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GREATWALLE INC.

長城匯理公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08315)

DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTEREST IN SHANDONG SEVEN COMMANDOS SECURITY ESCORT CO., LIMITED

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 26 September 2019 (after trading hours), Guanhui Jiye, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 51% equity interest in the Target Company in accordance with terms and conditions of the Share Transfer Agreement for a cash consideration of up to RMB5,100,000, which comprises (1) RMB1,500,000 payable upon the fulfilment or waiver (as applicable) of all the conditions precedent under the Share Transfer Agreement and (2) the remaining amount of the consideration of RMB3,600,000 payable following three years from the date of completion of transfer of the Target Shares as agreed under the Share Transfer Agreement, after the Vendor fulfilled the Result Guarantee as agreed in the Agreement.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 26 September 2019 (after trading hours), Guanhui Jiye, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 51% equity interest in the Target Company in accordance with terms and conditions of the Share Transfer Agreement for a cash consideration of up to RMB5,100,000. The principal terms of the Share Transfer Agreement are set out below:

Date: 26 September 2019

Parties:

- (1) the Purchaser: Guanhui Jiye; and
- (2) the Vendor: Mr. Xie

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party to the Company and its connected person.

The Acquisition

According to the Share Transfer Agreement, the Vendor is the beneficial owner of 100% of the equity interest of the Target Company. The Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell its holding of the 51% equity interest in the Target Company.

Consideration

The Consideration is up to RMB5,100,000.00. The Consideration was agreed upon between the Purchaser and the Vendor after arm's length negotiation and was determined with reference to:

- (i) the paid-up capital of the Target Company of RMB10,000,000;
- (ii) the historical financial results and net assets value of the Target Company;
- (iii) the business development and future prospect of the Target Company;
- (iv) security licenses held by the Target Company; and
- (v) the Result Guarantee.

The Consideration is expected to be settled by cash from internal resources of the Company.

After taking into account of the factors that were considered by the parties in reaching the Consideration, the Directors believe that the Consideration and terms of the Share Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Payment Terms

Pursuant to the Share Transfer Agreement, Guanhui Jiye shall pay the Consideration under the Share Transfer Agreement to the Vendor in the following manner:

- (1) upon the fulfilment or the Purchaser's waiver (as the case may be) of all the conditions precedent as agreed under the Share Transfer Agreement, the Purchaser shall pay the initial payment of the Consideration of RMB1,500,000.00 to the Vendor.
- (2) following three years from the date of completion of transfer of the target equity interest as agreed under the Share Transfer Agreement, after the Vendor completed the Result Guarantee as agreed in the Agreement, the Purchaser shall pay the remaining amount of the Consideration of RMB3,600,000.00 to the Vendor. In the event that the Result Guarantee was not achieved, the Purchaser shall be exempted from the obligation to pay the remaining amount of the Consideration.

Conditions Precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions on or before the final closing date:

- (1) the parties of the Agreement having obtained all external and internal consent and authorisation process for the share transfer transaction under the Agreement, including but not limited to the internal resolution procedure between transferor and the transferee and the approval or resolution procedure as required by authorities such as the Hong Kong Stock Exchange;
- (2) there being no material adverse changes in the financial, operation, asset, qualification and personnel of the Target Company during the period from the entering of the Agreement to the payment of the initial amount of the Consideration by the Purchaser, and no breach or non-compliance of representation, undertaking and warrant by the Vendor under the Agreement.

The Purchaser may, in its absolute discretion, waive the above condition (2) by issuing a written notice to the Vendor. If any of the conditions precedent are not fulfilled or waived (as the case may be) within three months from the effective date of the Agreement, the Share Transfer Agreement will be automatically terminated and any rights, obligations and liabilities of the parties under the Share Transfer Agreement shall immediately lapse and no longer binding to the parties, whereby the Vendor shall not demand payment of Consideration from the Purchaser pursuant to the Share Transfer Agreement.

Completion

Both parties have confirmed that upon the payment of the initial amount of the Consideration by the Purchaser, 51% equity interest of the Target Company shall be transferred to the Purchaser. The Target Company shall become an indirect 51%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated in the account of the Company. Both parties shall complete the share transfer procedure of the Target Company with the relevant administration authorities following the completion of the equity transfer.

INFORMATION ON THE TARGET COMPANY

The Target Company is established in the PRC with limited liability. As at the date of this announcement, its registered capital is RMB10,000,000. It is principally engaged in the provision of security services with security service franchise qualifications in the PRC and holds the Security Service Licence (保安服務許可證) granted by the Shandong Provincial Public Security Bureau. The Vendor holds 100% equity interest of the Target Company.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2017 and 2018, which were prepared in accordance with the PRC Accounting Standards:

	For the year ended 31 December 2018 (unaudited) RMB	For the year ended 31 December 2017 (unaudited) RMB
Revenue	6,961,627	2,129,998
Net profit/(loss) before taxation	(1,369)	387,515
Net profit/(loss) after taxation	(1,369)	348,763

According to the unaudited financial information of the Target Company, the net assets value of the Target Company as at 31 December 2018 was approximately RMB10,401,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the provision of manned security guarding services, which is licensed to be provided under Security Company Licence (Type I Security Work) in accordance with the Security Company License regime; and (ii) the provision of financial business consulting and management services.

The Target Company is principally engaged in the provision of security services with security service franchise qualifications. It is a security company principally engaged in the provision of integrated high-end security services, focusing on the protection of human and technology, security checks and special services, with customers from local education and training sectors, real estate industry, etc. Approximately 60% of the Target Company's mid-level workforce has military background and is equipped with professional attainment and management experience in the industry.

The Acquisition will provide the Company with the opportunity to explore the Mainland China market starting from Shandong province and moving towards the whole country by setting up subsidiaries to commence business operation, as well as to introduce the well-established management system and management experience in Hong Kong into the security services business in Mainland China, so as to achieve continuous expansion of the Company's business in both the Mainland China and Hong Kong markets and strengthening of the Group's principal business.

The Board is of the view that the terms of the Share Transfer Agreement are entered into on normal commercial terms after arm's length negotiation between the parties, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

As the completion is subject to several conditions set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. The shareholders and public investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Target Shares by the Purchaser from the Vendor in accordance with terms and conditions of the Share Transfer Agreement
“Board”	the board of Directors
“Company”	Greatwall Inc.(長城匯理公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the amount up to RMB5,100,000, being the cash consideration for the Target Shares payable under the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	the person and its ultimate beneficial owners who are independent of the Company and its connected person
“Purchaser” or “Guanhui Jiye”	Shenzhen Guanhui Jiye Property Management Limited, a company established and legally existing under the laws of the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company

“Result Guarantee”	meaning the total income for the three financial years ended 2019, 2020 and 2021 of the Target Company (the year-end date being the financial year-end date of the Company) as audited and confirmed by a third party auditing firm in aggregate shall not be less than RMB60 million
“Share Transfer Agreement”	the definitive sale and purchase agreement entered into between the Purchaser and the Vendor in relation to the Acquisition
“Target Company”	Shandong Seven Commandos Security Escort Co., Limited (山東七兵堂安保押運有限公司), a company incorporated in the PRC with limited liability, which is 100%-owned by the Intended Vendor as at the date of this announcement
“Target Shares”	51% equity interest of the Target Company held by the Vendor
“Vendor” or “Mr. Xie”	Mr. Xie Qingsen, an individual who holds 100% equity interest in the Target Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Greatwalle Inc.
Song Xiaoming
Chairman and Executive Director

Hong Kong, 26 September 2019

As at the date of this announcement, the executive Directors are Mr. Song Xiaoming, Ms. Pang Xiaoli, Mr. Hon Hoi Chuen and Ms. Lin Shuxian; and the independent non-executive Directors are Mr. Li Zhongfei, Mr. Zhao Jinsong and Ms. Guan Yan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for 7 days from the date of its posting and will also be posted on the Company’s website at www.kingforce.com.hk.