregate of 247,913,463 Shares, representing approximately 31.49% of the entire issued share capital of the Company. However, as the shares of O-Net (BVI) are held by various shareholders, the Directors believe that Mr. Na is not able to exercise, or control the exercise of, the voting rights in the general meetings of O-Net (BVI), and therefore, the Directors believe that Mr. Na is not able to exercise, or control the exercise of, the voting rights of the Shares held by O-Net (BVI). Since Mr. Na has a material interest in the Replacement Options to be granted to him, therefore Mr. Na and his associates shall abstain from voting in relation to the resolution approving the grant of the Replacement Options to Mr. Na at the EGM pursuant to Rule 2.15 of the Listing Rules. Furthermore, since the Replacement Options to be granted to Mr. Na, an associate of O-Net (BVI), a substantial Shareholder, representing 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 all other 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 pursuant to Rule 17.04(1) of the Listing Rules. There is no Shareholder who are required to abstain from voting in favour and intends to vote against the resolution at the EGM.

### RECOMMENDATION

The Board (including the independent non-executive Directors) 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, and accordingly recommend you to vote in favour of such resolution at the EGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of O-Net Communications (Group) Limited (the “Company”) will be held at 29/F., Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 6 July 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following as an ordinary resolution:

1. **“THAT** the grant of the replacement option to Mr. Na Qinglin to subscribe for 6,800,000 shares of the Company under the share option scheme adopted by the Company on 9 April 2010 on the terms set out in the circular issued by the Company on 20 June 2012 be and is hereby approved, ratified and confirmed and that the directors of the Company be authorized to take all such steps as may be necessary or desirable to give effect to the grant.”

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

Hong Kong, 20 June 2012

*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting.
4. As at the date of this notice, the board of Directors of the Company consists of seven directors, of which one is an executive Director, namely Mr. Na Qinglin, three non-executive Directors, namely Mr. Tam Man Chi, Mr. Chen Zhujiang and Mr. Huang Bin, and three independent non-executive Directors, namely Mr. Bai Xiaoshu, Mr. Deng Xinping and Mr. Ong Chor Wei.