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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS FOR THE PERIOD

- The Group's revenue for the Period amounted to approximately HK\$40.4 million, representing an increase of approximately 14.4% from the corresponding period in the prior year. The increase is attributable to the expansion of wholesale, voice telecommunications segment of the Telecom Business.
- The gross profit for the Period decreased by approximately 66.3% to approximately HK\$3.1 million, compared to approximately HK\$9.2 million for the previous corresponding period. The overall gross profit margin of the Group for the Period dropped to approximately 7.7% (period ended 30 June 2019: approximately 26.0%). The decrease in gross profit and gross profit margin was mainly due to the stagnant IT and distribution business during the Period and the increased proportion of the Group's wholesale voice telecommunications segment of the Telecom Business during the Period which has lower gross profit margin.
- The consolidated profit attributable to equity holders of the Company for the Period amounted to approximately HK\$28.0 million, compared to a loss of approximately HK\$135.1 million for the prior period.
- The Board does not recommend payment of a dividend for the six months ended 30 June 2020.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Great Wall Belt & Road Holdings Limited (the “Company”) herein presents the unaudited interim results (the “Interim Results”) of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”), together with comparative figures for the corresponding period in 2019. The Interim Results are unaudited but have been reviewed by the audit committee (the “Audit Committee”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	2	40,439	35,304
Cost of sales		<u>(37,311)</u>	<u>(26,110)</u>
Gross profit		3,128	9,194
Other revenue and income	3	<u>38,384</u>	<u>1,274</u>
		41,512	10,468
Selling and distribution expenses		(517)	(711)
Business promotion and marketing expenses		(107)	(146)
Operating and administrative expenses		(11,630)	(17,978)
Other operating expenses		<u>(225)</u>	<u>(9,939)</u>
Profit/(loss) from operations		29,033	(18,306)
Finance costs	4	(23)	(71)
Impairment loss on goodwill		–	(4,485)
Financial assets at FVPL – net loss on disposal and fair value changes		–	(3,337)
Financial assets at FVPL held at the end of the period – net loss on fair value changes		(1,051)	(110,297)
Gain on disposal of property, plant and equipment		–	5
Gain on disposal of interest in an associate		<u>–</u>	<u>195</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
Profit/(loss) before taxation	4	27,959	(136,296)
Income tax credit	5	<u>100</u>	<u>876</u>
Profit/(loss) for the period		<u>28,059</u>	<u>(135,420)</u>
Profit/(loss) for the period attributable to:			
Equity holders of the Company		28,031	(135,128)
Non-controlling interests		<u>28</u>	<u>(292)</u>
Profit/(loss) for the period		<u>28,059</u>	<u>(135,420)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	6		
Basic and diluted		<u>2.7</u>	<u>(12.9)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	28,059	(135,420)
Other comprehensive income/(loss) for the period		
<i>Item that will not be subsequently reclassified to profit or loss:</i>		
Designated FVOCI – net movement in investment revaluation reserves	(66)	447
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
Derecognition of exchange reserve upon deregistration/ disposal of a subsidiary	–	62
Exchange differences on translation of foreign subsidiaries	24	36
Share of other comprehensive loss of associates		
– Exchange difference on translation	(1,001)	–
Total comprehensive income/(loss) for the period	27,016	(134,875)
Total comprehensive income/(loss) for the period attributable to:		
Equity holders of the Company	26,932	(134,579)
Non-controlling interests	84	(296)
Total comprehensive income/(loss) for the period	27,016	(134,875)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		109	202
Right-of-use assets		–	–
Interest in associates		–	56,079
Intangible assets		–	–
Goodwill		–	–
Designated FVOCI		2,318	2,384
		<u>2,427</u>	<u>58,665</u>
Current assets			
Financial assets at FVPL		397	1,571
Trade and other receivables	7	11,865	12,813
Tax recoverable		154	52
Pledged bank deposits		716	738
Bank balances and cash		4,238	6,672
		<u>17,370</u>	<u>21,846</u>
Assets classified as disposal group held for sale	9	55,184	–
		<u>72,554</u>	<u>21,846</u>
Current liabilities			
Trade and other payables	8	43,790	75,560
Lease liabilities		2,093	3,052
		<u>45,883</u>	<u>78,612</u>
Liabilities classified as disposal group held for sale	9	183	–
		<u>46,066</u>	<u>78,612</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Net current assets/(liabilities)	<u>26,488</u>	<u>(56,766)</u>
Net assets	<u>28,915</u>	<u>1,899</u>
Capital and reserves		
Share capital	10,503	10,503
Reserves	<u>21,444</u>	<u>(5,488)</u>
Equity attributable to equity holders of the Company	31,947	5,015
Non-controlling interests	<u>(3,032)</u>	<u>(3,116)</u>
Total equity	<u>28,915</u>	<u>1,899</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements (the “Interim Financial Statements”) of the Group for the six months ended 30 June 2020 are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee.

The Interim Financial Statements should be read in conjunction with the 2019 annual financial statements. The accounting policies adopted in preparing the Interim Financial Statements for the six months ended 30 June 2020 are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENTAL INFORMATION

The Group's management, who are the chief operating decision-makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, financial payment processing solution and software development services, distribution business through e-commerce platform, property development & tourism.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly financial assets at fair value through profit or loss, bank balances and cash. All liabilities are allocated to reportable segments other than corporate liabilities.

Analyses of the Group's segmental information by business and geographical segments during the period are set out below.

(a) By business segments

	Six months ended 30 June 2020			
	Telecom- munication services (Unaudited) HK\$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK\$'000	Property development and tourism (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
External sales	40,439	-	-	40,439
Results				
Segment results	(237)	178	(1)	(60)
Finance costs	(3)	-	-	(3)
	(240)	178	(1)	(63)
Unallocated other operating income and expenses				28,022
Profit before taxation				27,959

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

	Six months ended 30 June 2019			
	Telecom- munication services (Unaudited) HK\$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK\$'000	Property development and tourism (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
External sales	31,076	4,228	–	35,304
Results				
Segment results	(779)	(3,796)	(5)	(4,580)
Impairment loss on goodwill	–	(4,485)	–	(4,485)
Finance costs	(21)	–	–	(21)
	(800)	(8,281)	(5)	(9,086)
Unallocated other operating income and expenses				(127,210)
Loss before taxation				(136,296)

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

	As at 30 June 2020			
	Telecom- munication services (Unaudited) <i>HK\$'000</i>	Financial payment processing solution and software development services and distribution business (Unaudited) <i>HK\$'000</i>	Property development and tourism (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Assets				
Segment assets	<u>10,705</u>	<u>481</u>	<u>–</u>	11,186
Assets classified as disposal group held for sale				55,184
Unallocated assets				<u>8,611</u>
				<u>74,981</u>
Liabilities				
Segment liabilities	<u>(10,502)</u>	<u>(967)</u>	<u>–</u>	(11,469)
Liabilities classified as disposal group held or sale				(183)
Unallocated liabilities				<u>(34,414)</u>
				<u>(46,066)</u>

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

	As at 31 December 2019			
	Telecom- munication services (Audited) HK\$'000	Financial payment processing solution and software development services and distribution business (Audited) HK\$'000	Property development and tourism (Audited) HK\$'000	Total (Audited) HK\$'000
Assets				
Assets before following item:	11,000	365	108	11,473
Interests in associates	—	—	56,079	56,079
Segment assets	<u>11,000</u>	<u>365</u>	<u>56,187</u>	67,552
Unallocated assets				<u>12,959</u>
				<u>80,511</u>
Liabilities				
Segment liabilities	<u>(10,872)</u>	<u>(1,211)</u>	<u>(188)</u>	(12,271)
Unallocated liabilities				<u>(66,341)</u>
				<u>(78,612)</u>

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

(b) By geographical information

The Group's operations are principally located in Hong Kong, Singapore and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the operations are located:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	1,468	20,576
The PRC	–	4,228
Singapore	38,971	10,500
	<u>40,439</u>	<u>35,304</u>

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments) by geographical area in which the assets are located:

	As at	As at
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong	106	202
The PRC	–	–
Singapore	3	–
	<u>109</u>	<u>202</u>

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Compensation entitled (<i>Note</i>)	37,172	–
Interest income arising from financial assets at FVPL	1	9
Interest income from bank	13	76
Interest income from loan receivables from a non-controlling interest	243	257
Subleasing income	–	704
Others	955	228
	<u>38,384</u>	<u>1,274</u>

Note: The wholly owned subsidiary of the Company claimed for the losses against the vendor by the issuance of claim notice in the sum of approximately RMB31,578,000 (equivalent to approximately HK\$37,172,000) during the year. The Directors obtained a legal opinion that the vendor did not response to the claim notice within the prescribed timeframe, then vendor is deemed to have agreed with the claimed amount as stated in the claim notice (the “Deemed Agreed Claim Amount”) and the remaining balance of consideration recorded in other payable is entitled to offset the Deemed Agreed Claim Amount. Please refer to the announcement published by the Company on 12 June 2020 for further detail.

4. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging the following:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest expenses on lease liabilities	<u>23</u>	<u>71</u>
Other items		
Amortisation of intangible assets	–	7,602
Amortisation of right-of-use assets	–	1,652
Depreciation of property, plant and equipment	<u>96</u>	<u>353</u>

5. TAXATION

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Overseas income taxes	100	(844)
Deferred tax		
Origination and reversal of temporary differences		
– Depreciation allowances	–	1,720
Total tax credit	<u>100</u>	<u>876</u>

Origination and reversal of temporary differences Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2020 and 2019.

Overseas (including the PRC and Singapore) taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2020 is based on the profit for the period attributable to equity holders of the Company of approximately HK\$28,031,000 (30 June 2019: loss of approximately HK\$135,128,000) and the number of 1,050,280,000 ordinary shares (30 June 2019: 1,050,280,000 ordinary shares) in issue during the period.

The Company has no dilutive potential ordinary shares in issue during the current and prior periods and, therefore, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the periods presented.

7. TRADE AND OTHER RECEIVABLES

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	Notes		
Trade receivables			
From third parties		13,836	15,559
Loss allowances		<u>(9,249)</u>	<u>(9,332)</u>
	(a)	<u>4,587</u>	<u>6,227</u>
Other receivables			
Deposits		2,161	2,263
Prepayments		505	376
Other debtors	(b)	21,180	21,721
Due from securities brokers		3	3
Due from an associate	(c)	2,267	1,350
Loan and interest receivable from a non-controlling interest of a subsidiary	(d)	<u>11,717</u>	<u>11,825</u>
		<u>37,833</u>	<u>37,538</u>
Loss allowances on other debtors and due from an associate and a non-controlling interest of a subsidiary		<u>(30,555)</u>	<u>(30,952)</u>
		<u>7,278</u>	<u>6,586</u>
		<u><u>11,865</u></u>	<u><u>12,813</u></u>

7. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The Group's credit terms on sales mainly range from 30 to 90 days. Included in trade and other receivables are trade debtors (net of allowances for doubtful debts) with the following ageing analysis by invoice date:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Less than 1 month	2,905	4,625
1 to 3 months	1,120	875
More than 3 months but less than 12 months	372	286
More than 12 months	190	441
	<u>4,587</u>	<u>6,227</u>

- (b) In 2019, a PRC subsidiary of the Group had made several payments to 6 individuals and entities in aggregate of RMB4,544,000 (equivalent to HK\$5,090,000) for the purpose of relationship building with those individuals and entities for business referral. Impairment losses on the payments to the individuals or entities, together with other debtors with carrying amounts of RMB4,744,000 (equivalent to HK\$5,314,000) as at 31 December 2019, in aggregate of RMB9,288,000 (equivalent to HK\$10,404,000) were made in 2019. In view of these debts were overdue and prolonged outstanding without settlement, the management considers their financial position of these debtors may have been deteriorated and that the recoverability of these receivables is in doubt. Therefore, full loss allowances of RMB9,288,000 (equivalent to HK\$10,218,000) have been made.

Included in other debtors as at 30 June 2020 was a receivable of HK\$4,889,000 (31 December 2019: HK\$5,049,000) in relation to a management fee income due from a public company, in which the Company's former director, Mr. Yeung has beneficial interest. In view of deterioration in the financial position of the debtor and the result of negotiation, the management considers the recoverability of the amounts due is in doubt. Therefore, loss allowances of approximately HK\$3,244,000 were made.

7. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

Included in other debtors as at 30 June 2020 was a receivable of HK\$4,304,000 (31 December 2019, HK\$4,304,000) due from a third party which was arising from the proceeds from the disposal of financial assets at fair value through profit or loss in 2017. In view of the prolonged outstanding and lost contact with the debtor, the management considers that the recoverability of these receivables is in doubt. Therefore, full loss allowances of HK\$4,304,000 have been made.

(c) As at 30 June 2020, total amount due from an associate of HK\$2,267,000 of which HK\$1,000,000 was the consideration receivable from the disposal of assets of a business unit in 2017 and advance to the associate of HK\$1,267,000 was unsecured, interest-free and repayable on demand. At the end of the reporting period, the business of the associate was closed due to unsatisfactory performance. In view of the financial position of the associate has been deteriorated, the management considers that the recoverability of these receivables of HK\$2,267,000 was in doubt. Therefore, loss allowances of HK\$1,175,000 were made.

(d) As at 30 June 2020, loan and interest receivable of RMB10,652,000 (equivalent to HK\$11,717,000) (31 December 2019: RMB10,558,000 (equivalent to HK\$11,825,000)) from a non-controlling interest of a subsidiary is unsecured, interest bearing at the fixed rate of 4.35% per annum and repayable in December 2020. In view of the default of repayment of principal and interest of the loan, prolonged outstanding without settlement, the management considers it is probable that the recoverability of the loan receivable was in doubt. Therefore, loss allowances of RMB10,558,000 (equivalent to HK\$11,614,000) (31 December 2019: RMB10,558,000 (equivalent to HK\$11,825,000)) were made.

8. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	3,020	3,925
Other payables		
Accrued charges and other creditors	17,845	17,253
Contract liabilities	1,711	1,579
Cash consideration payable for acquisition of a subsidiary (<i>note a</i>)	–	37,172
Deposit received for disposal of subsidiary (<i>note c</i>)	2,750	–
Due to a former director (<i>note b</i>)	12,393	12,393
Due to associates	232	398
Loans from directors	5,839	2,840
	40,770	71,635
	43,790	75,560

Included in trade payables are trade creditors with the following ageing analysis by invoice date:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Less than 1 month	586	968
1 to 3 months	1,009	1,483
More than 3 months but less than 12 months	380	416
More than 12 months	1,045	1,058
	3,020	3,925

8. TRADE AND OTHER PAYABLES (Continued)

- (a) The cash consideration payable for a business combination in 2016 is unsecured, interest-free and payable on demand.
- (b) The amount due to former director, Mr. Yeung Chun Wai Anthony (“Mr. Yeung”), represented the remaining balance of consideration received from the disposal of 5,700,000 ordinary shares of SingAsia Holdings Limited (Stock Code: 8293) (the “SingAsia Shares”) on 9 June 2017, which was finally not approved at the special general meeting of the Company held on 29 December 2017 (“SingAsia Disposal”).

As at 31 December 2017, the total amount of approximately HK\$41,552,000 received from Mr. Yeung was accounted for as “other payables” and the 5,700,000 SingAsia Shares held by Mr. Yeung on behalf of the Group carried at a fair value approximately of HK\$101,802,000 are classified as “financial assets at FVPL”.

In March 2018, the 5,700,000 SingAsia Shares were sub-divided into 28,500,000 shares after sub-division of the issued share capital of SingAsia Holdings Limited (“Sub-divided SingAsia Shares”), of which 20,000,000 Sub-divided SingAsia Shares were returned to the Group by Mr. Yeung in exchange of consideration of approximately HK\$29,159,000 previously received by the Group.

As at 30 June 2020 and 31 December 2019, 8,500,000 Sub-divided SingAsia Shares were held by Mr. Yeung and the related balance of consideration received of approximately HK\$12,393,000 was accounted for as “due to a former director”. As disclosed in the announcement of the Company dated 12 March 2019, in view of the prolonged period of delay in the settlement of the remaining SingAsia Shares by Mr. Yeung, the Company had, through its solicitors, issued the Writ of Summons to commence legal proceedings against Mr. Yeung on 12 March 2019 to request for specific performance by Mr. Yeung of its obligations under the settlement agreement for the transfer of the remaining SingAsia Shares and damages for breach of contract, which may include the fair value losses in the SingAsia Shares in view of the recent drop in the price of SingAsia Shares. As at the date of this interim report, the Group and Mr. Yeung are in the process of preparation and exchange of statement of claims and defences for the legal proceedings.

- (c) Pursuant to the sales and purchase agreement on 13 May 2020, a deposit of RMB2,500,000 (equivalent to HK\$2,750,000) was received from the purchaser in relation to the major disposal as disclosed in note 9 and note 11.

9. DISPOSAL GROUP HELD FOR SALE

On 13 May 2020, the Company and the purchaser entered into the sales and purchase agreement, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to acquire the entire issued share capital of the subsidiary of the Company (the “Target Company”) at a consideration of RMB50,000,000. The Target Company also holds 25% of the equity interest in an associate company of the Group.

The financial results of the associate company have not been consolidated in the results of the Group and have been accounted for using the equity method. Immediately after the Disposal, the Group will cease to hold any interest in the Target Company and the associate company.

Assets and liabilities of the Disposal Group were classified as “Assets classified as disposal group held for sale” and “Liabilities classified as disposal group held for sale” respectively in accordance with *HKFRS 5* as 30 June 2020.

Assets classified as disposal group held for sale

	As at 30 June 2020 <i>HK\$’000</i> (Unaudited)
Interests in associates	55,078
Bank balances and cash	<u>106</u>
Total assets of the disposal group held for sale	<u><u>55,184</u></u>

Liabilities classified as disposal group held for sale

	As at 30 June 2020 <i>HK\$’000</i> (Unaudited)
Trade and other payables	<u>(183)</u>
Total liabilities of the disposal group held for sale	<u><u>(183)</u></u>

10. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following transactions with related parties:

Nature of transactions	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sundry income from an associate	–	5
Management fee expense to an associate	–	960
IT Supporting fee expense to an associate	–	72
Interest income from loan receivable from non-controlling interest of a subsidiary	<u>243</u>	<u>257</u>

11. EVENTS AFTER THE REPORTING PERIOD

Major disposal

On 13 May 2020, the Company had entered into a sales and purchase agreement with purchaser for the proposed disposal of the entire issued share capital of the subsidiary of the Company (the “Target Company”) which holds 25% of the equity interest in an associate company of the Group. The Company conditionally agreed to sell and the purchaser conditionally agreed to acquire the Target Company at a consideration of RMB50,000,000.

Please refer to the announcement for the details of the sales and purchase agreement dated 13 May 2020.

As at the date of issuance of these condensed consolidated financial statements, the disposal has not yet completed.

INTERIM DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

BUSINESS REVIEW AND OUTLOOK

Overview

During the Period, the Group's revenue increased by approximately 14.4% to approximately HK\$40.4 million compared to approximately HK\$35.3 million for the prior period. Due to more efficient management of cost control and the compensation claimed for the losses against the vendor of Diamond Frontier Investments Limited, profit from operations for the Period was approximately HK\$29.0 million, compared to loss of approximately HK\$18.3 million for the previous period.

Profit attributable to equity holders of the Company of approximately HK\$28.0 million was recorded for the Period compared to loss of approximately HK\$135.1 million for the previous period. The significant change of the loss situation is due to the combined effect of (1) the substantial decrease in net loss on disposal of listed securities and unrealized fair value losses in respect of investment in listed securities held for trading by approximately 99.0% to approximately HK\$1.1 million during the Period compared to prior period; and (2) the other income of approximately HK\$37.2 million arising from the setting-off of the outstanding balance of the consideration of approximately HK\$37.2 million regarding the acquisition of the entire issued share capital of Diamond Frontier Investments Limited against the loss suffered by the Group, as disclosed in the announcement of the Company dated 12 June 2020.

Telecom Business (Telecommunication and Information Technology Business)

Total revenue recorded by the Telecom Business, which comprises the telecommunications and information technology businesses in Singapore and Hong Kong, and remains as the Group's major revenue contributor in the Period, was approximately HK\$40.4 million, representing a 29.9% increase compared to approximately HK\$31.1 million for the prior period, mainly attributable to the increase in revenue of the wholesale voice telecommunications segment of the Telecom Business. The outbreak of COVID-19 causes disruptions to the business operations in the Telecom Business while the business environment, in general, deteriorates. Having said that, by comparison the adverse impact on the wholesale voice telecommunications segment was minor and the global demand for wholesale voice traffic remained relatively robust. The Group will continue sustaining the Telecom Business while striving to rationalise its cost structure. The Group anticipates that the level of business activities of the Telecom Business for the year 2020 will be comparable to that in the past year.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Telecom Business (Telecommunication and Information Technology Business) (Continued)

The economic and social disruption caused by the pandemic also force people across the globe to reshape their business and social life, relying heavily on information technology for information, working from home and online shopping and social interactions. The growing 5G and high speed broadband connectivity industry and telecommunication technologies will empower the transformation of people's living and working pattern globally. Therefore, the Group will keep pursuing different opportunities that may expand the business portfolio of the Group in the Telecommunications, Media & Technology (TMT) sector.

IT and Distribution Business (Financial Payment Processing Solution and Software Development Services, and Distribution Business)

During the period, there was no revenue generated from the IT and Distribution Business due to the impact of COVID-19 that significantly slowed down the business operation resulting in that no business opportunities were materialized during the Period, compared to approximately HK\$4.2 million for the previous period. Meanwhile, as disclosed in the Company's announcement dated 12 June 2020, the Group has set off an outstanding balance of consideration related to the acquisition of Diamond Frontier Investments Limited on 24 June 2016, which significantly reduces the financial burden of the Group.

At the date of this announcement, the Group has already appointed a new director to the board of Hangzhou Susong Technology Company Limited* (杭州蘇頌科技有限公司) in order to expedite the process of taking further necessary actions to recover the outstanding receivables in the second half of this year. Meanwhile, the Group will strive to improve the effectiveness of taking further actions that is still impacted by travel restrictions due to COVID-19 as the new director cannot go to Hangzhou to execute necessary actions as at the date of this announcement. As we expect that IT and Distribution Business will keep on facing increasingly challenging and uncertain business environment in the second half of 2020, and the Company will continue to negotiate with the potential buyer in relation to potential disposal of entire equity interest in Stage Charm Limited.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Property Development and Tourism Business

During the Period, the construction plan for the characteristic town in Wusu city has been further delayed due to the outbreak of COVID-19 in Xinjiang province. Though the new construction land for Wusu characteristic town project is under planning and discussion status, we expect that the characteristic town project in Wusu city will not generate investment returns to the Group in the short term.

As disclosed in the announcement of the Company dated 13 May 2020, the Company has entered into the legally-binding sales and purchase agreement with an independent third party in relation to potential disposal of the entire equity interest in B&R Investment Holding Limited, which in turn holds 25% equity interest in a PRC company engaging in the development of the aforesaid characteristic town project. The potential disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to its shareholders' approval. We believe the potential disposal is an opportunity to enable the Group's capital resources to be utilised more efficiently to support the Group's operation and business plan.

Outlook

Looking ahead, facing increasing uncertainties arising from US-China tensions escalation and the global economic downturn due to the pandemic, the Group will carry on striving to maintain the sustainability of the Telecom Business in the competitive market. As people across the globe demand for technology products and services more than ever before the pandemic, it will inevitably speed up the process of global digital transformation of more people's working and living pattern. Therefore, the Group will strive to protect its business reputation and to improve service quality so as to maintain its competitiveness in Telecom Business. Meanwhile, the Group will continue looking for business development opportunities in the industries of new emerging technology, information technology and 5G technology.

Through actively pursuing other investment opportunities to improve business performance, increasing operational efficiency and realising business synergy, it is expected that sustainable and steady business growth can be achieved and a more promising return can be offered to the Group and its shareholders as a whole.

FINANCIAL REVIEW

Revenue and results

The Group's revenue for the Period amounted to approximately HK\$40.4 million, representing an increase of approximately 14.4% from the corresponding period in the prior year. The increase is attributable to the expansion of wholesale voice telecommunications segment of the Telecom Business.

The gross profit for the Period decreased by approximately 66.3% to approximately HK\$3.1 million, compared to approximately HK\$9.2 million for the previous corresponding period. The overall gross profit margin of the Group for the Period dropped to approximately 7.7% (period ended 30 June 2019: approximately 26.0%). The decrease in gross profit and gross profit margin was mainly due to the stagnant IT and distribution business during the Period and the increased proportion of the Group's wholesale voice telecommunications segment of the Telecom Business during the Period which has lower gross profit margin.

Total operating expenses of the Group for the Period amounted to approximately HK\$12.5 million, representing a decrease of approximately 56.6% over the same period in the prior year. The decrease was mainly due to the streamlined cost structure and absence of depreciation on right-of-use assets and amortization of intangible assets for the Period.

The operating profit of the Group for the Period amounted to approximately HK\$29.0 million, compared to a loss of approximately HK\$18.3 million for the previous corresponding period. The operating profit was mainly attributable to the setting-off of the outstanding balance of consideration amounting to approximately HK\$37.2 million related to the acquisition of Diamond Frontier Investments Limited in 2016.

The Group recorded unrealised net loss on fair value changes of approximately HK\$1.1 million (period ended 30 June 2019: approximately HK\$110.3 million of unrealised net loss on fair value changes and approximately HK\$3.3 million of net loss on disposal and fair value changes) in respect of financial assets at FVPL for the Period.

The consolidated profit attributable to equity holders of the Company for the Period amounted to approximately HK\$28.0 million, compared to a loss of approximately HK\$135.1 million for the prior period.

FINANCIAL REVIEW (CONTINUED)

Impact of Coronavirus Disease 2019 (“COVID-19”)

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

Capital structure, liquidity and financing

As at 30 June 2020, the net assets of the Group amounted to approximately HK\$28.9 million compared to approximately HK\$1.9 million as at 31 December 2019.

Bank balances and cash (excluding pledged bank deposits) amounted to approximately HK\$4.2 million as at 30 June 2020 (31 December 2019: approximately HK\$6.7 million). As at 30 June 2020, approximately HK\$0.7 million (31 December 2019: approximately HK\$0.7 million) was pledged as bank deposits. In addition, bank guarantees of approximately HK\$0.7 million as at 30 June 2020 (31 December 2019: approximately HK\$0.7 million) were issued to suppliers for operations requirements.

The Group had loan from directors of approximately HK\$5.8 million as at 30 June 2020 (31 December 2019: approximately HK\$2.8 million). As at 30 June 2020, the Group had lease liabilities of approximately HK\$2.1 million (31 December 2019: approximately HK\$3.1 million).

As at 30 June 2020, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 27.3% (31 December 2019: approximately 310.3%). The decrease in gearing ratio mainly attributable to the setting-off of the outstanding balance of consideration amounting to approximately HK\$37.2 million resulted in the increase in net assets.

FINANCIAL REVIEW (CONTINUED)

Foreign exchange exposure

The Group has certain assets, liabilities, and transactions which are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the exchange rates of each of Singapore dollar, Hong Kong dollar and Renminbi and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 30 June 2020, no related currency hedges had been undertaken by the Group.

Contingent liabilities and commitments

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC. In April 2018, Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited* (宜賓仙源湖小鎮文旅有限公司) (“Yibin Company”) was incorporated in the PRC with registered capital of RMB200,000,000, for which Group has committed to contribute RMB70,000,000 before 3 April 2028, representing equity interest in 35% of Yibin Company. As at the end of the reporting period and up to the date of this announcement, no contribution has been made by the Group.

Other than the above, there were no material contingent liabilities or capital commitments.

Significant investments held and performance

As at 30 June 2020, the Group held listed investments in securities in Hong Kong (collectively, the “Investments”) with a market value of approximately HK\$0.4 million (31 December 2019: approximately HK\$1.4 million), which comprised an investment portfolio of five (31 December 2019: five) listed equities in Hong Kong. The Group recorded unrealised net loss on fair value changes of approximately HK\$1.1 million (period ended 30 June 2019: approximately HK\$110.3 million of unrealised net loss on fair value changes and approximately HK\$3.3 million of net loss on disposal and fair value changes) in respect of financial assets at FVPL for the Period.

FINANCIAL REVIEW (CONTINUED)

Significant investments held and performance (Continued)

The details of the Investments as at 30 June 2020 were as follows:

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Unrealised loss on fair value change for the period <i>HK\$'000</i>	Fair value as at 1 January 2020 <i>HK\$'000</i>	Fair value as at 30 June 2020 <i>HK\$'000</i>	% of net assets	Principal activities
1	New Provenance Everlasting Holdings Limited	02326	1,000,000	0.01%	(4)	17	13	0.04%	Sourcing and sales of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, provision of logistics services.
2	SingAsia Holdings Limited	08293	8,500,000	0.57%	(239)	494	255	0.88%	Provision of manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
3	China Saite Group Company Limited	00153	5,040,000	0.17%	(796)	796	–	0.00%	Construction of steel structure and prefabricated construction projects
4	Haitian Energy International Limited	01659	2,576,000	0.03%	–	–	–	0.00%	Hydropower generation and provision of power operation, repair and maintenance services
5	Sino Harbour Holdings Group Limited	01663	1,000,000	0.04%	(12)	141	129	0.45%	Property development and car parking spaces operation
					<u>(1,051)</u>	<u>1,448</u>	<u>397</u>		

During the Period, the Group had not received dividend from the securities held (period ended 30 June 2019: Nil).

The Board considers that the performance of the above equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long-term shareholder value. Save as disclosed below, the Directors are not aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2020, acting in compliance with the code provisions (the “Code Provisions”) of the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Listing Rules.

Pursuant to Code Provision C.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During the six months ended 30 June 2020, in view of the disruption to the normal office work arrangement due to the impact of COVID-19 in the first half of 2020, the management of the Company did not provide monthly management accounts of the Group’s subsidiaries to the Directors in a timely manner. The management of the Company will provide monthly updates on the Group’s performance, position and prospects and will try its best endeavors to provide management accounts of the Group’s subsidiaries to the Directors in the future. Although the management account of the Group’s subsidiaries was not provided to the directors in a timely manner, the management of the Company had arranged telephone call with the management of the Group’s subsidiaries regularly to obtain an understanding of the latest business affairs and conditions of the subsidiaries. The management of the Company will provide with all members of the Board, in a timely manner, updates upon becoming aware of any material changes to the performance and position of the Group and give explanatory information for matters brought before the Board. The management of the Company will also communicate with the Directors, including independent non-executive Directors, by email or by phone on any material development of the Group from time to time. The Company considered that the above measures will enable all members of the Board to have access to the Group’s latest development and affairs in a timely manner.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ transactions in securities of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee before they were duly approved by the Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

Details of the important events affecting the Group which have occurred since the end of the Period are set out in note 11 to the condensed consolidated interim financial statements.

PUBLICATION OF FURTHER INFORMATION

The 2020 Interim Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 31 August 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 four independent non-executive Directors, namely Mr. Huang Tao, Mr. Fong Wai Ho, Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus.

** For identification purpose only*