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

**If you have sold or transferred** all your shares in China Fiber Optic Network System Group Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**中國光纖網絡系統集團有限公司**

**CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3777)**

**PROPOSALS FOR**  
**(1) RE-ELECTION OF DIRECTORS;**  
**(2) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;**  
**(3) REFRESHMENT OF THE SCHEME MANDATE LIMIT**  
**AND**  
**NOTICE OF ANNUAL GENERAL MEETING**

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed “Definitions” of this circular.

The notice of AGM to be held at The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Monday, May 23, 2016 at 4:30 p.m. is set out on pages 18 to 23 of this circular. If you are unable to attend the meeting but wish to exercise your right as a Shareholder, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar 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 later than 48 hours before the time appointed for holding the meeting or its adjournment. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or its adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

April 18, 2016

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This circular is prepared in both English and Chinese. In the event of any consistency, the English text of this circular will prevail.

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Monday, May 23, 2016 at 4:30 p.m.;
“AGM Record Date”	Monday, May 23, 2016, being the date for determining the entitlement of the Shareholders to attend and vote at the AGM;
“Articles of Association”	the articles of association of the Company as amended from time to time;
“Board”	the board of Directors;
“Bonus Issue”	the issue of new Shares by the Company to the Shareholders on the basis of two Shares for every ten Shares held on Friday, July 10, 2015;
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Company”	China Fiber Optic Network System Group Ltd., a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 3777);
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company held on September 11, 2015 to approve the refreshment of the Scheme Mandate Limit;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“INED(s)”	the independent non-executive Director(s);

## DEFINITIONS

“Issue Mandate”	the general and unconditional mandate to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the resolution approving such mandate;
“Latest Practicable Date”	April 12, 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the memorandum of association of the Company as amended from time to time;
“Nomination Committee”	the nomination committee of the Board ;
“Option-holders”	the holders of the share options granted by the Company pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme (as the case may be);
“Ordinary Resolution”	the ordinary resolution passed at the EGM to refresh the initial Scheme Mandate Limit;
“PRC”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company adopted by ordinary resolutions of the Shareholders on June 3, 2011 and expiring on the day immediately prior to the July 14, 2011;
“Remuneration Committee”	the remuneration committee of the Board;
“Repurchase Mandate”	the general and unconditional mandate to the Directors authorizing the repurchases by the Company on the Stock Exchange of Shares not exceeding 10% of the aggregate number of the issued Shares as at the date of passing the resolution approving such mandate;

## DEFINITIONS

“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all share options granted and to be granted under the Share Option Scheme, which initially shall not in aggregate exceed 10% of the aggregate number of the Shares in issue as at the date of adoption of the Share Option Scheme by the Shareholders and thereafter, if refreshed shall not exceed 10% of the aggregate number of the Shares in issue at the date of the approval of the refreshed Scheme Mandate Limit by the Shareholders;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares of US\$0.001 each or such other nominal amount prevailing from time to time in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share Option Scheme”	the share option scheme of the Company adopted by ordinary resolutions of the Shareholders on June 3, 2011;
“Sifang Telecom”	Hebei Sifang Telecommunication Equipment Co., Ltd. (河北四方通信設備有限公司), a company incorporated in the PRC on April 9, 1998 with limited liability and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs as amended from time to time and administered by the Securities and Futures Commission of Hong Kong;
“US\$”	United States dollar(s), the lawful currency of the United States of America;
“Year”	the year ended December 31, 2015;
“%”	percentage or per cent.



# 中國光纖網絡系統集團有限公司

CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3777)**

*Executive Directors:*

Mr. Zhao Bing (*Chairman*)  
Mr. Meng Yuxiao  
Mr. Deng Xuejun  
Mr. Hung, Randy King Kuen  
Mr. Xia Ni

*Independent Non-Executive Directors:*

Mr. Shi Cuiming  
Dr. Ma Kwai Yuen  
Dr. Lui Pan  
Dr. Xu Wanqiang  
Prof. Jiang Desheng

*Registered office:*

Maples Corporate Services Limited  
P.O. Box 309, Uglad House  
Grand Cayman, Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Suite 2001, 20th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

April 18, 2016

*To the Shareholders and, for information only, the Option-holders*

Dear Sir or Madam,

**PROPOSALS FOR  
(1) RE-ELECTION OF DIRECTORS;  
(2) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(3) REFRESHMENT OF THE SCHEME MANDATE LIMIT  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with requisite information regarding the resolutions to be proposed at the AGM and the notice of the AGM. The proposed resolutions include (i) re-election of Directors; (ii) grant of general mandates to issue and repurchase Shares; and (iii) refreshment of the Scheme Mandate Limit.

## **LETTER FROM THE BOARD**

### **2. RE-ELECTION OF DIRECTORS**

As at the Latest Practicable Date, the Board comprised ten Directors, of which five are Executive Directors, namely Mr. Zhao Bing, Mr. Meng Yuxiao, Mr. Deng Xuejun, Mr. Hung, Randy King Kuen and Mr. Xia Ni; and five are INEDs, namely Mr. Shi Cuiming, Dr. Ma Kwai Yuen, Dr. Lui Pan, Dr. Xu Wanqiang and Prof. Jiang Desheng.

Article 16.18 of the Articles of Association provide that at each annual general meeting of the Company, one-third of the Directors for the time being (save as and except for those Directors in respect of whom the provision of Articles 16.2 and 16.3 applies) or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation at least once every three years. Accordingly, Mr. Meng Yuxiao and Mr. Deng Xuejun, both Executive Directors, as well as Mr. Shi Cuiming and Dr. Lui Pan, both INEDs, will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

The Nomination Committee has assessed and reviewed the INEDs' annual written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that all INEDs remain independent. Therefore, upon the nomination of the Nomination Committee, the Board has recommended that the retiring Directors, Mr. Meng Yuxiao, Mr. Deng Xuejun, Mr. Shi Cuiming and Dr. Lui Pan to stand for re-election as Directors at the AGM. As a good corporate governance practice, each of Mr. Meng Yuxiao, Mr. Deng Xuejun, Mr. Shi Cuiming and Dr. Lui Pan abstained from voting at the relevant Board meeting on the respective propositions of their recommendations for re-election by the Shareholders.

Pursuant to Rule 13.74 of the Listing Rules, the biographical and other details of the Directors proposed to be re-elected at the AGM are set out in Appendix I to this circular.

### **3. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

It will be proposed at the AGM to grant to the Directors (i) an Issue Mandate to allot, issue and deal with Shares up to a limit equal to 20% of the aggregate number of the issued shares as at the date of passing the relevant resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of Shares repurchased by the Company under the Repurchase Mandate and (ii) a Repurchase Mandate to repurchase Shares not exceeding 10% of the aggregate number of the Shares in issue as at the date of passing the relevant resolution.

As at the Latest Practicable Date, a total of 2,144,491,200 Shares were in issue. Subject to the passing of the proposed resolutions granting the Issue Mandate and the Repurchase Mandate to the Directors and on the basis that no Shares will be issued and/or repurchased and cancelled by the Company prior to the AGM, the Company would be allowed under (i) the Issue Mandate to issue a maximum of 428,898,240 Shares, representing 20% of the aggregate number of the issued Shares as at the date of the AGM; and (ii) the Repurchase Mandate to repurchase a maximum of 214,449,120 Shares, representing 10% of the aggregate number of the issued Shares as at the date of the AGM.

## LETTER FROM THE BOARD

The Issue Mandate and the Repurchase Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or by any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

An explanatory statement, as required by the Listing Rules to be given to Shareholders in connection with the Repurchase Mandate, is set out in Appendix II to this circular.

#### **4. REFRESHMENT OF THE SCHEME MANDATE LIMIT**

##### **(A) Pre-IPO Share Option Scheme**

On June 3, 2011, the Company adopted the Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to three Executive Directors who had contributed to the success of the Group's operations.

The Pre-IPO Share Option Scheme remained in force for a period commencing on June 3, 2011 and expiring on the day immediately prior to the July 14, 2011, being the date on which the Shares were initially listed and traded on the Stock Exchange (the "Period"). On June 3, 2011, share options to subscribe for an aggregate of 21,600,000 Shares had been granted to the above three Directors under the Pre-IPO Share Option Scheme. Refreshment of the Scheme Mandate Limit is not applicable to the Pre-IPO Share Option Scheme and after the expiry of the Period, no further share options could be granted under the Pre-IPO Share Option Scheme. However, the provisions of the Pre-IPO Share Option Scheme shall in all other respects remain in full force and effect and the share options granted under the Pre-IPO Share Option Scheme during their lives may continue to be exercisable in accordance with the Pre-IPO Share Option Scheme and their terms of issue.

The Company completed the Bonus Issue on July 17, 2015 and immediately before the completion of the Bonus Issue,

- (a) all the above share options granted had been exercised in part and 14,400,000 Shares were issued;
- (b) none of the above share options granted were cancelled or lapsed; and
- (c) there were outstanding share options entitling the holders to subscribe for an aggregate of 7,200,000 Shares.

Immediately after the completion of the Bonus Issue, the above 7,200,000 Shares were adjusted to 8,640,000 Shares as a result of the Bonus Issue. As at the Latest Practicable Date, there were outstanding share options entitling the Option-holders to subscribe for an aggregate of 8,640,000 Shares.

## LETTER FROM THE BOARD

### (B) Share Option Scheme

The Company adopted the Share Option Scheme which was conditionally approved by ordinary resolutions of the Shareholders passed on June 3, 2011 and will remain in force for 10 years from that date. The Directors may, at their absolute discretion, invite any full-time or part-time employees, executives or officers of the Company or any member of the Group (including the Executive Directors, the Non-executive Directors and the INEDs) or advisors and consultants of the Group to take up share options to subscribe for Shares. Further details of the options granted under the Share Option Scheme can be found on the Company's annual report dated March 30, 2016.

Apart from the Pre-IPO Share Option Scheme and the Share Option Scheme, the Company did not have any other scheme as at the Latest Practicable Date.

On July 2, 2013, a number of share options carrying the rights to subscribe for up to a total of 76,400,000 Shares were granted by the Company to certain grantees under the Share Option Scheme.

Immediately before the completion of the Bonus Issue on July 17, 2015,

- (a) certain share options granted had been exercised in part and 30,264,000 Shares were issued;
- (b) none of the above share options granted were cancelled or lapsed; and
- (c) there were outstanding share options entitling the Option-holders to subscribe for an aggregate of 46,136,000 Shares.

Immediately after the completion of the Bonus Issue, the above 46,136,000 Shares were adjusted to 55,363,200 Shares pursuant to the terms of the Share Option Scheme as a result of the Bonus Issue.

The initial Scheme Mandate Limit was refreshed by the Ordinary Resolution and the existing Scheme Mandate Limit is 214,449,120 Shares, being 10% of the aggregate number of the Shares in issue as at the date of such EGM. Since the passing of the Ordinary Resolution and up to the Latest Practicable Date, the Company granted options comprising a total of 89,662,800 underlying Shares under the existing Scheme Mandate Limit, of which no Options have been exercised, cancelled or lapsed.

As at the Latest Practicable Date,

- (a) there were outstanding share options entitling the holders to subscribe for an aggregate of 153,666,000 Shares being 7.17% of the aggregate number of the Shares in issue (i.e. 8,640,000 Shares under the Pre-IPO Share Option Scheme and 145,026,000 Shares under the Share Option Scheme);
- (b) there were totally 2,144,491,200 Shares in issue; and

## LETTER FROM THE BOARD

- (c) unless the existing Scheme Mandate Limit was refreshed, the Company could only grant additional share options entitling the holders to subscribe for up to 124,786,320 Shares, representing approximately 5.82% of the aggregate number of the issued Shares.

Pursuant to rule 17.03(4) of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant Shares in issue, such further grant must be separately approved by Shareholders with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

### **(C) Refreshment of the Scheme Mandate Limit of the Share Option Scheme**

An ordinary resolution as set out in the notice convening the AGM will be proposed to seek Shareholders' approval at the AGM to refresh the Scheme Mandate Limit of the Share Option Scheme to 10% of the Shares in issue as at the date of passing of the resolution.

Pursuant to the terms of the Share Option Scheme and in accordance with Chapter 17 of the Listing Rules, the Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Pre-IPO Share Option Scheme, the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the Shares in issue from time to time. No share options will be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

Assuming that no Shares will be issued and no Shares will be repurchased and cancelled by the Company during the period from the Latest Practicable Date to the date of the AGM, there will be 2,144,491,200 Shares in issue as at the date of the AGM. If the ordinary resolution granting the refreshment of the existing Scheme Mandate Limit is approved by the Shareholders at the AGM, the refreshed Scheme Mandate Limit under the Share Option Scheme would be 214,449,120 Shares, representing 10% of the number of Shares in issue at the time of passing the above ordinary resolution. However, share options previously granted, whether outstanding, cancelled, lapsed or exercised in accordance with the Pre-IPO Share Option Scheme, the Share Option Scheme or other scheme(s) of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Accordingly, the aggregate number of Shares issuable upon the exercise of the share options that may be granted under the Scheme Mandate Limit as refreshed together with all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme and the Share Option Scheme as at the Latest Practicable Date will be 368,115,120 Shares, which will not exceed 30% of the number of Shares in issue as at the date of the AGM.

## LETTER FROM THE BOARD

### **(D) Reason for the Refreshment of the Scheme Mandate Limit**

The Board considers that it is appropriate for the Company to refresh the Scheme Mandate Limit so as to restore to a sufficient level the available number of underlying Shares comprising in the share options to be further granted under the Share Option Scheme and provide incentives to, and recognise and reward for the contributions of, the Group's employees and other selected grantees by granting them share options. This will provide the Company with greater flexibility in granting share options as and when required.

### **(E) Conditions of the Refreshment of the Scheme Mandate Limit**

The refreshment of the Scheme Mandate Limit is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the AGM to approve the refreshment of the Scheme Mandate Limit and authorise the Board to grant share options under the Scheme Mandate Limit as refreshed and allot and issue Shares pursuant to the exercise of such share options; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of any share options that may be granted pursuant to the Share Option Scheme under the Scheme Mandate Limit as refreshed.

Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Shares which may be issued pursuant to the exercise of the share options that may be granted pursuant to the Share Option Scheme under the Scheme Mandate Limit as refreshed.

## **5. THE AGM**

A notice convening the AGM to be held on Monday, May 23, 2016 is set out on pages 18 to 23 of this circular. A form of proxy for use at the AGM is also enclosed with this circular. You are requested to complete the form of proxy and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not later than 48 hours before the time appointed for holding the AGM or its adjournment, if you are unable to attend the AGM but wish to exercise your right as a Shareholder. Completion and return of the form of proxy will not prevent you from attending and voting in person at the AGM or its adjournment should you so wish and in such event, the form of proxy shall be deemed to be revoked.

## LETTER FROM THE BOARD

### 6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the AGM will be taken by way of poll. The chairman of the AGM will explain the detailed procedures for conducting a poll at the commencement of the AGM.

After the conclusion of the AGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

### 7. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, 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.

### 8. RECOMMENDATION

The Board is of the opinion that the re-election of Directors, the granting of general mandates to the Directors to issue and repurchase Shares and the refreshment of the Scheme Mandate Limit are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM.

Yours faithfully,  
By Order of the Board  
**Zhao Bing**  
*Chairman and Executive Director*

The biographical and other details of the Directors proposed to be re-elected at the AGM are set out as follows:

**Mr. Meng Yuxiao**

Mr. Meng, aged 52, has been an executive Director since February 28, 2008 and he is a director of certain subsidiaries of the Company. Mr. Meng is in charge of overseas sales, financing and capital operations of the Company, and assists in the strategic planning, operations and management of the Company. Mr. Meng joined Sifang Telecom in 2002 and held the positions of vice general manager and director from 2002 to 2012. Prior to joining the Group, Mr. Meng worked as a deputy director of the Economic and Technical Cooperation Centre of the Development and Reform Commission of Hebei Province, the PRC from 1998 to 2002. Mr. Meng has nearly 15 years of experience in overseas sales, financing and management. Mr. Meng obtained a bachelor's degree in metallurgy material from the Hebei University of Science and Technology in 1986.

Pursuant to the service contract, the terms of appointment of Mr. Meng is for an initial term of three years commencing on June 3, 2011 and his appointment would continue thereafter unless and until terminated by either party by giving at least three months' notice in writing. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. Mr. Meng's remuneration is HK\$2,000,000 per annum, which is commensurate with his duties and responsibilities for the Group and recommended by the Remuneration Committee and determined by the Board by reference to the prevailing market situation. The total amount of his emoluments for the Year was approximately RMB1,639,300. As at the Latest Practicable Date, Mr. Meng had an interest in the share option of the Company to subscribe for 14,244,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Meng (i) did not hold any other directorships in other listed public companies in the past three years; (ii) is not related to any Directors, supervisors, senior management, or substantial shareholders or controlling shareholders of the Company; (iii) does not and is not deemed to have any interests in the shares in the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iv) does not hold any other position with the Company or other members of the Group. In addition, there are no other matters relating to the re-election of Mr. Meng that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

**Mr. Deng Xuejun**

Mr. Deng, aged 48, has been an executive Director since March 16, 2010. Mr. Deng joined Sifang Telecom in 2004 and has been serving as a vice general manager of Sifang Telecom since September 2004. He oversees the production, sales and marketing matters of Sifang Telecom. Mr. Deng has over 15 years of experience in sales and marketing and management. Mr. Deng served as a general manager of Mianhong International Sales Corporation, now known as Shijiazhuang Hongyuan Sales Corporation, from 1996 to 2001. From 1993 to 1996, Mr. Deng served on several positions at Changshan Textile Group, including the general manager for business development and the vice general manager for the sales company. Mr. Deng graduated from the department of international commerce at Nankai University in the PRC in 1999.

Pursuant to the service contract, the terms of appointment of Mr. Deng is for a term of three years commencing on June 3, 2011 and his appointment would continue thereafter unless and until terminated by either party by giving at least three months' notice in writing. He has also entered into an employment contract with Sifang Telecom. Mr. Deng is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. Mr. Deng's remuneration is RMB124,200 per annum, which is commensurate with his duties and responsibilities for the Group and recommended by the Remuneration Committee and determined by the Board by reference to the prevailing market situation. The total amount of his emoluments for the Year was approximately RMB130,600. As at the latest Practicable Date, Mr. Deng had an interest in the share options of the Company to subscribe for a total of 14,244,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Deng (i) did not hold any other directorships in other listed public companies in the past three years; (ii) is not related to any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company; (iii) does not and is not deemed to have any interests in the shares in the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iv) does not hold any other position with the Company or other members of the Group. In addition, there are no other matters relating to the re-election of Mr. Deng that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

**Mr. Shi Cuiming**

Mr. Shi, aged 76, has been an INED and chairman of the Nomination Committee and the Remuneration Committee of the Board and a member of each of the audit committee (the “Audit Committee”) and the corporate governance committee of the Board since June 3, 2011. Mr. Shi had acted as the chairman of the board and executive director of CITIC Telecom International Holdings Limited (stock code: 1883) from 2004 to 2009. From 2000 to 2004, he was an executive director and executive vice-president of China Unicom Limited (stock code: 0762), a company listed on the Stock Exchange. Mr. Shi was the chairman of the board and the CEO of China Telecom (Hong Kong) Group Limited, now known as China Mobile Limited (stock code: 0941), from 1997 to 1999. Both companies are listed on the Stock Exchange and the New York Stock Exchange. He was also an independent non-executive director of TCL Communication Technology Holdings Limited (stock code: 2618), a company listed on the Stock Exchange, from 2004 to 2011. From 1981 to 1997, Mr. Shi held various positions in the PRC governmental authorities, including the deputy director of the Department of Postal Economic Research, a director of the Finance Bureau of the Ministry of Posts and Telecommunications. Mr. Shi graduated from the department of management engineering at the Beijing University of Posts and Telecommunications in 1963.

Pursuant to the appointment letter, the appointment of Mr. Shi is for a term of three years commences on June 3, 2014. Mr. Shi is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Mr. Shi’s director’s fee is HK\$260,000 per annum, which is commensurate with his duties and responsibilities held and is approved by the Board with reference to the prevailing market situation. Mr. Shi will not be entitled to any bonus payment. As at the Latest Practicable Date, Mr. Shi is interested in 110,000 Shares of the Company and has an interest in share options of the Company to subscribe for 600,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Shi (i) did not hold any other directorships in other listed public companies in the past three years; (ii) is not related to any Directors, supervisors, senior management, or substantial shareholders or controlling shareholders of the Company; (iii) does not and is not deemed to have any interests in the shares in the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iv) does not hold any other position with the Company or other members of the Group. In addition, there are no other matters relating to the re-election of Mr. Shi that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

**Dr. Lui Pan**

Dr. Lui Pan, aged 61, has been an INED and a member of the Audit Committee and the Remuneration Committee of the Board since June 3, 2011. Dr. Lui has approximately 35 years of experience in the high technology and information technology industries and possesses extensive knowledge in developing technologies and formulating business and market strategies. Dr. Lui was appointed as a member of the sub-committee of the China Digital Television Standards Committee and plays a key role in the development of China's digital television standard. Dr. Lui received a doctor of philosophy degree from the Hong Kong Polytechnic University in 2007, a master's degree in electrical engineering and electronics from the Zhejiang University in 1986 and a master's degree in business administration from the Chinese University of Hong Kong in 1997. Dr. Lui was an executive director of DVN (Holdings) Limited, now known as Frontier Services Group Limited (stock code: 500), from 1999 to 2012.

Pursuant to the appointment letter, the appointment of Dr. Lui is for a term of three years commences on June 3, 2014. Dr. Lui is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Dr. Lui's director's fee is HK\$260,000 per annum, which is commensurate with his duties and responsibilities held and is approved by the Board with reference to the prevailing market situation. Dr. Lui will not be entitled to any bonus payment. As at the Latest Practicable Date, Dr. Lui is interested in share options of the Company to subscribe for 825,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Dr. Lui (i) did not hold any other directorships in other listed public companies in the past three years; (ii) is not related to any Directors, supervisors, senior management, or substantial shareholders or controlling shareholders of the Company; (iii) does not and is not deemed to have any interests in the shares in the Company or any of its associated corporations within the meaning of Part XV of the SFO; (iv) does not hold any other position with the Company or other members of the Group. In addition, there are no other matters relating to the re-election of Dr. Lui that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to the Shareholders for their consideration of the proposed Repurchase Mandate.

## **REASONS FOR REPURCHASE MANDATE**

Whilst the Directors do not presently intend to repurchase any Shares, they believe that the flexibility afforded by the Repurchase Mandate granted to them if ordinary resolution no. 5 set out in the notice of AGM is passed would be beneficial to the Company and the Shareholders. The trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when Shares are being traded at a discount to their underlying value, the ability of the Company to repurchase Shares can be beneficial to those Shareholders who retain their investment in the Company since this may, depending on the circumstances, result in increases to the fully diluted net assets and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

## **ISSUED SHARES**

As at the Latest Practicable Date, there were a total of 2,144,491,200 issued and fully paid-up Shares.

On the basis that no Shares will be issued and/or repurchased and cancelled by the Company prior to the AGM and the ordinary resolution granting the Repurchase Mandate is passed at the AGM, the exercise of the Repurchase Mandate up to 10% of the Shares in issue would enable the Company to repurchase 214,449,120 Shares.

## **SOURCE OF FUNDS FOR REPURCHASES**

In repurchasing Shares, the Company may only apply funds entirely from the Company's available cash flow or working capital facilities, which will be funded legally available for such purpose in accordance with the Memorandum and the Articles of Association and the applicable laws of the Cayman Islands. Such funds include but are not limited to the Company's profits available for distribution.

Whilst the Repurchase Mandate, if exercised in full, may have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the published audited consolidated financial statements of the Company as at December 31, 2015, the Directors expect to exercise such mandate if and to such extent only as they are satisfied that the exercise thereof will not have such a material adverse impact.

## **UNDERTAKING**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to Repurchase Mandate in accordance with the Listing Rules and the laws of the Cayman Islands and in accordance with the regulations set out in the Memorandum and the Articles of Association.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, presently intend to sell any Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is granted by the Shareholders.

The Company has not been notified by any core connected persons of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company, in the event that Repurchase Mandate is granted by the Shareholders.

### **TAKEOVERS CODE**

If as a result of share repurchase by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date and to the best knowledge and belief of the Company, the following corporation/person were directly or indirectly interested in 10% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

<b>Name</b>	<b>Number of Shares held/ Interested</b>	<b>Approximate percentage of shareholding</b>	<b>Approximate percentage of shareholding if Repurchase Mandate is exercised in full</b>
Kemy Holding Inc. (“ <b>Kemy</b> ”)	643,616,414 <i>(Note)</i>	30.01%	33.35%

*Note:* These Shares are registered in the name of Kemy, the entire issued share capital of which is legally and beneficially owned as to 79% by Mr. Zhao Bing (the Chairman and an executive Director), 17% by Ms. Shi Shuran (mother of Mr. Zhao Bing), 1% by Mr. Zhang Yonglu, 1% by Mr. Deng Xuejun (an Executive Director), 1% by Mr. Meng Yuxiao (an Executive Director) and 1% by Mr. Han Liren. Under the SFO, Mr. Zhao Bing is deemed to be interested in all the Shares held by Kemy.

In the event that the Directors exercised in full the power to repurchase Shares in accordance with the terms of ordinary resolution no. 5 to be proposed at the AGM, the aforesaid interests of Kemy in the issued Shares as at the Latest Practicable Date would be proportionally increased to approximately 33.35%. The increase of Kemy's shareholding (with voting rights at a general meetings of the Company) from approximately 30.01% to 33.35% will give rise to an obligation of Kemy to make a mandatory offer in respect of all the remaining issued Shares not owned by it under the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to such an extent that it will trigger the

obligations under the Takeovers Code for Kemy to make a mandatory offer and the Directors do not propose to repurchase Shares which would result in the number of issued Shares in the hands of the public falling below the prescribed minimum percentage of 25%.

### MARKET PRICES

The highest and lowest traded market prices for the Shares recorded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2015</b>		
April	2.667	1.725
May	2.567	2.150
June	2.467	2.025
July	2.300	1.300
August	1.640	1.530
September	1.160	0.840
October	1.210	0.920
November	0.950	0.780
December	0.840	0.690
<b>2016</b>		
January	0.740	0.395
February	0.660	0.470
March	0.780	0.520
April (up to and including the Latest Practicable Date)	0.730	0.630

*Note:* The Company made a two-for-ten bonus issue of Shares in July 2015 and the prices of the Shares were adjusted on July 2, 2015 accordingly.

### SHARES REPURCHASES MADE BY THE COMPANY

No repurchases of Shares (whether on the Stock Exchange or otherwise) have been made by the Company in the six months preceding the Latest Practicable Date.



# 中國光纖網絡系統集團有限公司

CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3777)**

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of China Fiber Optic Network System Group Ltd. (the “**Company**” and the “**Meeting**”, respectively) will be held at The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Monday, May 23, 2016 at 4.30 p.m. for the following purposes:

## **AS ORDINARY BUSINESSES**

1. To receive and consider the audited financial statements and the reports of the directors and independent auditors of the Company and its subsidiaries for the year ended December 31, 2015 (the “**Year**”);
2. A. To re-elect the following retiring directors of the Company:
  - (i) Mr. Meng Yuxiao as an executive director of the Company (the “**ED**”);
  - (ii) Mr. Deng Xuejun as an ED;
  - (iii) Mr. Shi Cuiming as an independent non-executive director of the Company (the “**INED**”); and
  - (iv) Dr. Lui Pan as an INED;

B. To authorise the board of directors of the Company (the “**Directors**”) to fix the remuneration of the Directors;
3. To re-appoint HLB Hodgson Impey Cheng Limited as the independent auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration;

## NOTICE OF ANNUAL GENERAL MEETING

4. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined); or
  - (ii) an issue of Shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the officers and/or employees of the Company and/or any of its subsidiaries of the Shares or rights to acquire the Shares; or
  - (iii) the exercise of the rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into or exchangeable for the Shares; or
  - (iv) any scrip dividend or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on the Shares pursuant to the articles of association of the Company (the “**Articles of Association**”) from time to time,

shall not exceed 20 per cent. of the aggregate number of the issued Shares as at the date of this Resolution and the said approval shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association, the Cayman Law, Cap. 22 (Law 3 of 1961, as consolidated or revised) of the Cayman Islands or any applicable laws to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution; and

“**Rights Issue**” means an offer of Shares or offer or issue of warrants, options or other securities giving the rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company or any recognized regulatory body or any stock exchange applicable to the Company).”

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission of Hong Kong (the “**Commission**”) and the Stock Exchange for this purpose, subject to and in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated or revised) of the Cayman Island, applicable laws, the Code on Share Buy-backs issued by the Commission and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of securities of the Company repurchased by the Company pursuant to paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate number of the issued Shares as at the date of this Resolution and the authority pursuant to paragraph (a) above shall be limited accordingly; and
  - (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated or revised) of the Cayman Islands or any other applicable laws to be held; and
    - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.”
6. To consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

“**THAT** power be given to the directors of the Company to add the number of shares repurchased by the Company pursuant to the general mandate referred to in Resolution no. 5 set out in the notice convening the annual general meeting of the Company (the “**Notice**”) to the 20 per cent. general mandate to issue new shares referred to in Resolution no. 4 set out in the Notice.”

### AS SPECIAL BUSINESS

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and the permission to deal in, such number of the ordinary shares of the Company (the “**Shares**”) which may fall to be allotted and issued pursuant to the exercise of the share options which may be granted under the Refreshed Scheme Mandate Limit (as defined below):

- (i) the existing limit on the grant of share options refreshed on September 11, 2015 under the share option scheme adopted by the Company pursuant to the ordinary resolution passed by the holders of the Shares on June 3, 2011 (the “**Share Option Scheme**”) be refreshed provided that (a) the total number of Shares which may be allotted and issued upon exercise of any share options to be granted under the Share Option Scheme and any other scheme(s) of the Company (excluding share options previously granted, outstanding, cancelled,

## NOTICE OF ANNUAL GENERAL MEETING

lapsed or exercised in accordance with the Share Option Scheme or such other scheme(s) of the Company) shall not exceed 10 per cent. of the aggregate number of the Shares in issue as at the date of the passing of this resolution (the “**Refreshed Scheme Mandate Limit**”) and (b) the overall limit on the number of Shares which may be allotted and issued upon the exercise of all the share options to be granted and yet to be exercised under the Share Option Scheme and other scheme(s) of the Company must not exceed 30 per cent. of the Shares in issue from time to time; and

- (ii) the board of directors of the Company or a duly authorized committee thereof be and is hereby authorised (a) to do such acts and things and execute such documents, including under seal where applicable, as it may consider necessary or expedient to give effect to the Refreshed Scheme Mandate Limit; (b) to grant share options under the Share Option Scheme to subscribe for Shares within the Refreshed Scheme Mandate Limit subject to all applicable laws and rules; and (c) to exercise all powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such share options.”

By Order of the Board  
**China Fiber Optic Network System Group Ltd.**  
**Zhao Bing**  
*Chairman and Executive Director*

Hong Kong, April 18, 2016

*Registered office:*  
P.O. Box 309, Uglan House  
Grand Cayman, Cayman Islands

*Principal Place of Business in Hong Kong:*  
Suite 2001, 20th Floor  
Shui On Centre  
6–8 Harbour Road,  
Wanchai  
Hong Kong

As at the date of this Notice, the Board comprises the following Directors:

*Executive Directors:*  
Mr. Zhao Bing (*Chairman*)  
Mr. Meng Yuxiao  
Mr. Deng Xuejun  
Mr. Hung, Randy King Kuen  
Mr. Xia Ni

*Independent Non-Executive Directors:*  
Mr. Shi Cuiming  
Dr. Ma Kwai Yuen  
Dr. Lui Pan  
Dr. Xu Wanqiang  
Prof. Jiang Desheng

## NOTICE OF ANNUAL GENERAL MEETING

*Notes:*

1. A member of the Company (the “**Members**”) entitled to attend and vote at the Meeting is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf. A proxy need not be a Member.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or its adjourned meeting.
3. The register of members of the Company will be closed from Tuesday, May 17, 2016 to Monday, May 23, 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, May 16, 2016.
4.
  - (a) Subject to paragraph (b) below, if a black rainstorm warning signal is expected to be in force at any time between 9:00 a.m. and 6:00 p.m. on the date of the Meeting, the Meeting will be postponed and Members will be informed of the date, time and venue of the postponed Meeting by a supplemental notice posted on the respective websites of the Company and the Stock Exchange.
  - (b) If a black rainstorm warning signal is lowered or cancelled three hours before the time appointed for holding the Meeting and where conditions permit, the Meeting will be held as scheduled.
  - (c) The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. After considering their own situations, Members should decide on their own whether or not they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.
5. The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.