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長城一帶一路
Great Wall Belt & Road

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

**TERMINATION OF
EXISTING SALE AND PURCHASE AGREEMENT
AND
MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY UNDER
THE NEW SALE AND PURCHASE AGREEMENT**

**TERMINATION OF EXISTING SALE AND PURCHASE AGREEMENT
AND THE NEW SALE AND PURCHASE AGREEMENT**

On 20 November 2020, the Company entered into a termination deed with the Purchaser, pursuant to which it was agreed that (1) the Sale and Purchase Agreement shall be terminated, and (2) the Company shall be entitled to forfeit the deposit (being RMB2,500,000) paid by the Purchaser pursuant to the Sale and Purchase Agreement due to the default of the Purchaser.

On 20 November 2020, the Company entered into a new sale and purchase agreement with the New Purchaser, pursuant to which the Company conditionally agreed to sell and the New Purchaser conditionally agreed to acquire the Sale Interest at a consideration of RMB47,500,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the New Disposal exceeds 25% and all of the applicable percentage ratios are below 75%, the New Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

TERMINATION OF THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of Great Wall Belt & Road Holdings Limited (the “**Company**”) dated 13 May 2020 (the “**Announcement**”) regarding, among other things, the proposed disposal of the entire issued share capital of B&R Investment Holding Limited by the Company to Shaanxi China Investment Asset Management Company Limited* (陝西中投資產管理有限公司), and the announcements of the Company dated 3 June 2020, 3 July 2020, 21 July 2020, 21 August 2020, 21 September 2020 and 21 October 2020. Capitalised terms used herein have the same meanings as those defined in the Announcement unless the context otherwise require.

The Board was informed by the Purchaser that it wished to terminate the Sale and Purchase Agreement as it was unable to pay the remaining balance of the consideration for the Disposal (being RMB47,500,000). After mutual negotiation, on 20 November 2020, the Company entered into a termination deed with the Purchaser, pursuant to which it was agreed that (1) the Sale and Purchase Agreement shall be terminated, and (2) the Company shall be entitled to forfeit the deposit (being RMB2,500,000) paid by the Purchaser pursuant to the Sale and Purchase Agreement due to the default of the Purchaser.

THE NEW SALE AND PURCHASE AGREEMENT

Following the termination of the Sale and Purchase Agreement, on 20 November 2020, the Company entered into a new sale and purchase agreement with Vantage Network Global Limited (the “**New Purchaser**”), pursuant to which the Company conditionally agreed to sell and the New Purchaser conditionally agreed to acquire the Sale Interest (“**New Disposal**”) at a consideration of RMB47,500,000 (the “**New Sale and Purchase Agreement**”).

The key terms and conditions of the New Sales and Purchase Agreement are summarised below:

Date

20 November 2020

Parties:

Vendor: The Company

New Purchaser: Vantage Network Global Limited

The Sale Interest

The Sale Interest represents the entire issued share capital of the Target Company.

Consideration and payment terms

The consideration for the New Disposal is RMB47,500,000. The consideration shall be paid by the New Purchaser in cash in the following manner:

- (i) a sum of RMB23,750,000 (the “**New Refundable Deposit**”) shall be payable by the New Purchaser to the Company before 27 November 2020; and
- (ii) the balance of the consideration (being RMB23,750,000) shall be payable by the New Purchaser to the Company on the date of Completion.

The consideration for the New Disposal was determined after arm's length negotiation between the Company and the New Purchaser. Having taken into consideration (i) the book value/net asset value attributable to the Sale Interest as at 30 June 2020 of approximately HK\$54.99 million (approximately RMB46.6 million); (ii) the Company's aggregate paid-in investment in Target Company's projects of RMB50 million (of which RMB2.5 million has been recovered in the form of the Forfeited Deposit); (iii) the unlikely recovery in the near term of the remaining RMB47.5 million investment or any additional return due to the stalled status of the Target Company's projects; and (iv) the benefits to the Group in deploying the net proceeds of the New Disposal towards the business activities of the Group (including the lack of interest expense that would otherwise have to be paid were the Group to borrow the same amount), the Board considered that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i). the New Purchaser being reasonably satisfied with the results of the due diligence review in respect of the assets, liabilities, operation and affairs of the Target Company and the Project Company;
- (ii). the approval by the Shareholders of the New Sales and Purchase Agreement and the transactions contemplated thereunder being obtained at the SGM;
- (iii). the Company having obtained all the necessary consents and approvals in respect of the New Disposal of the Sale Interest;
- (iv). the New Purchaser having obtained all the necessary consents and approvals in respect of the acquisition of the Sale Interest;
- (v). no events having occurred which constitute or may constitute a breach of any representations made by the Company; and
- (vi). no events having occurred which constitute or may constitute a breach of any representations made by the New Purchaser.

The Company and the New Purchaser shall make their best endeavours to procure the fulfilment of the above conditions precedent. The Company shall have the right to waive the condition precedent no. (vi), while the New Purchaser shall have the right to waive the conditions precedent nos. (i) and (v) above. Conditions precedent nos. (ii), (iii) and (iv) cannot be waived.

If any of the conditions set out above is not fulfilled or, as the case may be, waived by the relevant party on or before 31 March 2021 (or such later date as the Company and the New Purchaser may agree in writing), then the New Sale and Purchase Agreement shall cease and determine and neither party shall have any liability or obligations under the New Sale and Purchase Agreement against the other save in respect of any antecedent breach.

Completion

Completion under the New Sale and Purchase Agreement (“**Completion**”) shall take place within 30 days (or such later date as the Company and the New Purchaser may agree in writing) after the fulfilment or waiver (as the case may be) of the above conditions precedent.

If Completion does not take place due to the default of the New Purchaser, the Company shall be entitled to forfeit the New Refundable Deposit, after which the Company shall not have any claims against the New Purchaser for compensation or specific performance of the agreement.

If Completion does not take place due to the default of the Company, the Company shall return the New Refundable Deposit (without interest) to the New Purchaser, after which the New Purchaser shall not have any claims against the Company for compensation or specific performance of the agreement.

If Completion does not take place due to reasons other than the default of the Company or the New Purchaser, the Company shall return the New Refundable Deposit (without interest) to the New Purchaser. The Company and the New Purchaser shall not have any claims against each other for compensation or specific performance of the agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. The Target Company is an investment holding company, and its principal asset is 25% equity interest of the Project Company. As at the date of this announcement, the remaining 75% equity interest of the Project Company is owned by the Great Wall Film. The Project Company was established in the PRC on 1 February 2018 between the Target Company and Great Wall Film. The business scope of the Project Company includes, among others, the development and management of tourism projects, development, investment and advisory on real estate projects and sales of tourism products. For details on the Project Company, please refer to the circular of the Company dated 8 December 2017.

The Project Company was formed for the development of the characteristic town in Wusu, Xinjiang Autonomous Region, the PRC (the “**Wusu Characteristic Town**”). However, as the Project Company was informed by the Wusu government that the pipeline works for the west-to-east natural gas transmission project (西氣東輸管線項目) will pass through the original project land of the Wusu Characteristic Town, the construction work for the Wusu Characteristic Town was suspended due to safety consideration. The Company understands that the Project Company has been liaising with the Wusu government for alternative sites for the development of Wusu Characteristic Town. However, there remains a high degree of uncertainty over when the development works for Wusu Characteristic Town may proceed.

The Target Company had contributed RMB50,000,000 to the Project Company pursuant to the joint venture agreement entered into between the Target Company and the Great Wall Film.

The Project Company is an associate company of the Group and its financial results have not been consolidated in the results of the Group and have been accounted for using the equity method. Immediately after the New Disposal, the Target Company will cease to be a subsidiary of the Company and the Group will cease to have any interest in the Target Company and the Project Company.

Set out below is the financial information of the Target Company for the two years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2019	2018
	Approximately	Approximately
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Revenue	–	–
Loss before taxation	1,022	5,215
Loss after taxation	1,022	5,215

The unaudited net assets of the Target Company as at 30 June 2020 was approximately HK\$54.99 million.

Set out below is the financial information of the Project Company for the two years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2019	2018
	Approximately	Approximately
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Revenue	–	–
Profit before taxation	–	33
Profit after taxation	–	33

The unaudited net assets value of the Project Company (after taking into consideration the unpaid capital contribution from a major shareholder) as at 30 June 2020 was approximately HK\$219,963,000.

Target Company also has a commitment to contribute, before 3 April 2028, RMB70 million to Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited* (宜賓仙源湖小鎮文旅有限公司) (“**Yibin Company**”). Yibin Company was formed pursuant to a joint venture agreement that was the subject of the Company’s announcement dated 3 April 2018. Yibin Company has remained inactive since its incorporation and no contribution has yet been made by the Group. Accordingly, Yibin Company has no material assets or liabilities as at 30 June 2020.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The Group 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.

INFORMATION OF THE NEW PURCHASER

The New Purchaser is a company established in the British Virgin Islands on 18 May 2016 with company number 1914123, the New Purchaser is an investment holding company directly owned by Zhang Zhong Yuan.

Each Director confirms that, to the best of his belief, neither the New Purchaser nor its ultimate beneficial owner is his associate (as defined in the Listing Rules) or otherwise a connected person of the Company.

REASONS FOR AND BENEFIT OF THE NEW DISPOSAL

As stated in the Announcement, the Directors considered that the New Disposal represented a good opportunity for the Group to generate additional cash flow by the disposal of non profitable investment in the Target Company. Given (i) the termination of the Disposal under the Deed of Termination and (ii) there not being any material positive development on the status of the Wusu Characteristic Town project nor the Yibin project during this year which means the generation of any return (if at all) from the Company's investment in the Target Company remains uncertain and remote, the Directors consider that it is in the interest of the Company to proceed with the New Disposal which allows the Group to realise its investment in the Target Company, generate cash inflow from the net proceeds of the New Disposal and to focus its resources (including the proceeds) towards the building of its existing businesses, especially in light of the impact on of the COVID-19 pandemic and/or explore new investment and business opportunities. The Directors believe that the terms of the New Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE NEW DISPOSAL

As at 30 June 2020, the unaudited carrying value of the Group's investment in the Sale Interest was approximately HK\$54,989,000. For illustration purpose, as a result of the disposal of the Sale Interest, it is estimated that the Company will realize an unaudited loss on disposal of the Sale Interest of approximately HK\$2,739,000, which will be credited to the profit and loss, being the difference of the cash proceeds from disposal of Sale Interest of approximately HK\$52,250,000 and the unaudited carrying value of Sale Interest of approximately HK\$54,989,000. The actual financial effect of the New Disposal will be determined based on the fair value of the assets and liabilities of the Target Company at completion of the New Disposal and is subject to audit and therefore may differ from the above estimation.

USE OF PROCEEDS

The net proceeds from the New Disposal after deducting related expenses are estimated to be approximately HK\$51,750,000. The Group intends to apply the net proceeds as general working capital of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the New Disposal exceeds 25% and all of the applicable percentage ratios are below 75%, the New Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Director has a material interest in the New Disposal and no Director was required to abstain from voting on the board resolutions to approve the New Disposal.

GENERAL

A special general meeting (the “SGM”) will be held and convened for the purpose of considering and, if thought fit, approving the New Sale and Purchase Agreement and the transactions contemplated thereunder.

Given his interest through Great Wall Film in the Project Company, Mr. Zhao has confirmed that Great Wall Belt & Road (HK) Limited will voluntarily abstain from voting on the resolutions to approve the New Disposal at the SGM. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the New Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the resolution to approve the New Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, further details of the New Sale and Purchase Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 11 December 2020.

Completion is subject to fulfilment of the conditions precedent as set out in the section headed “Conditions precedent” above of this announcement. As the New Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

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

Hong Kong, 20 November 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao Ruiyong, 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*