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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)

UPDATE ON THE AGREEMENT TO ENTER INTO STRUCTURED CONTRACTS AND ISSUANCE AND ALLOTMENT OF SHARES

Reference is made to the announcement dated 30 January 2015 (the “**Announcement**”) of the Company in relation to the agreement to enter into structured contracts and issuance and allotment of shares. Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

PROXY AGREEMENT

On 3 March 2015, the Project Company, Ms. Ye, Mr. Xu and Wei Hai entered into a 《關於廣東蔚海校園移動網路有限公司的股東投票權委託協議》 (Shareholder Voting Rights Proxy Agreement relating to Guangdong Wei Hai Xiao Yuan Mobile Network Company Limited*) (the “**Proxy Agreement**”). Pursuant to the Proxy Agreement, as from the date it becomes effective, Clause 2 of both the Ye Equity & Voting Agreement and the Xu Equity & Voting Agreement (respectively providing that Ms. Ye and Mr. Xu shall in attending to the management of and exercising the shareholder’s right in Wei Hai seek and follow the instructions of the Project Company) ceases to be enforceable.

Pursuant to the Proxy Agreement, each of Ms. Ye and Mr. Xu shall execute a power of attorney to appoint any of the directors, successors or liquidators of the Project Company as their respective attorneys to represent them as the shareholders of Wei Hai to participate in the management of Wei Hai and exercise all the rights of shareholders of Wei Hai in accordance with the provisions of the then valid memorandum and articles of association of Wei Hai. Their respective attorneys to be appointed shall be Chinese nationals and shall not include Ms. Ye, Mr. Xu and their respective associates as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Such power of attorney shall be effective upon execution and shall, unless the Project Company instructs to change the appointed attorney, continue to have effect until the expiry or early termination of the Proxy Agreement.

On 3 March 2015, Ms. Ye executed a power of attorney pursuant to the Proxy Agreement to appoint Ms. Yang Yang (楊洋), director of the Project Company as her attorney to represent her as the shareholder of Wei Hai, and Mr. Xu executed a power of attorney pursuant to the Proxy Agreement to appoint Ms. Yang Yang (楊洋), director of the Project Company as his attorney to represent him as the shareholder of Wei Hai.

Pursuant to the Proxy Agreement, the rights of the appointed attorneys include but are not limited to: (i) the rights to propose to call and attend the shareholders' meeting of Wei Hai in accordance with the memorandum and articles of association of Wei Hai; (ii) the rights to vote at the shareholders' meeting of Wei Hai including the Project Company's representing the shareholders of Wei Hai to execute the relevant share transfer documents or other change of industry and commerce registration document, and to handle the relevant approval and industry and commerce registration procedures at the time when the Project Company exercises its option to purchase in accordance with the Ye Equity & Voting Agreement and the Xu Equity & Voting Agreement; (iii) the rights to nominate and appoint the directors and relevant senior management of Wei Hai; (iv) the right to dispose of and manage the assets of Wei Hai (including right to exercise the equity in invested companies), the right of management and operation and the right to make financial decision and the like, and the right to dissolve or wind up Wei Hai including representing the shareholders of Wei Hai to set up winding up committee and exercise all the rights of the winding up committee during the winding up period and the like; (v) the right to receive and acknowledge receipt of the notice of shareholders' meeting, and to sign minutes of shareholders' meetings and shareholders' resolutions; (vi) the right to instruct the directors or legal representative of Wei Hai to act according to the Project Company's instructions; (vii) to submit to the relevant government department (including company registration management department and approval organization) necessary documents for approval, registration and filing in relation to Wei Hai's operation; (viii) the other shareholders' right pursuant to laws, regulations and Wei Hai's memorandum and articles of association (including any other voting rights of the shareholders provided for after such memorandum and articles of association are amended).

In addition, pursuant to the Proxy Agreement, Ms. Ye and Mr. Xu shall, subject to the applicable laws, not revoke their appointment and authorization of their attorneys unless the Project Company issue to Ms. Ye and Mr. Xu written notice to change the appointed attorney(s) in which case Ms. Ye and Mr. Xu shall appoint the attorney(s) newly designated by the Project Company and the new power(s) of attorney shall upon execution replace the original power(s) of attorney.

The Proxy Agreement becomes effective upon signing by all parties and shall continue to be effective unless all parties enter into a termination agreement.

The Proxy Agreement provides that for any disputes arising from the interpretation and performance of the agreement, all parties shall first resolve them through friendly mediation. If within 30 days after one party has issued to the other parties written notice to resolve a dispute through mediation such dispute cannot be resolved, any party may submit the dispute to the CIETAC for arbitration according to the arbitration rules of the CIETAC. The arbitration shall take place in Beijing and the Chinese language shall be used for arbitration. The arbitration decision shall be final and binding on all parties. Subject to PRC laws, the arbitration tribunal has the right to ask Ms. Ye and Mr. Xu to use the equity or asset of Wei Hai to compensate the Project Company, and has the right to grant injunction order in favour of the Project

Company (e.g. for the purpose of development of business or mandatory transfer of assets) or to grant a winding up order against Wei Hai. In addition, pending the formation of the arbitration tribunal or under other appropriate circumstances, the courts of Hong Kong, the Cayman Islands and the PRC have the rights to grant interim remedies in support of the arbitration.

EXPECTED AVAILABLE TIME OF THE AUDITED STATEMENTS OF WEI HAI FOR THE WEI HAI YEAR 2015 FINANCIAL YEAR

Pursuant to the Agreement, Ms. Ye has agreed to procure the submission of Wei Hai's financial statements for the Wei Hai Year 2015 Financial Year to the Subsidiary on or before 15 January 2016. The Company and/or the Subsidiary will then arrange such financial statements to be audited by its auditors. Therefore, it is expected that the audited financial statements of Wei Hai will be available on or about the date of the Company's issuance of its annual report for the year ending 31 December 2015.

CONDITIONS PRECEDENT PURSUANT TO THE AGREEMENT

Pursuant to the Agreement, conditions precedent (i), (iv), (vi), (vii), (viii), (ix), (xi) and (xii) as set out in the paragraph headed "Conditions Precedent" of the Announcement are waivable by the Subsidiary and condition precedent (ii) as set out in the paragraph headed "Conditions Precedent" of the Announcement is waivable by Ms. Ye. However, the Company confirms that the Subsidiary will not waive conditions precedent (iv), (vi) and (ix) as that would affect the substance of the Agreement. The Company further confirms that conditions precedent (i), (ii), (iii), (vii) and (viii) have been satisfied.

THE COMPANY'S ACCOUNTING TREATMENT ON WEI HAI

Under the Company's accounting treatment, Wei Hai will be consolidated in the Company's consolidated financial statements as if it were a subsidiary of the Group, which is consistent with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*" issued by the Hong Kong Institute of Certified Public Accountants.

NO LEGAL REQUIREMENTS OTHER THAN FOREIGN OWNERSHIP RESTRICTION AND ICP LICENSE

The PRC Legal Advisor has advised that for the operation of Wei Hai's existing businesses of providing WiFi services, online picture services and online advertising, there are no legal requirements other than the foreign ownership restriction which has been disclosed under the paragraph headed "Information of the Structured Contracts – Introduction" in the Announcement and the requirement relating to the ICP License which has been disclosed under the paragraph headed "Wei Hai has certain compliance irregularities which may lead to potential legal liabilities and penalties" in the Announcement.

POTENTIAL CONFLICTS OF INTEREST ARE ADDRESSED

Ms. Ye and Mr. Xu and their respective associates are not officers or directors of the Company and the Directors believe there are no potential conflicts between the Company and Wei Hai's registered shareholders namely Ms. Ye and Mr. Xu. Moreover, pursuant to the Proxy Agreement, the Project Company will appoint its own senior management and directors to Wei Hai.

NO INTERFERENCE FROM GOVERNING BODIES TO DATE

The Project Company has, to date, not encountered any interference or encumbrance from any governing bodies in operating its business through Wei Hai under the Structured Contracts.

By Order of the Board
NEO TELEMEDIA LIMITED
CHEUNG Sing Tai
Chairman

Hong Kong, 3 March 2015

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr. CHEUNG Sing Tai (*Chairman and Chief Executive Officer*)

Mr. ZHANG Xinyu

Mr. LIAN Xin

Independent non-executive Directors:

Mr. LEUNG Ka Wo

Ms. XI Lina

Mr. CHOU Jianzhong

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 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 Announcement” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at (www.neo-telemedia.com).

* Translation for identification purpose only.