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Neo Telemedia Limited
中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8167)

**ISSUE OF UNLISTED WARRANTS
UNDER GENERAL MANDATE**

On 3 December 2012 (after trading hours), the Company entered into the Warrant Subscription Agreements with the Subscribers, pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for an aggregate of 254,000,000 Warrants at the Issue Price of HK\$0.05 per Warrant. Each of the Warrants carries the right to subscribe for one Warrant Share at the initial Exercise Price of HK\$0.59 per Warrant Share during a period of two years commencing from (and inclusive of) the date of issue of the Warrants. The Warrant Shares will be issued under the General Mandate.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Exercise Price, upon the full exercise of the subscription rights attaching to the Warrants, an aggregate of 254,000,000 Warrant Shares will be issued, which represent approximately 10.92% of the existing issued share capital of the Company and approximately 9.84% of the issued share capital as enlarged by the issue of the Warrant Shares.

No listing of the Warrants will be sought on the GEM or any other stock exchanges. The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Warrant Shares on the GEM.

The net proceeds from the Warrant Subscription are approximately HK\$12.6 million which will be used for the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$149.9 million will be applied as the general working capital and as funds for future development of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total net funds to be raised, including the funds raised by the Warrant Subscription, are approximately HK\$162.5 million.

THE WARRANT SUBSCRIPTION AGREEMENTS

Date : 3 December 2012 (after trading hours)

Parties : (1) the Company; and
(2) each of the Subscribers

The Subscribers are not fewer than six. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the six Subscribers and its ultimate beneficial owner(s), if applicable, is Independent Third Party. Immediately upon the exercise of the subscription rights attached to the Warrants, none of the Subscribers will become a substantial Shareholder (as defined in the GEM Listing Rules).

Securities to be issued

Subject to the fulfillment of the conditions to the Warrant Subscription Agreements, the Company agreed to issue and the Subscribers agreed to subscribe for an aggregate of 254,000,000 Warrants at the Issue Price. Each of the Warrants carries the right to subscribe for one Warrant Share at the Exercise Price of HK\$0.59 per Warrant Share (subject to adjustment pursuant to the Instrument).

Conditions

Completion of the Warrant Subscription Agreements is subject to the fulfillment of the following conditions:

- (i) if required, the GEM Listing Committee having approved the issue of the Warrants either unconditionally or subject to such conditions to which both the Company and the Subscriber(s) shall reasonably accept; and
- (ii) the GEM Listing Committee having granted the listing of, and permission to deal in, the Warrant Shares either unconditionally or subject to such conditions to which both the Company and the Subscribers shall reasonably accept, and such permission and listing not subsequently being revoked or withdrawn prior to Completion.

In the event that any of the above conditions is not fulfilled on or before 5 January 2013 (or such later date as may be agreed between the Company and the Subscriber(s)), the Warrant Subscription Agreements and all rights and obligations thereunder will cease and terminate and neither of the parties to the Warrant Subscription Agreements will have any claim against the other for costs, damages, compensation or otherwise except for any antecedent breach.

Each of the Subscription Agreements is not conditional upon the others.

Completion

Completion shall take place as soon as practicable following the satisfaction of the conditions above and in any event not later than 5 Business Days immediately following the satisfaction of the conditions above (or such other date as the Company and the Subscriber may agree).

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrants

Pursuant to the Warrant Subscription Agreements, the Company agreed to issue an aggregate of 254,000,000 Warrants to the Subscriber(s) in registered form and constituted by the Instrument on Completion.

The Warrants will rank pari passu in all respects among themselves.

Issue Price

The Issue Price is HK\$0.05 per Warrant. The net issue price per Warrant, after deduction of relevant expenses, is approximately HK\$0.0496.

Number of Warrant Shares issuable

As at the date of this announcement, the Company has a total of 2,326,920,793 Shares in issue. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Exercise Price, upon the full exercise of the subscription rights attaching to the Warrants, an aggregate of 254,000,000 Warrant Shares will be issued, which represent approximately 10.92% of the existing issued share capital of the Company and approximately 9.84% of the issued share capital as enlarged by the issue of the Warrant Shares.

Exercise Price

Each Warrant carries the right to subscribe for one Warrant Share at the Exercise Price of HK\$0.59 per Warrant Share.

The Exercise Price of HK\$0.59 represents:

- (i) a discount of approximately 7.81% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount to approximately 7.81% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five consecutive trading days preceding the Last Trading Day of approximately HK\$0.64;
- (iii) a discount to approximately 7.38% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten consecutive trading days preceding the Last Trading Day of approximately HK\$0.637; and

- (iv) a premium to approximately 124.33% to the audited consolidated net assets attributable to equity holders of the Company of approximately HK\$0.263 per Share as at 30 June 2012, based on the audited consolidated net assets according to the Company's annual report and the number of issued Shares as at as at 30 June 2012.

The Exercise Price is subject to adjustments in the event of share consolidation and subdivision of the Company and such adjustments will be certified by the auditors of the Company or an approved merchant bank.

Both the Issue Price and the Exercise Price were determined after arm's length negotiations between the company and the Subscriber, taking into account the recent trading prices of the Shares prior to and including the Last Trading Day. The Board is of the opinion that the Issue Price and the Exercise Price are fair and reasonable and in the best interest of the Company.

Exercise Period

The subscription rights attaching to the Warrants can be exercised at any time during a period of two years commencing from the date of issue of the Warrants.

Listing

No listing of the Warrants will be sought on the GEM or any other stock exchanges. The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Warrant Shares on the GEM.

Ranking of the Warrant Shares

The Warrant Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares as at the date of allotment.

Transferability

The Warrants are transferable provided that no transfer of the Warrants to connected persons shall be allowed without the prior approval of the Company and notification to the Stock Exchange.

Voting rights of the Warrants

The holder(s) of the Warrant(s) will not have any right to attend or vote at any meeting of the Company by virtue of them being the holder(s) of the Warrant(s). The holder(s) of the Warrant(s) shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

GENERAL MANDATE TO ISSUE THE WARRANT SHARES

The Warrant Shares will be issued pursuant to the General Mandate. Immediately prior to entering into the Warrant Subscription Agreements, the General Mandate had not been utilized, thus the maximum number of new Shares which could be issued under the General Mandate was 454,314,000 Shares (not exceeding 20% of the aggregate nominal amount of the total issued share capital of the Company of 2,271,570,000 Shares as at the date of the AGM). The Warrant Subscription is not subject to any Shareholders' approval.

REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the sale and distribution of telecommunication products, the design and production of intelligent traffic signboards, and provision of cable and wireless broadband services and electronic media services.

The net proceeds from the Warrant Subscriptions are approximately HK\$12.6 million which will be used for the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$149.9 million will be applied as the general working capital and as funds for future development of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total net funds to be raised, including the funds raised by the Warrant Subscriptions, are approximately HK\$162.5 million. The net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the Warrant Subscription and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK\$0.64.

The Directors also consider that the Warrant Subscription Agreements were entered into on normal commercial terms after arm's length negotiations between the Company and the Subscribers and that the terms of the Warrant Subscription Agreements (including the Issue Price and the Exercise Price of the Warrants) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned. The Directors also consider that the issue of the Warrants to the Subscribers would attract the desirous funding for business development and would provide the Group with an opportunity to raise further funds when the Subscribers exercise the subscription rights attaching to the Warrants.

SHAREHOLDING STRUCTURE

Assuming there being no further issue or repurchase of Shares from the date of this announcement, the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon Completion (having taken into account the exercise in full of exercise rights attaching to the Warrants at the Exercise Price); and (iii) upon Completion and completion of the warrant subscription agreements entered into on 5 November 2012 (having taken into account the exercise in full of exercise rights attaching to the Warrants at the Exercise Price and to the warrants at the exercise price under the warrant subscription agreements entered into on 5 November 2012) are set out below:

Shareholders	As at the date of this announcement		Immediately after the exercise of the subscription rights in full attaching to the Warrants		Immediately after the exercise of the subscription rights in full attaching to the Warrants and to the warrants under the warrant subscription agreements entered into on 5 November 2012	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
LI Hongrong (<i>Note</i>)	13,038,000	0.56	13,038,000	0.51	13,038,000	0.47
Public:						
Subscribers of the Warrants	–	–	254,000,000	9.84	254,000,000	9.13
Subscribers of the warrants under the warrant subscription agreements entered into on 5 November 2012	–	–	–	–	200,000,000	7.19
Other public Shareholders	2,313,882,793	99.44	2,313,882,793	89.65	2,313,882,793	83.21
Total	<u>2,326,920,793</u>	<u>100.00</u>	<u>2,580,920,793</u>	<u>100.00</u>	<u>2,780,920,793</u>	<u>100.00</u>

Note:

These Shares are held by Tread Up Investments Limited, the entire issued share capital of which is beneficially owned by Mr. LI Hongrong, an executive Director. Thus, Mr. LI Hongrong is deemed to be interested in all Shares held by Tread Up Investments Limited pursuant to the Securities and Futures Ordinance.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activity in the past twelve months from the date of this announcement:

Date of initial announcement	Fund raising activities	Net Proceeds	Intended use of proceeds as announced	Actual use of proceeds
5 November 2012	Issue of 200,000,000 unlisted warrants under general mandate at HK\$0.01 per warrant	Approximately HK\$1.85 million	General working capital of the Group	Issue of the unlisted warrants has not been completed as at the date of this announcement

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issue share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 23 of the GEM Listing Rules are excluded for the purpose of such limit. As at the date of this announcement, save for options which may be granted under the share option scheme of the Company, there were no securities with subscription rights outstanding and not yet exercised. Assuming (i) full exercise of the subscription rights attaching to the Warrants at the initial Exercise Price of HK\$0.59; and (ii) no Shares are further issued and repurchased, an aggregate of 254,000,000 Warrant Shares will be issued, representing (i) approximately 10.92% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.84% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 21.02(1) of the GEM Listing Rules.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 16 December 2011
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Neo Telemedia Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Warrant Subscription Agreements
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Exercise Price”	an initial exercise price of HK\$0.59 per Warrant Share (subject to adjustment) at which holder(s) of the Warrant(s) may subscribe for the Warrant Share(s)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM (i.e. 454,314,000 Shares)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person(s) of the Company and is(are) not connected person(s) of the Company
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Issue Price”	HK\$0.05 per Warrant
“Last Trading Day”	3 December 2012, being the last trading day of the Shares before the publication of this announcement
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Independent Third Party(ies) who entered into the Warrant Subscription Agreement(s) with the Company
“Warrant(s)”	an aggregate of 254,000,000 unlisted warrant(s) to be issued by the Company at the Issue Price, each entitles the holder thereof to subscribe for one Warrant Share at the Exercise Price (subject to adjustment pursuant to the Instrument) at any time during a period of two years commencing from the date of issue of the Warrants

“Warrant Share(s)”	an aggregate of 254,000,000 new Shares to be issued by the Company upon the full exercise of the subscription rights attaching to the Warrants
“Warrant Subscription(s)”	the subscription(s) for the Warrants by the Subscriber(s) at the Issue Price pursuant to the Warrant Subscription Agreement(s)
“Warrant Subscription Agreement(s)”	the conditional warrant subscription agreement(s) dated 3 December 2012 entered into between the Subscriber(s) and the Company in relation to the Warrant Subscription(s)
“%”	per cent

By order of the Board
Neo Telemedia Limited
LI Hongrong
Chairman

Hong Kong, 3 December 2012

As at the date hereof, the Board comprises four executive directors namely LI Hongrong (Chairman), Theo EDE, HU Yangjun and ZHANG Xinyu (Chief Executive Officer); and three independent non-executive Directors, namely LAM Kin Kau, Mark, Professor SONG Junde and Professor CHEN Lujun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.