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## **GREATWALLE INC.**

**長城匯理公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08315)**

### **SUPPLEMENTARY ANNOUNCEMENT ON ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**

Reference is made to the annual report of Greatwalle Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2019 (“**FY 2019**”) (the “**FY 2019 Annual Report**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the FY 2019 Annual Report.

This announcement is intended to provide additional information on the financial performance of the Group’s Manned Security Guarding Services for FY 2019.

In FY 2019, the revenue of fixed manned security guarding services (the “**Fixed Services**”) contributed approximately 70.8% of the total revenue of manned security guarding services (the “**Total Revenue of Security**”) (For the year ended 31 March 2018 (“**FY 2018**”): approximately 85.4%). The number of Fixed Services engagements decreased from 209 in FY 2018 to 115 in FY 2019. In addition, the average service fee for the Fixed Services decreased significantly from approximately HK\$457,000 to approximately HK\$223,000, representing a year-on-year decrease of approximately 51.2%. The decrease in revenue from the Fixed Services was mainly attributable to (1) the decrease in revenue from the Fixed Services contributed by construction companies, which was mainly due to the fact that one of the customer groups was contractors who participated in a number of large-scale infrastructure and railway construction in Hong Kong, and that they ceased to procure the Fixed Services from the Group as most of the projects had been completed at the end of 2018; (2) the decrease in Fixed Services from commercial customers, which was mainly due to customers’ reduction in spending and less engagements of security guards as a result of the shrinking and declining retail and sales; and (3) the decrease in revenue from the Fixed Services contributed by warehouse operators, which was mainly due to the fact that customers significantly cut their security guarding expenses or closed down their warehouses given that warehousing and logistics services arising from business transactions between China and Hong Kong were subject to uncertainties in the economic environment.

The temporary manned security guarding services (the “**Temporary Services**”) contributed approximately 0.8% of the Total Revenue of Security in FY 2019 (FY 2018: approximately 2.4%). The number of Temporary Services engagements decreased from 20 in FY 2018 to 4 in FY 2019. Revenue from the Temporary Services recorded a year-on-year decrease of approximately 89.3% with a shrinking business volume, and the average service fee thereof decreased by approximately 47%. The decrease in revenue from the Temporary Services was mainly attributable to the fact that the Temporary Services for commercial customers recorded no revenue in FY 2019, which was believed to be the result of customers’ reduction in spending and less engagements of the Temporary Services due to the aforesaid shrinking and declining retail and sales.

The event security guarding services (the “**Event Services**”) contributed approximately 28.4% of the Total Revenue of Security in FY 2019 (FY 2018: approximately 12.2%). The number of Event Services engagements decreased significantly from 151 in FY 2018 to 8 in FY 2019, representing a year-on-year decrease of approximately 94.7%. The decrease in revenue from the Event Services was mainly due to the significant decrease in revenue from the largest customer of the Event Services. The decrease in revenue from the Event Services was partially offset by the increase in revenue from the secondment of staff in the Event Services.

Excluding the revenue from the largest customer and the secondment of staff as described above, the average service fee for the Event Services decreased by approximately 7.7%.

Apart from the aforesaid, the management believes that the shrinking number of customers in the Fixed Services, the Temporary Services and the Event Services and the decreasing fee thereof are mainly due to the following macro factors:

- (1) The increase in the minimum wage has brought about a ripple effect which adds pressure on the labour market and drives up the market price. Currently, there is labour shortage in the industry with a shortage rate ranging from 8% to 10%. As the Group had to pay higher salary to hire security guards due to labour shortage, the Group had no choice but to raise its service fees, leading to customers’ unwillingness to renew contracts with the Group;
- (2) Intrusion alarm systems, closed-circuit televisions, access control systems and smart devices have been widely adopted in the security guarding industry to prevent unauthorised entry, which is gradually reducing the number of security guards to be deployed on the site. In addition, smart building technology has a considerable impact on traditional security manpower requirements; and

- (3) The rapid growth in the number of licensed security companies during the period from 2018 to 2019 resulted in fierce competition in the industry, allowing customers to have more choices and leading to a decrease in the number of the Group's customers of different categories as well as the revenue therefrom.

Due to the reasons above, when the Group's existing customers re-tendered for their security guarding services, the Group failed to secure such tenders to provide continued services as the service fees bid by the Group exceeded the customers' budgets and competition from its peers.

Based on the above, the operating results of the Manned Security Guarding Services suffered a substantial decline as a result of the combined effects of the macro environment, market competition and the Company's loss of personnel. The Company and the board of Directors have consistently retained and developed the security guarding business as one of the Company's current core businesses. In response to the difficulties encountered in the security guarding business, the Company will continue to increase its investment in the related businesses from various aspects including market expansion and manpower input, aiming to maintain the sustainable development of its security guarding business.

Since its establishment, the Company has strived to develop and maintain good relationships with its customers. However, due to changes in the economic environment of Hong Kong and intensifying market competition of the security guarding business, the Company faced headwinds in customer development. As a labour-intensive business, the development of the Company's security guarding business relies on the concerted effort of all staff of the Company. The Company always attaches great importance to staff recruitment and training. In response to the downturn of the security business, the Company has mapped out the following policies:

- (1) The Company will maintain a stable team of security guards through continuous recruitment efforts, while continuing to enhance staff training. By enhancing the sense of belonging among the staff upon the Company and improving the service quality of the security guards, the customer satisfaction and loyalty towards the Company's service team will be enhanced;
- (2) The Company will continuously follow the development trend of security guarding market. With the broad application of technology in the security guarding market, the Company will gradually increase the input of new security equipment in the security guarding business, and enhance the service of security guards in terms of efficiency and quality. Thus, the pressure from the increasing staff cost upon the operation of the Company will be lowered in an orderly manner. With the external development of market and the internal training and enhancement of the staff, the Company expected to maintain a healthy development in the security guarding business;

- (3) The Company will recruit more staff, seek for more staff recruitment plans and enhance the training on the quality of security guards to provide the customers with more professional and high quality services;
- (4) The Company will discuss with customers on how to enhance the quality of security guarding services, so as to strengthen the customer relationships and lower the possibility of losing customers;
- (5) The Company will enter into letters of intent with customers to ensure that priority will be given to the Company when the customer was in need of and in search of security guarding services in the future;
- (6) The Company will approach companies with different business natures, enhance the communication with construction sites, commercial buildings and property management companies, so as to understand the need of security guards from the customers and cater for their needs, thus making the customers more confident to cooperate with the Company;
- (7) The Company will focus on exploring the PRC market and strenuously develop the integrated security guarding service business. The Group has set up Shenzhen Guanhui Jiye Property Management Limited (“**Guanhui Jiye**”), a wholly-owned subsidiary of the Company, as the operating unit to carry out the relevant business in the PRC. Guanhui Jiye has conducted discussions with a number of property development companies and property management companies in the PRC to explore cooperation opportunities. Benefitting from the quality security guarding services system developed by and the extensive security guarding services management experience from the Group in Hong Kong, Guanhui Jiye was in preparation of the talents needed and developing the management system for the establishment of the business. It was expected that the mature management system and managing experience of Hong Kong will be introduced to the integrated security guarding service in the PRC, which will contribute to the sustained development of both the Hong Kong and the PRC markets.

The information in this announcement does not affect information disclosed in the FY 2019 Annual Report, and there are no other changes in the contents of the FY 2019 Annual Report.

By order of the Board  
**Greatwalle Inc.**  
**Pang Xiaoli**  
*Chairman and Executive Director*

Hong Kong, 26 July 2019

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

*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 GEM of the Stock Exchange 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 other matters the omission of which would make any statement herein or this announcement misleading.*

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