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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)

INSIDE INFORMATION
CESSATION OF OPERATION OF A SUBSIDIARY

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (“**Board**”) of directors (“**Directors**”) of Neo Telemedia Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) hereby informs the shareholders of the Company and potential investors that it has resolved to cease the operation of Million Ace Trading (Hong Kong) Limited (“**MAHK**”) by the first quarter of 2020. MAHK, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. MAHK was principally engaged in the trading of mobile devices.

References are made to (i) the Company’s 2018 annual report dated 21 March 2019, (ii) the Company’s 2019 first quarterly report dated 10 May 2019, (iii) the Company’s 2019 interim report dated 12 August 2019 and (iv) the Company’s 2019 third quarterly report dated 12 November 2019, in which it was mentioned that, among other things, the Group had experienced significant decrease in revenue from the trading of telecommunication products since the fourth quarter of 2018. Such decrease was mainly attributable to the downturn and keen competition of the global mobile business environment that led to reduced orders from customers. In addition, due to the China-United States trade war, one of the Android’s biggest phone manufacturers in China, Huawei, was suspended from Android updates after the Trump administration barred the Chinese organization from trading with US companies in May 2019. The suspension has negatively impacted consumer confidence in all Chinese-branded mobile phones. On the other hand, it was still uncertain that MAHK could secure the source of 5G devices from its suppliers, an important factor of MAHK’s future profitability.

Since the issuance of the Company's third quarterly report of 2019, there has been no improvement in the global mobile business environment. Together with the impact of the recent outbreak of coronavirus disease (COVID-19), MAHK did not receive any purchase order from its customers after the Chinese New Year. On the other hand, despite continued negotiation with suppliers, MAHK is still unable to secure the supply of the next generation mobile devices as at the date of this announcement.

In light of the above, the Board considers that the cessation of operation of MAHK will enable the Group to better utilize its resources and to focus on its core business, i.e. provision of Internet data center ("IDC") services, particularly the IDC project in Heshan, Guangdong. The Board believes that the cessation of operation of MAHK is in the best interest of the Company and its shareholders as a whole.

Based on the unaudited management accounts of MAHK for the year ended 31 December 2019, revenue and net loss derived from the business are approximately HK\$296.5 million (2018: HK\$1,118 million) and HK\$1.0 million (2018: net profit of HK\$8.8 million), respectively.

As a result of the cessation of operation of MAHK, the relevant goodwill of approximately HK\$15.2 million and intangible assets of approximately of HK\$39.5 million will be written off and charged to the Group's consolidated income statement for the year ended 31 December 2019. Other than the above write-off, the total amount of expenses to be incurred in connection with the cessation of operation of MAHK is considered immaterial.

Save as the aforesaid, the Board believes that the cessation of operation of MAHK will not have any material effect on the operation of the Group.

The information contained in this announcement is only a preliminary assessment by the Board based on the information currently available and the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, which have not been audited or reviewed by the Company's auditor. The Company will continue to evaluate the impact of the cessation of operation of MAHK. Further announcement will be made by the Company as and when required.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Neo Telemedia Limited
CHEUNG Sing Tai
Deputy Chairman

Hong Kong, 13 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. CHEUNG Sing Tai (Deputy Chairman and Chief Executive Officer), Mr. XU Gang and Mr. TAO Wei, one non-executive Director, namely Dr. LIE Haiquan (Chairman), and three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong.

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 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 Announcements” page of the GEM website at 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.