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

(Formerly known as e-Kong Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 524)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (1) PROVISION OF FINANCIAL ASSISTANCE; (2) PROVISION OF SALES SERVICES; (3) PROVISION OF SYSTEM DESIGN SERVICE AND SUPPLEMENTAL ANNOUNCEMENT REGARDING 2018 ANNUAL RESULTS ANNOUNCEMENT

PROVISION OF FINANCIAL ASSISTANCE TO ZHEJIANG HONG LAN

During the period from July 2016 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made a number of tranches of advancements to Zhejiang Hong Lan. As at the date of this announcement, the outstanding amount of advancement owed by Zhejiang Hong Lan to Hangzhou Susong amounted to RMB38,099,466.

The Hong Lan Advancements constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Hong Lan Advancements, on an aggregate basis, are more than 5%, the Hong Lan Advancements were subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE TO HANGZHOU KANGYUAN

During the period from May 2018 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made two tranches of advancements to Hangzhou Kangyuan. As at the date of this announcement, the outstanding amount of advancement owed by Hangzhou Kangyuan to Hangzhou Susong amounted to RMB330,000.

The Kangyuan Advancements constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Kangyuan Advancements, when aggregated with Hong Lan Advancements, are more than 5%, the Kangyuan Advancements were subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE TO MR. SONG

During the period from March 2018 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made a number of tranches of advancements to Mr. Song in the aggregate amount of RMB10,167,746. 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 the Loan Agreement to confirm the aforesaid amount owed by Mr. Song to Hangzhou Susong.

Although the applicable percentage ratios in respect of the aforesaid advancements made by Hangzhou Susong to Mr. Song during the period from March 2018 to December 2018 are less than 5%, such advancements did not carry interest and therefore were not conducted on normal commercial terms. Therefore, the aforesaid advancements were subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF SALES SERVICES TO HANGZHOU KANGMIAO

First Product Sales Services Agreement

On 18 April 2017, Hangzhou Susong entered into the First Product Sales Services Agreement with Hangzhou Kangmiao, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou Kangmiao. Under the First Product Sales Services Agreement, an aggregate transaction amount of RMB3,484,509 was recorded for the year ended 31 December 2017.

The First Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the First Product Sales Services Agreement, when aggregated with the Second Product Sales Services Agreement (details of which are set out below), are more than 5%, the First Product Sales Services Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Second Product Sales Services Agreement

On 1 February 2018, Hangzhou Susong entered into the Second Product Sales Services Agreement with Hangzhou Kangmiao, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou Kangmiao. Under the Second Product Sales Services Agreement, an aggregate transaction amount of RMB4,168,434 was recorded for the year ended 31 December 2018.

The Second Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Second Product Sales Services Agreement, when aggregated with the First Product Sales Service Agreement, are more than 5%, the Second Product Sales Services Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement 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, pursuant to which Hangzhou Susong agreed to assist Hangzhou Kangyuan to source the dealers and distributors for the products of Hangzhou Kangyuan. Under the Cooperation Agreement, an aggregate transaction amount of RMB5,052,394 was recorded for the year ended 31 December 2016.

The Cooperation Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Cooperation Agreement are more than 5%, the Cooperation Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF SYSTEM DESIGN SERVICES TO HANGZHOU YOU TA

On 28 April 2017, Hangzhou Susong entered into the You Ta System Design Services Agreement with Hangzhou You Ta, pursuant to which Hangzhou Susong agreed to design mobile sales management services system for Hangzhou You Ta. Under the You Ta System Design Services Agreement, a total transaction amount of RMB1,415,094 was recorded for the year ended 31 December 2017.

The You Ta System Design Services Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Although the applicable percentage ratios in respect of the You Ta System Design Services Agreement are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. Therefore, the You Ta System Design Services Agreement was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROVISION OF SALES SERVICES TO HANGZHOU YOU TA

On 22 November 2017, Hangzhou Susong entered into the You Ta Product Sales Services Agreement with Hangzhou You Ta, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou You Ta. Under the You Ta Product Sales Services Agreement, an aggregate transaction amount of RMB1,132,453 was recorded for the year ended 31 December 2018.

The You Ta Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Although the applicable percentage ratios in respect of the You Ta Product Sales Services Agreement, when aggregated with the You Ta System Design Services Agreement, are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. The You Ta Product Sales Services Agreement was subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

SUPPLEMENTAL INFORMATION RELATING TO THE 2018 RESULTS ANNOUNCEMENT

Reference is made to the announcement of the Company dated 29 March 2019 in relation to the annual results of the Group for the year ended 31 December 2018. The Board would like to provide supplemental information to the results announcements. For details, please refer to the section headed "Supplemental information relating to the 2018 results announcement" in this announcement.

PROVISION OF FINANCIAL ASSISTANCE TO ZHEJIANG HONG LAN

The Board announces that during the period from July 2016 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made a number of tranches of advancements to Zhejiang Hong Lan, details of which are as follows:

Month/year	**Amount of advancement made by Hangzhou Susong** *(RMB)*
July 2016	5,035,016
January 2017	9,500,000
February 2017	500,000
October 2017	1,481,145
December 2017	1,000,000
March 2018	12,367,577
April 2018	70,000
July 2018	1,200,000
August 2018	330,000
September 2018	129,920
October 2018	961,808
November 2018	1,328,800
December 2018	4,195,200
Outstanding amount of advancement owed by Zhejiang Hong Lan to Hangzhou Susong	**38,099,466** (equivalent to approximately HK$43,433,391) *(note)*

Note:

For the purpose of this announcement, the exchange rate of RMB1 to HK$1.14 was adopted.

The Hong Lan Advancements did not carry any interests. Hangzhou Susong did not obtain any security in respect of any of the Hong Lan Advancements.

Mr. Song had provided an indemnity in favour of Hangzhou Susong, pursuant to which 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.

IMPLICATIONS OF HONG LAN ADVANCEMENTS UNDER THE LISTING RULES

As the applicable percentage ratios for the Hong Lan Advancements, on an aggregate basis, are more than 5% but less than 25%, the Hong Lan Advancements constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Hong Lan Advancements also constituted advances to an entity under Rule 13.13 of the Listing Rules.

Mr. Du is a director and the general manager of Hangzhou Susong, and therefore a connected person of the Company. Mr. Du is the chairman of the board of directors and the general manager of Zhejiang Hong Lan and owns 51% of the equity interest of Zhejiang Hong Lan, and the remaining 49% equity interest of Zhejiang Hong Lan is owned by a supervisor of Hangzhou Susong. Therefore, Zhejiang Hong Lan is an associate of Mr. Du and a connected person of the Company. The Hong Lan Advancements constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Hong Lan Advancements, on an aggregate basis, are more than 5%, the Hong Lan Advancements were subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE TO HANGZHOU KANGYUAN

The Board announces that during the period from May 2018 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made two tranches of advancements to Hangzhou Kangyuan, details of which are as follows:

Month/year	**Amount of advancement made by Hangzhou Susong** *(RMB)*
May 2018	130,000
December 2018	200,000
Outstanding amount of advancement owed by Hangzhou Kangyuan to Hangzhou Susong	**330,000** (equivalent to approximately HK$376,200)

Mr. Song had provided an indemnity in favour of Hangzhou Susong, pursuant to which Mr. Song agreed to undertake the repayment obligation of the Kangyuan Advancements in the event that Hangzhou Kangyuan fails to repay the Kangyuan Advancements.

The Kangyuan Advancements did not carry any interests. Hangzhou Susong did not obtain any security in respect of the Kangyuan Advancements.

IMPLICATIONS OF KANGYUAN ADVANCEMENTS UNDER THE LISTING RULES

As the applicable percentage ratios for the Kangyuan Advancements, when aggregated with Hong Lan Advancements, are more than 5% but less than 25%, the Kangyuan Advancements constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Kangyuan Advancements, when aggregated with Hong Lan Advancements, also constituted advances to an entity under Rule 13.13 of the Listing Rules.

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, and the remaining 51% equity interest of Hangzhou Kangyuan is owned by a supervisor of Hangzhou Susong. Therefore, Hangzhou Kangyuan is an associate of Mr. Du and a connected person of the Company. The Kangyuan Advancements constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Kangyuan Advancements, when aggregated with Hong Lan Advancements, are more than 5%, the Kangyuan Advancements were subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE TO MR. SONG

The Board announces that during the period from March 2018 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, 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 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
Interest:	4.35% per annum

In the event of default, Mr. Song agrees to transfer his 6% equity interest in Hangzhou Susong to the Company or its other subsidiary designated by the Company.

IMPLICATIONS OF THE LOAN AGREEMENT UNDER THE LISTING RULES

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.

Although the applicable percentage ratios in respect of the aforesaid advancements made by Hangzhou Susong to Mr. Song during the period from March 2018 to December 2018 are less than 5%, such advancements did not carry interest and therefore were not conducted on normal commercial terms. Therefore, the aforesaid advancements were subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF SALES SERVICES TO HANGZHOU KANGMIAO

First Product Sales Services Agreement

The Board announces that on 18 April 2017, Hangzhou Susong entered into the First Product Sales Services Agreement with Hangzhou Kangmiao, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou Kangmiao. Principal terms of the First Product Sales Services Agreement are set out below:

Date:	18 April 2017	
Parties:	(i).	Hangzhou Susong; and
	(ii).	Hangzhou Kangmiao.

Subject matter

Pursuant to the First Product Sales Services Agreement, Hangzhou Susong agreed to provide promotional resources for the products of Hangzhou Kangmiao and create promotional materials for Hangzhou Kangmiao.

Term

The term of the First Product Sales Services Agreement shall be one year commencing from 1 May 2017 to 31 May 2018.

Consideration

Hangzhou Kangmiao shall pay Hangzhou Susong the amounts of commission based on the amount of the products promoted by Hangzhou Susong, details of which are as follows:

No.	**Product name**	**Product price** *(RMB)*	**Promotion service fee** *(RMB per unit)*
1	Ancient Air Tank*（遠古大氣艙）	68,000	5,000
2	4-way air purifier	5,800	2,000
3	Fresh air system purifier	12,800	3,000
4	Projection television	12,800	3,000
5	Hydrogen-rich water machine	28,000	2,000
6	Water purifier for commercial use	9,800	1,500
7	Car purifier	980	100
8	Hurricane*（颶風）air recovery machine	6,999	1,000
9	Health monitor	10,800	2,000
10	Smart water purifier	6,800	1,000
11	Hydrogen-rich water cup	1,380	100
12	Cellular nutrients	19,800	3,000
13	Grape enzyme	1,000	100
14	Golden flax seed drink	1,280	100
15	Flax seed oil	1,180	100
16	Special grade ganoderma lucidum powder	1,080	100
17	Enzyme powder	1,280	100
18	Ginger tea	588	80

The settlement of the fees payable to Hangzhou Susong shall be conducted once each month. Both Hangzhou Susong and Hangzhou Kangmiao shall confirm the fees payable for the previous month within five business days of each month.

Under the First Product Sales Services Agreement, an aggregate transaction amount of RMB3,484,509 was recorded for the year ended 31 December 2017. The above transaction amount had been settled by Hangzhou Kangmiao as at the date of this announcement.

IMPLICATIONS OF THE FIRST PRODUCT SALES SERVICES AGREEMENT UNDER THE LISTING RULES

As stated above, Mr. Du is a connected person of the Company. Mr. Du is a director of Hangzhou Kangmiao and 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 First Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The aggregate transaction amount under the First Product Sales Services Agreement amounted to RMB3,484,509 (equivalent to approximately HK$3,972,340). As the applicable percentage ratios in respect of the First Product Sales Services Agreement, when aggregated with the Second Product Sales Services Agreement (details of which are set out below), are more than 5%, the First Product Sales Services Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Second Product Sales Services Agreement

The Board announces that on 1 February 2018, Hangzhou Susong entered into the Second Product Sales Services Agreement with Hangzhou Kangmiao, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou Kangmiao. Principal terms of the Second Product Sales Services Agreement are set out below:

Date:	1 February 2018
Parties:	(i). Hangzhou Susong; and
	(ii). Hangzhou Kangmiao.

Subject matter

Pursuant to the Second Product Sales Services Agreement, Hangzhou Susong agreed to provide promotional resources for the products of Hangzhou Kangmiao and create promotional materials for Hangzhou Kangmiao.

Term

The term of the Second Product Sales Services Agreement shall be one year commencing from 1 February 2018 to 1 February 2019.

Consideration

Hangzhou Kangmiao shall pay Hangzhou Susong the amounts of commission based on the amount of the products promoted by Hangzhou Susong, details of which are as follows:

No.	**Product name**	**Product price** *(RMB)*	**Promotion service fee** *(RMB per unit)*
1	Ancient Air Tank*（遠古大氣艙）	68,000	5,000
2	Hydrogen-rich water machine	28,000	2,000
3	Hurricane*（颶風）air recovery machine	6,999	1,000
4	Hydrogen-rich water cup	1,380	500
5	Cellular nutrients	19,800	3,000
6	Ginger tea	588	80

The settlement of the fees payable to Hangzhou Susong shall be conducted once each month. Both Hangzhou Susong and Hangzhou Kangmiao shall confirm the fees payable for the previous month within five business days of each month.

Under the Second Product Sales Services Agreement, an aggregate transaction amount of RMB4,168,434 was recorded for the year ended 31 December 2018. As at the date of this announcement, the outstanding amount payable by Hangzhou Kangmiao to Hangzhou Susong under the Second Product Sales Services Agreement amounted to RMB1,327,500.

IMPLICATIONS OF THE SECOND PRODUCT SALES SERVICES AGREEMENT UNDER THE LISTING RULES

As stated above, Mr. Du is a connected person of the Company. Mr. Du is a director of Hangzhou Kangmiao and 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 Second Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The aggregate transaction amount under the Second Product Sales Services Agreement amounted to RMB4,168,434 (equivalent to approximately HK$4,752,015). As the applicable percentage ratios in respect of the Second Product Sales Services Agreement, when aggregated with the First Product Sales Service Agreement, are more than 5%, the Second Product Sales Services Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF SALES SERVICES TO HANGZHOU KANGYUAN

The Board announces that on 29 February 2016, Hangzhou Susong entered into the Cooperation Agreement with Hangzhou Kangyuan, pursuant to which Hangzhou Susong agreed to assist Hangzhou Kangyuan to source the dealers and distributors for the products of Hangzhou Kangyuan. Principal terms of the Cooperation Agreement are set out below:

Date: 29 February 2016

Parties: (i). Hangzhou Susong; and

(ii). Hangzhou Kangyuan.

Subject matter

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.

Term

The term of the Cooperation Agreement shall be 29 February 2016 to 28 February 2019.

Consideration

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. Set out below are the details of the calculation of the service fee for various products:

		Particulars of settlement	
Product	**Settlement item**	**Calculation basis**	**Factor**
Yotaphone	Service fee	Total price for pick-up	4%
"Ban Ma Yu*（斑馬魚）" water purifier	Service fee	Total price for pick-up	4%
"Jia Tian Xia*（家天下）" fire extinguisher	Service fee	Pick-up quantity	RMB10 per unit
"Zhen Pin Yue Dong*（臻品悦動）" Cross-border e-commerce	Service fee	Gross profit	10%
Low-temperature Quick Partial-freezing Project	Service fee	Total purchase of equipment (consumables)	6%
Global Village Environmental Protection Project*（地球村環保項目）	Service fee	Total price for pick-up	4%
iDrive Technology Project*（愛駕科技項目）	Service fee	Total price for pick-up	4%
Ancient Air Tank Project*（遠古大氣艙項目）	Service fee	Pick-up quantity	RMB5,000 per unit
Chinese medicine carbon series physiotherapy products	Service fee	Total price for pick-up	10%
Human Body 4S Shop*（人體 4S 店）series products	Service fee	Total price for pick-up	10%

Under the Cooperation Agreement, an aggregate transaction amount of RMB5,052,394 was recorded for the year ended 31 December 2016. The above transaction amount had been settled by Hangzhou Kangyuan as at the date of this announcement.

IMPLICATIONS OF THE COOPERATION AGREEMENT UNDER THE LISTING RULES

As stated above, 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.

The aggregate service fees paid by Hangzhou Kangyuan to Hangzhou Susong under the Cooperation Agreement amounted to RMB5,052,394 (equivalent to approximately HK$5,759,729) during the period from October 2016 to December 2016. As the applicable percentage ratios in respect of the Cooperation Agreement are more than 5%, the Cooperation Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROVISION OF SYSTEM DESIGN SERVICES TO HANGZHOU YOU TA

The Board announces that on 28 April 2017, Hangzhou Susong entered into the You Ta System Design Services Agreement with Hangzhou You Ta, pursuant to which Hangzhou Susong agreed to design mobile sales management services system for Hangzhou You Ta. Principal terms of the You Ta System Design Services Agreement are set out below:

Date:	28 April 2017
Parties:	(i). Hangzhou Susong; and
	(ii). Hangzhou You Ta.

Subject matter

Pursuant to the You Ta System Design Services Agreement, Hangzhou Susong agreed to design mobile sales management services system for Hangzhou You Ta during development period from 10 May 2017 to 30 September 2017.

Consideration

Hangzhou You Ta shall pay Hangzhou Susong a service fee in the amount of RMB1,415,094 (equivalent to approximately HK$1,613,207). The aforesaid consideration shall be payable by Hangzhou You Ta in the following manner:

1. 40% shall be payable within 10 business days after the date of the You Ta System Design Services Agreement;

2. 40% shall be payable within 10 business days after the date of system display;

3. the remaining 20% shall be payable within 10 business days after the date on which the system goes online.

Under the You Ta System Design Services Agreement, a total transaction amount of RMB1,415,094 was recorded for the year ended 31 December 2017. The above transaction amount had been settled by Hangzhou You Ta as at the date of this announcement.

IMPLICATIONS OF THE YOU TA SYSTEM DESIGN SERVICES AGREEMENT UNDER THE LISTING RULES

As stated above, Mr. Song is a connected person of the Company. Mr. Song is a director and general manager of Hangzhou You Ta and owns more than 50% of the equity interest of Hangzhou You Ta. Therefore, Hangzhou You Ta is an associate of Mr. Song and a connected person of the Company. The You Ta System Design Services Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Although the applicable percentage ratios in respect of the You Ta System Design Services Agreement are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. Therefore, the You Ta System Design Services Agreement was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROVISION OF SALES SERVICES TO HANGZHOU YOU TA

The Board announces that on 22 November 2017, Hangzhou Susong entered into the You Ta Product Sales Services Agreement with Hangzhou You Ta, pursuant to which Hangzhou Susong agreed to provide resources for the promotion of the products of Hangzhou You Ta. Principal terms of the You Ta Product Sales Services Agreement are set out below:

Date:	22 November 2017
Parties:	(i). Hangzhou Susong; and
	(ii). Hangzhou You Ta.

Subject matter

Pursuant to the You Ta Product Sales Services Agreement, Hangzhou Susong agreed to provide promotional resources for the products of Hangzhou You Ta and create promotional materials for Hangzhou You Ta.

Term

The term of the You Ta Product Sales Services Agreement shall be one year commencing from 23 November 2017 to 23 November 2018.

Consideration

Hangzhou You Ta shall pay Hangzhou Susong the amounts of commission based on the amount of the products promoted by Hangzhou Susong. The settlement of the fees payable to Hangzhou Susong shall be conducted once each month. Both Hangzhou Susong and Hangzhou You Ta shall confirm the fees payable for the previous month within five business days of each month.

Under the You Ta Product Sales Services Agreement, an aggregate transaction amount of RMB1,132,453 was recorded for the year ended 31 December 2018. The above transaction amount had been settled by Hangzhou You Ta as at the date of this announcement.

IMPLICATIONS OF THE YOU TA PRODUCT SALES SERVICES AGREEMENT UNDER THE LISTING RULES

As stated above, Hangzhou You Ta is a connected person of the Company. The You Ta Product Sales Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The aggregate transaction amount under the You Ta Product Sales Services Agreement amounted to RMB1,132,453 (equivalent to approximately HK$1,290,996). Although the applicable percentage ratios in respect of the You Ta Product Sales Services Agreement, when aggregated with the You Ta System Design Services Agreement, are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. The You Ta Product Sales Services Agreement was subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REASONS FOR THE TRANSACTIONS

Hangzhou Susong has established customer relationships and databases by capitalizing on its experience in cooperation with e-commerce platforms, and has first-hand data on customer consumption patterns and credit reports. With such e-commerce platforms, Hangzhou Susong can provide its customers with product promotion and sales services for effective promotion among their potential customers. Through the First Product Sales Service Agreement, the Second Product Sales Service Agreement, the Cooperation Agreement and the You Ta Product Sales Services Agreement, Hangzhou Susong can utilize its experience in product promotion service and broaden the source of revenue for the Group.

Hangzhou Susong focuses on providing integrated financial payment processing solutions, through which it has accumulated knowledge and experience in comprehensive payment support operations. Hangzhou Susong has the ability to design and develop software based on the customer's own requirements for financial payment and sales management software and other software. It can also provide practical methods for optimizing software and solving common program problems. Through the You Ta System Design Services Agreement, Hangzhou Susong can utilize its experience and ability in system design and broaden the source of revenue for the Group.

INFORMATION OF THE GROUP, MR. SONG, ZHEJIANG HONG LAN, HANGZHOU KANGMIAO, HANGZHOU KANGYUAN AND HANGZHOU YOUTA

The principal activity of the Company is investment holdings. The Group currently has a portfolio of business interests in the telecommunications, information technology, financial solution, software development and distribution sectors in Hong Kong, Singapore and the PRC and the development and operation of the characteristic town, real estate and cultural tourism in the PRC.

Mr. Song is a PRC resident and is a director of Hangzhou Susong.

Zhejiang Hong Lan is a company established in the PRC with limited liability. According to the business licence of Zhejiang Hong Lan, it is principally engaged in various services including industrial investment, investment management and investment consulting (except securities and futures).

Hangzhou Kangmiao is a company established in the PRC with limited liability. According to the business licence of Hangzhou Kangmiao, it is principally engaged in non-medical mental health consultation, non-medical health management consultation; development of computer software and hardware technology, technical consultation, technical services; network information technology consultation; food business operation; sales of medical equipment, electronic products and sports equipment.

Hangzhou Kangyuan is a company established in the PRC with limited liability. According to the business licence of Hangzhou Kangyuan, it is principally engaged in computer information technology, computer network technology, research and development of health technology, technical services, technical consultation, technical achievement transfer; retail of pre-packaged food; sales of rehabilitation equipment and sports equipment.

Hangzhou Youta is a company established in the PRC with limited liability. According to the business licence of Hangzhou You Ta, it is principally engaged in the wholesale, retail (including network sales) of communications equipment and accessories, electronic products and accessories, computer hardware and software and accessories; technology development, technical consulting, technical services, technical achievement transfer of communications equipment, investment management, investment consulting (except securities and futures), business management consulting, financial consulting, business information consulting (except commodity intermediary) services.

BREACH OF CHAPTERS 13, 14 AND 14A OF THE LISTING RULES

(i). Breaches relating to Hong Lan Advancements

Immediately after the first tranche of Hong Lan Advancements in the amount of RMB5,035,016 by Hangzhou Susong to Zhejiang Hong Lan in July 2016, the applicable percentage ratios for such advancement had exceeded 1% but less than 5%. Therefore, the aforesaid advancement then constituted a connected transaction of the Company and shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval. The Company had omitted to comply with such requirements and failed to announce the aforesaid advancement when the same was conducted in July 2016.

Immediately after the second tranche of Hong Lan Advancements in the amount of RMB9,500,000 by Hangzhou Susong to Zhejiang Hong Lan in January 2017, the applicable percentage ratios for such second tranche of advancement, when aggregated with the first tranche of advancement in July 2016, had exceeded 5%. Therefore, the aforesaid second advancement, together with other subsequent tranches of advancements under the Hong Lan Advancements, (i) constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and were subject to the reporting and announcement requirements; and (ii) a connected transaction and is subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had omitted to comply with the above requirements and failed to obtain independent shareholders' approval and announce the Hong Lan Advancements when the same was conducted in January 2017.

Immediately after the sixth tranche of Hong Lan Advancements in the amount of RMB12,367,577 in March 2018, the asset test for such sixth tranche of advancement, when aggregated with the previous tranches of advancements made during the period from July 2016 to December 2017, exceeded 8%. Therefore, the Hong Lan Advancements constituted advances to an entity under Rule 13.13 of the Listing Rules. The Company failed to announce the Hong Lan Advancements in accordance with Rule 13.13 of the Listing Rules.

(ii). Breaches relating to the Kangyuan Advancements

Immediately after the first tranche of Kangyuan Advancements made in May 2018, and when aggregated with the Hong Lan Advancements, the applicable percentage ratios had exceeded 8%. Therefore, the aforesaid advancement (together with the second tranche of Kangyuan Advancements made in December 2018) constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements. The Company had omitted to comply with such requirements and failed to announce the Kangyuan Advancements when the same was conducted.

The Kangyuan Advancements, when aggregated with the Hong Lan Advancements, also constituted advances to an entity under Rule 13.13 of the Listing Rules. The Company failed to announce the Kangyuan Advancements in accordance with Rule 13.13 of the Listing Rules.

The Kangyuan Advancements, when aggregated with the Hong Lan Advancements, were also subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company failed to announce the Kangyuan Advancements and obtain independent shareholders' approval for the Kangyuan Advancements in accordance with Chapter 14A of the Listing Rules.

(iii). Breaches relating to the Loan Agreement

Although the applicable percentage ratios in respect of the aforesaid advancements made by Hangzhou Susong to Mr. Song during the period from March 2018 to December 2018 are less than 5%, such advancements did not carry interest and therefore were not conducted on normal commercial terms. Therefore, the aforesaid advancements were subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company failed to comply with the above requirements in accordance with Chapter 14A of the Listing Rules.

(iv). Breaches relating to First and Second Product Sales Service Agreement

As set out above, as the applicable percentage ratios for the First Product Sales Services Agreement and Second Product Sales Service Agreement, on an aggregate basis, had exceeded 5%, the First Product Sales Services Agreement and Second Product Sales Service Agreement were subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company failed to announce the First Product Sales Services Agreement and Second Product Sales Service Agreement and obtain independent shareholders' approval for the same in accordance with Chapter 14A of the Listing Rules.

(v). Breaches relating to the Cooperation Agreement

As set out above, as the applicable percentage ratios for the Cooperation Agreement had exceeded 5%, the Cooperation Agreement was subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company failed to announce the Cooperation Agreement and obtain independent shareholders' approval for the Cooperation Agreement in accordance with Chapter 14A of the Listing Rules.

(vi). Breaches relating to the You Ta System Design Services Agreement

Although the applicable percentage ratios in respect of the You Ta System Design Services Agreement are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. Therefore, the You Ta System Design Services Agreement was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(vii). Breaches relating to You Ta Product Sales Services Agreement

Although the applicable percentage ratios in respect of the You Ta Product Sales Services Agreement, when aggregated with the You Ta System Design Services Agreement, are less than 5% and the total consideration is less than HK$3,000,000, the Board is unable to obtain sufficient information to confirm that the aforesaid transaction was conducted on normal commercial terms. The You Ta Product Sales Services Agreement was subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company failed to comply with the above requirements in accordance with Chapter 14A of the Listing Rules.

REASONS FOR THE BREACH OF THE LISTING RULES

Hangzhou Susong was acquired by the Group in June 2016. As the local management is more familiar with the business environment in the IT Business and distribution business in the PRC, the Directors do not involve in the daily operations of Hangzhou Susong or become its board of directors. The local management of Hangzhou Susong did not inform the Company that the Hong Lan Advancements, the Kangyuan Advancements, the Loan Agreement, the First Product Sales Services Agreement, the Second Product Sales Service Agreement, the Cooperation Agreement, the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement may constitute discloseable and connected transactions of the Company under the Listing Rules. The finance personnel of the Company obtain the management accounts of Hangzhou Susong prepared by the finance personnel of Hangzhou Susong for the consolidation of the financial statements of the Group regularly. As the management accounts did not expressly set out that the counterparty of the above transactions was a connected person, and the finance personnel of the Company did not check every transaction amount and counterparty in detail when reviewing the management accounts, such discloseable and connected transactions were not identified. Because of inadvertent oversight, the Directors 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 in around end of March 2019. The Company then further reviewed the breakdowns and movements of the items in all the ledgers and trial balances of Hangzhou Susong, checked the amounts of all the transactions and listed out the counterparties of all the transactions with their shareholding information and confirmed whether they are connected persons of the Company. As a result, the above discloseable and connected transactions were identified.

REMEDIAL MEASURES

In relation to the Hong Lan Advancements and the Kangyuan Advancements

As set out above, each of the Hong Lan Advancements and the Kangyuan Advancements constituted a connected transaction of the Company which require the approval of the independent shareholders of the Company.

As the Hong Lan Advancements and the Kangyuan Advancements were not previously approved by the independent Shareholders, the Directors have resolved that Hangzhou Susong should demand the return of the aforesaid advances from the relevant recipients or guarantor.

Nevertheless, the Group has received the undertaking letters from Zhejiang Hong Lan and Hangzhou Kangyuan to confirm the relevant balances owed to Hangzhou Susong and undertake the repayment of the outstanding balances by 1 September 2019. However, as disclosed in the announcement of the Company dated 29 March 2019, the Company noted that a liquidation committee of Zhejiang Hong Lan has been set up. As at the date of this announcement, the Group is liaising with the PRC legal advisors to confirm the status of Zhejiang Hong Lan and the appropriate further actions for recovering the outstanding balances from Zhejiang Hong Lan.

As at the date of this announcement, the Group is liaising with the Zhejiang Hong Lan for the return of the Hong Lan Advancements and monitoring the situation on whether Zhejiang Hong Lan will proceed to liquidation. In the event that Zhejiang Hong Lan proceeds to liquidation and Hangzhou Susong is unable to recover the full amount of Hong Lan Advancements from Zhejiang Hong Lan in the creditors' meeting of Zhejiang Hong Lan, the Group will demand Mr. Song to fulfil his repayment obligations under the indemnity.

As stated above, Zhejiang Hong Lan has provided an undertaking to Hangzhou Susong that it will repay the Hong Lan Advancements by 1 September 2019. In any event, if Zhejiang Hong Lan fails to repay the Hong Lan Advancements by 1 September 2019, the Group will enforce the indemnity provided by Mr. Song.

The Company has enquired Hangzhou Susong on the details of the Hong Lan Advancements. Hangzhou Susong provided that, during the year ended 31 December 2017, Hangzhou Susong made advancements of RMB17,516,161 to Zhejiang Hong Lan which was proposed to provide human resources management and administration services to Hangzhou Susong; during the year ended 31 December 2018, Hangzhou Susong further strengthened the cooperation with Zhejiang Hong Lan in which Zhejiang Hong Lan agreed to provide assistance to Hangzhou Susong in developing and promoting the financial payment processing solution business in the PRC; in view of the aforesaid cooperation, Hangzhou Susong had further advanced an aggregate of RMB20,583,305 to Zhejiang Hong Lan with no interests charged.

As at the date of this announcement, a special committee (the "**Special Committee**") comprising the independent non-executive Directors, namely Mr. Fung Wai Shing, Mr. Zhao Guangming and Mr. Huang Tao, was established to to further review the non-compliance of the connected transactions identified.

As disclosed in the announcements of the Company dated 6 December 2017, 21 March 2018, 20 June 2018, 20 August 2018 and 28 December 2018, since 2017, the business performance of Hangzhou Susong has been falling short of the Company's expectation as originally contemplated at the time of acquisition in June 2016. The Directors have been reviewing the prospects and the long-term development plan of Hangzhou Susong's business as well as exploring various alternatives for it. The Group has entered into a non-legally binding memorandum of understanding on 28 December 2018 in relation to potential disposal of Hangzhou Susong. The Directors consider that the potential disposal is an opportunity to divest Hangzhou Susong's business and enable the Group's capital resources to be utilized in an efficient manner to support the Group's business plan and/or to explore potential new investment and business opportunities. As at the date of this announcement, the Directors are still in discussion with the potential purchaser.

In relation to the Loan Agreement

As stated above, the advancements made by Hangzhou Susong to Mr. Song during the period from March 2018 to December 2018 did not carry interest and therefore were not conducted on normal commercial terms. However, the Directors considered that the entering into of the Loan Agreement is not in the ordinary course of business of the Group but is on normal commercial terms and taking into account the interest arising from the provision of loan to Mr. Song, the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Therefore, the Directors decided to accept the Loan Agreement and that Hangzhou Susong should demand the payment of interests (same interest rate with the Loan Agreement) from Mr. Song in respect of the advancements made to him during the period from March 2018 to December 2018.

In relation to the First Product Sales Services Agreement and Second Product Sales Services Agreement

As set out above, the First Product Sales Services Agreement and Second Product Sales Services Agreement constituted a continuing connected transaction of the Company which require the approval of the independent Shareholders. Taking into account that the nature of the promotional services which had been provided by Hangzhou Susong to Hangzhou Kangmiao under the First Product Sales Services Agreement and Second Product Sales Services Agreement are non-returnable and that the transaction under such agreements cannot be reversed, the Company therefore would not convene a special general meeting for the independent Shareholders to ratify the First Product Sales Services Agreement and Second Product Sales Services Agreement. As at the date of this announcement, the First Product Sales Services Agreement and Second Product Sales Services Agreement had expired. The Group will not conduct further transaction under the First Product Sales Services Agreement and Second Product Sales Services Agreement with Hangzhou Kangmiao.

In relation to the Cooperation Agreement

As set out above, the Cooperation Agreement constituted a continuing connected transaction of the Company which require the approval of the independent Shareholders. Taking into account that the nature of the services which had been provided by Hangzhou Susong to Hangzhou Kangyuan under the Cooperation Agreement are non-returnable and that the transaction under the Cooperation Agreement cannot be reversed, the Company therefore would not convene a special general meeting for the independent Shareholders to ratify the Cooperation Agreement. As at the date of this announcement, the Cooperation Agreement had expired. The Group will not conduct further transaction under the Cooperation Agreement with Hangzhou Kangyuan.

In relation to the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement

As set out above, each of the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement constituted a continuing connected transaction of the Company which require the approval of the independent Shareholders. Taking into account that the nature of the services which had been provided by Hangzhou Susong to Hangzhou You Ta under the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement are non-returnable and that the transaction under the said transactions cannot be reversed, the Company therefore would not convene a special general meeting for the independent Shareholders to ratify the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement. As at the date of this announcement, the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement had expired. The Group will not conduct further transaction under the You Ta System Design Services Agreement and the You Ta Product Sales Services Agreement with Hangzhou You Ta.

The Company takes such incidents of non-compliance of the Listing Rules seriously and will take the following remedial measures to prevent the re-occurrence of similar incident:

1. the Company will issue the relevant guidance and training materials, in particular, regarding how to define a transaction and proper calculation methodology of the percentage ratios relating to notifiable and connected transactions under the Listing Rules, to the directors, senior management and finance staff of the Group in order to strengthen and refresh their knowledge with respect to notifiable and connected transactions. If requested by any directors, senior management or finance staff, the Company will also arrange additional training session on the classification and compliance requirements for notifiable transactions and connected transactions under the Listing Rules;

2. the finance personnel of the Company will check the amounts of all the transactions and list out the counterparties of all the transactions with their shareholding information when receiving future management accounts from Hangzhou Susong to identify if any transaction constitutes a disclosable/connected transaction of the Company;

3. the Company will also assign a dedicated staff member of the Group to establish a databank of connected persons of the Company so that the staff of the Group can easily identify the connected persons and determine whether a contemplated transaction is a connected transaction. Such staff member will review the connected relationship on an ongoing basis and keep the information in the databank updated at all time;

4. as stated above, the Special Committee has been established to further review the non-compliance of the connected transactions identified, and it will also review the existing internal control procedures of the Company to identify any deficiencies of our internal control policies and seek recommendations from professional parties on how to enhance the monitoring and effectiveness of the implementation of the internal control policies; and

5. the Company will engage an internal control consultant to identify any deficiencies of our internal control policies for monitoring the connected transactions and continuing connected transactions under the Listing Rules, and review the findings of the Special Committee and make recommendations to enhance the relevant internal control policies.

SUPPLEMENTAL INFORMATION RELATING TO THE 2018 RESULTS ANNOUNCEMENT

Reference is made to the announcement of the Company dated 29 March 2019 in relation to the annual results of the Group for the year ended 31 December 2018 (the "**2018 Results Announcement**").

NOTE 10(A) TO THE FINANCIAL STATEMENTS

As disclosed in note 10(a) to the financial statements on page 29 of the 2018 Results Announcement, it was stated that:

- a director (i.e. Mr. Song) of the PRC subsidiary (i.e. Hangzhou Susong) who is also a non-controlling interest of the PRC subsidiary has provided an undertaking to indemnify the Group against any losses from non-recovery of the advance of RMB17,516,000 (equivalent to HK$21,095,000) of the Hong Lan Advancements; and

- the director (i.e. Mr. Song) of the PRC subsidiary (i.e. Hangzhou Susong) has further provided an undertaking to indemnify the Group against any losses from non-recovery of the advances of RMB20,583,000 (equivalent to HK$24,625,000) of the Hong Lan Advancements.

Therefore, based on the above disclosure in the 2018 Results Announcement, Mr. Song had provided an indemnity in the aggregate amount of approximately RMB38,099,000 to the Group in relation to the Hong Lan Advancements.

The Board would like to inform the Shareholders that at the time of the preparation of the 2018 Results Announcement, the above disclosures were prepared based on that Mr. Song provided an electronic copy of an indemnity to the Group, which stated that Mr. Song agreed to undertake the repayment obligation for an amount of approximately RMB20,583,000 of the Hong Lan Advancements in the event that Zhejiang Hong Lan fails to fulfil such repayment obligation (the "**First Indemnity**"), and then Mr. Song provided an electronic copy of another indemnity to the Group, which stated that Mr. Song agreed to undertake the repayment obligation for the total outstanding amount of approximately RMB38,099,000 of the Hong Lan Advancements as at 31 December 2018 in the event that Zhejiang Hong Lan fails to fulfil such repayment obligation (the "**Second Indemnity**").

As at the date of this announcement, the Group has received the original copy of the First Indemnity but has not received the original copy of the Second Indemnity. Taking into account (1) the receipt of the original copy of the First Indemnity, and (2) the Group has not received the original copy of the Second Indemnity from Mr. Song as at the date of the this announcement, the Board considers it is reasonable to deduce that the amount of indemnity intended to be provided by Mr. Song as at the date of this announcement is RMB20,583,000 as stated in the First Indemnity.

In view of the above circumstances, the second paragraph of note 10(a) to the financial statements in the 2018 Results Announcement will be revised as follows (with amendments underlined and in strikethrough):

"In 2018, the PRC subsidiary further strengthened the cooperation with the Company A. Due to short-term liquidity problem, the PRC subsidiary of the Group further advanced in aggregate of approximately RMB20,583,000 (equivalent to HK$24,625,000) to the Company A as a kind of financial support during the year ended 31 December 2018. As at 31 December 2018, the director of the PRC subsidiary has ~~further~~ provided an undertaking to indemnify the Group against any losses from non-recovery of the advances of RMB20,583,000 (equivalent to HK$24,625,000)."

IMPAIRMENT OF GOODWILL OF BUSINESS OF HANGZHOU SUSONG

As disclosed in the 2018 Results Announcement, goodwill of the business of Hangzhou Susong was impaired by approximately HK$5.1 million for the year ended 31 December 2018 (the "**2018 Impairment**") and approximately HK$21.0 million for the year ended 31 December 2017 (the "**2017 Impairment**").

The Board would like to supplement the following circumstances leading to the 2018 Impairment.

Hangzhou Susong witnessed a year-on-year decrease in total revenue in RMB by 2% in 2018. The decrease was chiefly attributable to the decrease in the revenue from IT Business which is facing stricter regulations and more competitive market. Despite the mild growth in distribution business, Hangzhou Susong did not meet the expected revenue in the previous forecast due to keen competitions in both markets.

In light of the challenging business environment in the IT Business and distribution business, the Group applied a lower growth rate in the cash flow projections for the valuation for the goodwill of the business of Hangzhou Susong, thereby resulting in the 2018 Impairment.

The table below sets out the valuation method, major assumptions and details of the value of inputs used in the valuation for determining the 2017 Impairment and 2018 Impairment:

	Valuation in relation to the 2017 Impairment	**Valuation in relation to the 2018 Impairment**
Valuation date	31 December 2017	31 December 2018
Valuation methodology	Discounted cash flow, income approach	Discounted cash flow, income approach
Major assumptions	<u>Revenue growth</u>	<u>Revenue growth</u>
	• CAGR of 14% from 2018 to 2022	• CAGR of 5% from 2019 to 2023
	• Average growth rate of 16% from 2018 to 2022	• Average growth rate of 5% from 2019 to 2023
	• CAGR of 3% for IT Business from 2018 to 2022	• CAGR of –4% for IT Business from 2019 to 2023
	• Average growth rate of 12% for IT Business from 2018 to 2022	• Average growth rate of –2% for IT Business from 2019 to 2023

	Valuation in relation to the 2017 Impairment	Valuation in relation to the 2018 Impairment
	• CAGR of 21% for distribution business from 2018 to 2022	• CAGR of 10% for distribution business from 2019 to 2023
	• Average growth rate of 22% for distribution business from 2018 to 2022	• Average growth rate of 14% for distribution business from 2019 to 2023
	Gross margins	Gross margins
	Range from 68% to 82% during the forecast period between 2018 and 2022	Range from 82% to 90% during the forecast period between 2019 and 2023
	Corporate tax rate 25%	Corporate tax rate 25%
	Terminal growth 3%	Terminal growth 2%
Discount rate (pre-tax)	28% 27% for IT Business 29% for distribution business	31% 33% for IT Business 30% for distribution business

REASONS FOR THE CHANGE IN ASSUMPTIONS USED IN THE VALUATION FOR THE 2018 IMPAIRMENT AS COMPARED WITH THE ASSUMPTIONS USED IN THE VALUATION FOR THE 2017 IMPAIRMENT

(i). Financial forecast

Hangzhou Susong has two revenue sources, namely, IT Business and distribution business. The income from distribution business in RMB recorded a growth of 7% in 2018. However, Hangzhou Susong witnessed a year-on-year decrease in total revenue in RMB by 2% in 2018. The decrease was chiefly attributable to the decrease in the revenue from IT Business which is facing stricter regulations and more competitive market. Despite the mild growth in distribution business, Hangzhou Susong did not meet the expected revenue in the previous forecast due to keen competitions in both markets, as explained by the management of Hangzhou Susong. The management of Hangzhou Susong considers that the competitions will continue to be fierce. Therefore, the management decides to lower the financial forecast for the valuation for the 2018 Impairment.

(ii). Terminal growth

Accordingly, as the industry becomes matures and coupled with the slowdown of the Chinese economy, the terminal growth rate has been lowered to 2%.

(iii). Discount rate

The discount rate applied was based on the same methodology in the previous year. The difference of discount rate between 2017 and 2018 is mainly because of the change in market parameter (i.e. the applied debt-to-equity ratio) and specific risk premium. The applied debt-to-equity ratio makes reference to comparable companies' trading data, while the specific risk premium was adjusted to reflect the uncertainty of business environment and market competitions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Great Wall Belt & Road Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 524)
"connected person"	has the meaning ascribed to it under the Listing Rules
"Cooperation Agreement"	the cooperation agreement dated 29 February 2016 entered into between Hangzhou Susong and Hangzhou Kangyuan
"Director(s)"	director(s) of the Company
"First Product Sales Services Agreement"	the first product sales services agreement dated 18 April 2017 entered into between Hangzhou Susong and Hangzhou Kangmiao
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hangzhou Kangmiao"	Hangzhou Kangmiao Health Management Company Limited*（杭州康淼健康管理有限公司）, a company established in the PRC with limited liability

"Hangzhou Kangyuan"	Hangzhou Kangyuan Information Technology Company Limited*（杭州康圓信息科技有限公司）, a company established in the PRC with limited liability
"Hangzhou Susong"	Hangzhou Susong Technology Company Limited*（杭州蘇頌科技有限公司）, a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
"Hangzhou You Ta"	Hangzhou You Ta Communication Equipment Company Limited*（杭州優它通信設備有限公司）, a company established in the PRC with limited liability
"Hong Lan Advancements"	a number of tranches of advancements made by Hangzhou Susong to Zhejiang Hong Lan, details of which are set out in the section headed "Provision of financial assistance to Zhejiang Hong Lan"
"IT Business"	financial payment processing solution and software development services business
"Kangyuan Advancements"	a number of tranches of advancements made by Hangzhou Susong to Hangzhou Kangyuan, details of which are set out in the section headed "Provision of financial assistance to Hangzhou Kangyuan"
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan in the amount of RMB10,167,746 provided by Hangzhou Susong to Mr. Song pursuant to the terms of the Loan Agreement

"Loan Agreement"	the loan agreement dated 31 December 2018 entered into between Hangzhou Susong and Mr. Song in relation to the provision of the Loan
"Mr. Du"	Mr. Du Huajun (杜華君), a director and the general manager of Hangzhou Susong
"Mr. Song"	Mr. Song Xiaodong (宋曉東), a director of Hangzhou Susong
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Second Product Sales Services Agreement"	the second sales services agreement dated 1 February 2018 entered into between Hangzhou Susong and Hangzhou Kangmiao
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"You Ta Product Sales Services Agreement"	the product sales services agreement dated 22 November 2017 entered into between Hangzhou Susong and Hangzhou You Ta

"You Ta System Design Services Agreement"	the system design services agreement dated 28 April 2017 entered into between Hangzhou Susong and Hangzhou You Ta
"Zhejiang Hong Lan"	Zhejiang Hong Lan Investment Company Limited*（浙江宏瀾投資有限公司）(currently known as Hangzhou Hong Lan Investment Company Limited*（杭州宏瀾投資有限公司）), a company established in the PRC with limited liability
"%"	per cent.

* *for identification purpose only*

By Order of the Board
Great Wall Belt & Road Holdings Limited
Cheung Ka Heng Frankie
Vice-Chairman and Executive Director

Hong Kong, 28 April 2019

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. Chan Chi Yuen, and three independent non-executive Directors, namely Mr. Fung Wai Shing, Mr. Zhao Guangming and Mr. Huang Tao.