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長城一帶一路
Great Wall Belt & Road

Great Wall Belt & Road Holdings Limited
長城一帶一路控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 524)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the annual report of Great Wall Belt & Road Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise stated, capitalised terms used in this announcement shall have same meaning as defined in the 2019 Annual Report.

The Company would like to provide the following supplementary information in relation to the 2019 Annual Report.

**ADDITIONAL INFORMATION IN RELATION TO THE QUALIFIED
OPINION**

As disclosed in the “Independent Auditor’s Report” of the 2019 Annual Report, the Company’s auditors issued a qualified opinion (the “**Qualified Opinion**”) in relation to the Company’s consolidated financial statements for the year ended 31 December 2019.

As disclosed in the 2019 Annual Report, the basis of the Qualified Opinion was because the Company's auditors were unable to obtain sufficient appropriate audit evidence in respect of the followings:

- (i). included in trade and other receivables as at 31 December 2019 were amounts due from two customers and several debtors of approximately HK\$4,196,000 and HK\$16,691,000 respectively (the "**Trade and Other Receivables**"), full loss allowances have been made during the year. The auditors were unable to obtain sufficient appropriate audit evidence to assess the recoverable amounts of trade and other receivables from these customers and debtors as at 31 December 2019, and therefore were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the Trade and Other Receivables were necessary; and
- (ii). bank payments in aggregate of approximately HK\$5,090,000 ("**Payments**") as recorded in the other receivables were not substantiated with relevant supporting documents, full loss allowances have been made during the year. The auditors were unable to obtain sufficient appropriate audit evidence to ascertain the validity of the recorded transactions and assess the recoverable amounts of the other receivables as at 31 December 2019. Therefore, the auditors were unable to satisfy that these payments were properly accounted for and disclosed or determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the other receivables were necessary.

The following is a breakdown showing the details, nature, principal and interests, original and latest maturity dates, securities provided, and the impairment reasons of the Trade and Other Receivables (that is, approximately HK\$4,196,000 and HK\$16,691,000 recognised during the year ended 31 December 2019) and the Payments (that is, approximately HK\$5,090,000) that had been impaired:

Trade receivables

Debtor name	Details and nature	Whether the debtor is a connected person	Month of transaction	Original maturity date	Latest maturity date	Whether any securities was provided	Reasons for impairment	Amount (HK\$)
Hangzhou Kangmiao Health Management Company Limited (杭州康森健康管理有限公司) ("Hangzhou Kangmiao")	Trade receivables from ordinary business	Yes (Note 1)	August 2018	30 November 2018	31 December 2020	Nil	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	1,486,800
Hangzhou Jie Lan Information Technology Company Limited (杭州捷藍信息技術有限公司) ("Hangzhou Jie Lan")	Trade receivables from ordinary business	No	August and December 2018	30 November 2018 and 25 March 2019	31 December 2020	Nil	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	2,149,504
Hangzhou Jie Lan	Trade receivables from ordinary business	No	February 2019	HK\$336,000 on 21 February 2019; HK\$224,000 on 31 August 2019	31 December 2020	Nil	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	560,000
Total								4,196,304

Note:

- Mr. Du Huajun (杜華君) ("Mr. Du") is a director and the general manager of Hangzhou Susong Technology Company Limited (杭州蘇頌科技有限公司) ("Hangzhou Susong"), a non-wholly-owned subsidiary of the Company, and therefore a connected person of the Company. Mr. Du owns 50% of the equity interest of Hangzhou Kangmiao. Therefore, Hangzhou Kangmiao is an associate of Mr. Du and a connected person of the Company.

Other receivables

Debtor name	Details and nature	Whether the debtor is a connected person	Month of transaction	Original maturity date	Latest maturity date	Whether any securities was provided	Reasons for impairment	Amount (HK\$)
Zhejiang Jiu Jiu Common Media Company Limited (浙江久久共享傳媒有限公司)	Advances to business partner for potential business referral	No	February, May, December 2018 and April 2019	N/A	N/A	N/A	No subsequent settlement; no response to demand letter; no recurring business; unfavourable rating in standard credit report	3,924,477
Hangzhou Kangyuan Information Technology Company Limited (杭州康圓信息科技有限公司) ("Hangzhou Kangyuan")	Advances to business partner for potential business referral	Yes (Note 1)	May and December 2018	N/A	31 December 2020	N/A	No subsequent settlement; no response to demand letter; no recurring business; unfavourable rating in standard credit report	369,600
Chen Xiaohong (陳曉紅)	Advances to business partner for potential business referral	No	September to December 2018	N/A	31 December 2020	N/A	No subsequent settlement; no response to demand letter; no recurring business; unfavourable rating in standard credit report	504,000
Mr. Song Xiaodong (宋曉東) ("Mr. Song")	Loan principal	Yes (Note 2)	December 2018	31 December 2019	31 December 2020	6% of the equity interest of Hangzhou Susong	No subsequent settlement; delayed repayment schedule; unfavourable rating in standard credit report	11,387,876

Debtor name	Details and nature	Whether the debtor is a connected person	Month of transaction	Original maturity date	Latest maturity date	Whether any securities was provided	Reasons for impairment	Amount (HK\$)
Mr. Song	Loan interest	Yes	January 2019 to December 2019	31 December 2019	31 December 2020	6% of the equity interest of Hangzhou Susong	No subsequent settlement; delayed repayment schedule; unfavourable rating in standard credit report	437,077
Yin Lian Commerce Company Limited Zhejiang Branch (銀聯商務有限公司浙江分公司) ("Yin Lian (Zhejiang)")	Advances to business partner for business partnership	No	June 2013	N/A	N/A	N/A	No subsequent settlement; prolonged period of outstanding receivables; no recurring business	11,200
Yin Lian Commerce Company Limited Guangxi Branch (銀聯商務有限公司廣西分公司) ("Yin Lian (Guangxi)")	Advances to business partner for business partnership	No	August 2013	N/A	N/A	N/A	No subsequent settlement; prolonged period of outstanding receivables; no recurring business	56,000
							Total	16,690,230

Notes:

- As stated above, Mr. Du is a connected person of the Company. Mr. Du is the general manager of Hangzhou Kangyuan and owns 49% of the equity interest of Hangzhou Kangyuan. Therefore, Hangzhou Kangyuan is an associate of Mr. Du and a connected person of the Company.
- Mr. Song is a director of Hangzhou Susong and therefore a connected person of the Company.

Payments

Debtor name	Details and nature	Whether the debtor is a connected person	Month of transaction	Original maturity date	Latest maturity date	Whether any securities was provided	Reasons for impairment	Amount (HK\$)
Huang Tengsen (黃騰森)	Advances to business partner for potential business referral	No	March to May 2019	N/A	31 December 2020	N/A	No subsequent settlement; delayed repayment schedule; unfavourable rating in standard credit report	2,302,720
Ye Wan Ling (葉萬令)	Advances to business partner for potential business referral	No	June to July 2019	N/A	31 December 2020	N/A	No subsequent settlement; delayed repayment schedule; unfavourable rating in standard credit report	1,075,200
Hangzhou Jie Lan	Advances to business partner for potential business referral	No	March 2019	N/A	31 December 2020	N/A	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	952,000
Hangzhou Kai Fan Investment Management Partnership (Limited Partnership) (杭州開凡投資管理合夥企業(有限合夥))	Advances to business partner for potential business referral	No	July to September, November to December 2019	N/A	31 December 2020	N/A	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	593,600
Jiu Jiu Emergency Technology Company Limited (九九應急科技有限公司)	Advances to business partner for potential business referral	No	September to November 2019	N/A	31 December 2020	N/A	No subsequent settlement; delayed repayment schedule; no recurring business; unfavourable rating in standard credit report	156,800
Shenzhen Shan Lan Technology Company Limited (深圳市山嵐科技有限公司)	Advances to business partner for potential business referral	No	October 2019	N/A	N/A	N/A	No subsequent settlement; no response for demand letter; no recurring business; unfavourable rating in standard credit report	9,240
							Total	5,089,560

Audit qualification in relation to the impairments for the Trade and Other Receivables

The management of the Company had assessed the expected credit losses (“ECL”) of the Trade and Other Receivables in determining whether any impairment loss was required to be made, including the length of outstanding receivables, the status of settlement of outstanding receivables after issue of demand letters to the debtors, any recurring business with the debtors and the credit rating in the standard credit reports.

The Impairments on the Trade and Other Receivables were made by the Directors after taking into consideration various factors and undertaking various actions, which mainly include the followings:

1. the Company had endeavoured to obtain the latest financial and non-financial information of the debtors as much as it can to try to obtain an understanding of the latest conditions of the debtors;
2. the Company had approached independent search agent to obtain the latest credit reports of the debtors, and noted that the credit ratings of the relevant debtors are unfavourable in the credit reports;
3. the prolonged period of outstanding receivables; and
4. the Company had followed up with the debtors for the repayment of the outstanding receivables and the debtors had failed to settle the receivables after repeated demands.

Having taking into consideration the above factors, the Directors reasonably believed that the likelihood of recovering the outstanding receivables is remote and therefore provision of impairments was made to present true and fair view of the Company’s assets.

The audit committee understands that the audit qualification for the impairments for the Trade and Other Receivables were mainly because the Company could not obtain the information of the debtors including the latest and specific financial position for the auditors to review the assessment on the impairments. The audit committee understands that the management faced practical difficulty in obtaining the latest and specific financial information of the debtors as the debtors are generally not willing to disclose such internal financial information to the Company, and the Company had through various ways to assess the likelihood of recovering the receivables, including the length of outstanding receivables, status of settlement of outstanding receivables after issue of demand letters to the debtors, results of the ECL assessment and the credit rating in the credit reports, etc. The audit committee shared with the management's view that it had explored various possible means to form a reasonable basis that the likelihood of recovering the outstanding receivables was remote.

The audit committee agreed with the auditors that the Company could not obtain the aforesaid information which the auditors considered it necessary to perform the audit works.

Proposed action plan in response to the qualified opinion for impairments for the Trade and Other Receivables

In order to address the auditors' concern, the audit committee understands that the Company had issued a notice to Hangzhou Susong requesting it not to provide advances to any party without the prior approval of the Company. In addition, the audit committee also recommended the management to try to liaise with the debtors to obtain their latest financial information, and follow up with the debtors for repayment and chase for outstanding receivables (such as by taking legal actions) so as to minimise the credit loss of the Group.

The Company will continue to follow up with the debtors to discuss any feasible repayment plan and to chase for the outstanding receivables (such as by issuing further demand letters) and will consider to commence legal proceedings if the debtors fail to settle the outstanding payments after the follow-up actions. At the same time, the Company will also follow up with the debtors to try to obtain the information on the financial position of the debtors. The Company intended to continue to carry out the above action plans during the second half of 2020.

The Company had provided the aforesaid proposed actions plan to the auditors for consideration, and as at the date of this announcement, the auditor is reviewing the aforesaid action plans.

Follow-up actions that had been taken by the Company in relation to the debtors for the outstanding Trade and Other Receivables

Save for Mr. Song, Yin Lian (Zhejiang) and Yin Lian (Guangxi), the Group has issued demand letters to each of the debtors to demand for the outstanding payments.

With respect to the receivables from Mr. Song, the Company had discussed with Mr. Song on the repayment schedule and it is agreed with Mr. Song that he will repay the outstanding receivables on or before 31 December 2020. The Company will continue to follow up with Mr. Song on the repayment of the receivables.

With respect to the receivables from Yin Lian (Zhejiang) and Yin Lian (Guangxi), taking into consideration that the aforesaid two companies indicated verbally that they would repay the outstanding as soon as practicable and the amount of outstanding receivables is relatively small, the Company had not issued demand letters to those companies and instead had followed up with the outstanding receivables through verbal communication from time to time.

The Company has not commenced legal actions for obtaining repayment of the outstanding Trade and Other Receivables.

In order to commence legal actions, such acts require the approval of the board of Hangzhou Susong. Although the Company had verbally informed Hangzhou Susong to commence legal actions, there has been delay by the board of Hangzhou Susong in commencing legal actions against the relevant debtors to recover the outstanding payments. As at the date of this announcement, the Company is liaising with PRC legal adviser on the procedure for change of directors of Hangzhou Susong, and the Company is arranging for the submission of an application to Hangzhou Administration for Industry and Commerce in or around July 2020 to request for the appointment of a new director nominated by the Company to the board of Hangzhou Susong, so as to expedite the process of commencing legal actions. It is expected that the appointment of new director will be effected in or around August 2020 and legal actions against the relevant debtors of the outstanding Trade and Other Receivables will be commenced in or around September 2020.

Audit qualification in relation to the Payments

The Payments were made by Hangzhou Susong, a non-wholly-owned subsidiary of the Company, to the relevant counterparty as working capital (which is refundable) for them to procure new business opportunities for Hangzhou Susong. In relation to such Payments, the auditors requested the Company to substantiate the Payments by providing the business contracts entered into between Hangzhou Susong and the relevant counterparty on the arrangement for the referral of business opportunities.

As advised by the management of Hangzhou Susong, Hangzhou Susong generally confirms the arrangement for referral of business opportunities with the counterparties verbally for business convenience purpose, and as such no written agreement was entered into. Therefore, the Company was not able to provide the aforesaid documents as requested by the auditors.

Proposed action plan in response to the qualified opinion for the Payments

In order to address the auditors' concern on the Payments, the Company will continue to follow up with the debtors of the Payments to discuss any feasible repayment plan and to chase for the outstanding receivables (such as by issuing further demand letters) and will consider to commence legal proceedings if the debtors fail to settle the outstanding payments after the follow-up actions. In relation to the documentary proof of the Payments, the Company will liaise with the recipients of the Payments and obtain written agreements to substantiate the nature, terms and amount of the Payments.

The Company had provided the aforesaid proposed actions plan to the auditors for consideration, and as at the date of this announcement, the auditor is reviewing the aforesaid action plans.

Connected Transactions

Due to inadvertent oversight, the Company mistakenly believe that the 2019 Annual Report of the Company is only required to disclose the connected transactions signed during the year ended 31 December 2019, instead of including connected transactions and/or continuing connected transactions signed during the previous years, and as such under such misunderstanding, the Company has not disclosed all the connected transactions and/or continuing connected transactions as set out in the announcement of the Company dated 28 April 2019 in the 2019 Annual Report.

The Company would like to supplement the following additional information for the connected/continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules:

Provision of financial assistance to Mr. Song

During the period from March 2018 to December 2018, Hangzhou Susong had made a number of tranches of advancements to Mr. Song in the aggregate amount of RMB10,167,746 (equivalent to approximately HK\$11,591,230).

In view of the aforesaid outstanding amount of advancements owed by Mr. Song to Hangzhou Susong, on 31 December 2018, Hangzhou Susong and Mr. Song had entered into a loan agreement (the “**Loan Agreement**”) to confirm the aforesaid amount owed by Mr. Song to Hangzhou Susong. The major terms of the Loan Agreement are summarized below:

Date: 31 December 2018

Party: (a) Hangzhou Susong, as the lender

(b) Mr. Song, as the borrower

Principal: RMB10,167,746

Term: 12 months (which had subsequently been extended to 24 months pursuant to a supplemental agreement)

Interest: 4.35% per annum

Mr. Song is a director of Hangzhou Susong and therefore a connected person of the Company. The aforesaid advancements and the Loan Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Provision of sales services to Hangzhou Kangmiao

On 1 February 2018, Hangzhou Susong entered into the product sales services agreement with Hangzhou Kangmiao (the “**Product Sales Services Agreement**”), pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou Kangmiao.

Pursuant to the Product Sales Services Agreement, Hangzhou Susong agreed to provide promotional resources for the products of Hangzhou Kangmiao and create promotional materials for Hangzhou Kangmiao. The term of the Product Sales Services Agreement shall be one year commencing from 1 February 2018 to 1 February 2019.

Hangzhou Kangmiao shall pay Hangzhou Susong the amounts of commission based on the amount of the products promoted by Hangzhou Susong. For details, please refer to the announcement of the Company dated 28 April 2019.

Mr. Du is a director and the general manager of Hangzhou Susong, and therefore a connected person of the Company. Mr. Du owns 50% of the equity interest of Hangzhou Kangmiao. Therefore, Hangzhou Kangmiao is an associate of Mr. Du and a connected person of the Company. The Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Provision of sales services to Hangzhou Kangyuan

On 29 February 2016, Hangzhou Susong entered into the cooperation agreement with Hangzhou Kangyuan (the “**Cooperation Agreement**”), pursuant to which Hangzhou Susong agreed to assist Hangzhou Kangyuan to source the dealers and distributors for the products of Hangzhou Kangyuan.

Pursuant to the Cooperation Agreement, Hangzhou Susong agreed to assist Hangzhou Kangyuan to source dealers and distributors for at least two products of Hangzhou Kangyuan and achieve sales. The term of the Cooperation Agreement shall be 29 February 2016 to 28 February 2019.

Hangzhou Kangyuan shall pay a service fee to Hangzhou Susong, which shall be determined based on the amount of the products purchased by the dealers or distributors sourced by Hangzhou Susong. For details, please refer to the announcement of the Company dated 28 April 2019.

As stated above, Mr. Du is a connected person of the Company. Mr. Du is the general manager of Hangzhou Kangyuan and owns 49% of the equity interest of Hangzhou Kangyuan. Therefore, Hangzhou Kangyuan is an associate of Mr. Du and a connected person of the Company. The Cooperation Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.56 and 14A.71 of the Listing Rules, the Company shall disclose in the 2019 Annual Report on whether the auditors of the Company had confirmed whether anything has come to their attention that causes them to believe that the aforesaid continuing connected transactions:

- (1). have not been approved by the listed issuer's board of directors;
- (2). were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (3). were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4). have exceeded the cap.

As disclosed in the announcement of the Company dated 28 April 2019, the local management of Hangzhou Susong did not inform the Company at the time of conducting the aforesaid transactions that those transactions may constitute discloseable and connected transactions. The Board has not approved those transactions at the relevant time and the Board only first became aware that some transactions of Hangzhou Susong might constitute discloseable/connected transactions of the Company under the Listing Rules during the preparation of the annual results for the year ended 31 December 2018. Therefore, the Company faces difficulty to arrange auditors to issue a confirmation in accordance with Rule 14A.56 to confirm, among others, that nothing is brought to the auditor's attention that those transactions were not approved by the Company's Board.

Update on the follow-up action for Hong Lan Advancements

As disclosed in the Company's announcement dated 28 April 2019, during the period from July 2016 to December 2018, Hangzhou Susong had made a number of tranches of advancements (the "**Hong Lan Advancements**") to Zhejiang Hong Lan Investment Company Limited (浙江宏瀾投資有限公司) ("**Zhejiang Hong Lan**"). Zhejiang Hong Lan has provided a repayment schedule to Hangzhou Susong that it will repay the Hong Lan Advancements by 1 September 2019.

Despite the repayment schedule provided by Zhejiang Hong Lan, Zhejiang Hong Lan has failed to repay the Hong Lan Advancements by 1 September 2019. Hangzhou Susong has not commenced legal actions against Zhejiang Hong Lan to enforce the indemnity.

In order to enforce the aforesaid repayment schedule of Zhejiang Hong Lan and commence legal actions, such acts require the approval of the board of Hangzhou Susong. Although the Company had verbally informed Hangzhou Susong to commence legal actions, there has been delay by the board of Hangzhou Susong in commencing legal actions against Zhejiang Hong Lan to recover the outstanding payments prior to the liquidation of Zhejiang Hong Lan. As at the date of this announcement, the Company is liaising with PRC legal adviser on the procedure for change of directors of Hangzhou Susong, and the Company is arranging for the submission of an application to Hangzhou Administration for Industry and Commerce in or around July 2020 to request for the appointment of a new director nominated by the Company to the board of Hangzhou Susong, so as to expedite the process of commencing legal actions. It is expected that the appointment of new director will be effected in or around August 2020 and legal actions against Zhejiang Hong Lan, if feasible under PRC laws, will be commenced in or around September 2020.

Mr. Song had provided an indemnity in favour of Hangzhou Susong, pursuant to which (i) Mr. Song agreed to undertake the repayment obligation for an amount of approximately of RMB17,516,161 of the outstanding balances of the Hong Lan Advancements as at 31 December 2017 if Zhejiang Hong Lan failed to fulfil such repayment obligation, and (ii) Mr. Song agreed to undertake the repayment obligation for an amount of approximately RMB20,583,000 of the outstanding amount of the Hong Lan Advancements as at 31 December 2018 in the event that Zhejiang Hong Lan fails to fulfil such repayment obligation. As such, the Group will also commence legal actions to enforce the indemnity against Mr. Song after the appointment of new director is effected.

By Order of the Board
Great Wall Belt & Road Holdings Limited
Zhao Ruiyong
Chairman and Executive Director

Hong Kong, 17 July 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Ruiyong, Ms. Li Bing, Mr. Cheung Ka Heng Frankie and Mr. Cheung Siu Fai, and five independent non-executive Directors, namely Mr. Zhao Guangming, Mr. Huang Tao, Mr. Fong Wai Ho, Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus.